

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
and
PRELIMINARY OFFICIAL STATEMENT**

CITY OF HALTOM CITY, TEXAS

(A Political Subdivision of the State of Texas Located in Tarrant County, Texas)

\$6,000,000*

**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A
(THE “BONDS”)**

**The Bonds will NOT be designated as
“QUALIFIED TAX-EXEMPT OBLIGATIONS”**

**Bids due
Monday, October 25, 2021
at
11:00 A.M., Central Time**

*Preliminary, subject to change based on bid structures. See “THE BONDS – MATURITY SCHEDULE” and “THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS” in the Official Notice of Sale relating to the Bonds.

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This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds defined and described herein. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

\$6,000,000*

CITY OF HALTOM CITY, TEXAS

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

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A

THE BONDS WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The City Council (the “City Council”) of the City of Haltom City, Texas (the “City” or the “Issuer”) is offering for sale at competitive bid its \$6,000,000* General Obligation Refunding Bonds, Series 2021A (the “Bonds”).

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Monday, October 25, 2021. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System (“PARITY”) and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Monday, October 25, 2021 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

OPENING OF BIDS: Bids will be opened and publicly read at 11:00 A.M., Central Time, on Monday, October 25, 2021, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the “Financial Advisor”) and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Bonds as described in the section entitled “AWARD AND SALE OF THE BONDS” below.

AWARD AND SALE OF THE BONDS: By 12:00 P.M. noon. Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall award the Bonds to the **low qualified bidder (the “Winning Bidder”)**, as described in the section entitled “CONDITIONS OF SALE – Basis of Award” herein subject to final approval of the City Council which will take action to adopt an ordinance (the “Ordinance”) authorizing the issuance and awarding sale of the Bonds or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Monday, October 25, 2021. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

*Preliminary, subject to change based on bid structures. See “THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS” herein.

THE BONDS

DESCRIPTION OF CERTAIN TERMS OF THE BONDS: The Bonds will be dated November 1, 2021 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on February 1, 2022, and semiannually on each August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Bonds 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 (the “Securities Depository”). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds 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 Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.) The Bonds will be stated to mature on February 1 in each of the following years in the following amounts:

MATURITY SCHEDULE (Due February 1)

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2022	\$ 70,000	2028	\$ 655,000
2023	570,000	2029	465,000
2024	615,000	2030	465,000
2025	630,000	2031	470,000
2026	640,000	2032	480,000
2027	650,000	2033	290,000

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed \$6,000,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

SERIAL BONDS AND/OR TERM BONDS: Bidders may provide that all of the Bonds be issued as serial maturities or may provide that any one or more consecutive annual principal amounts be combined into one or more term bonds, not to exceed two term bonds (the “Term Bonds”).

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts to be combined into one or more Term Bonds, each such Term Bond will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Bond and continuing on February 1 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Bonds then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the City or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The City reserves the right, at its option, to redeem the Bonds maturing on or after February 1, 2031, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2030, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described in the Preliminary Official Statement.

SECURITY FOR PAYMENT: The Bonds are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See “TAX RATE LIMITATIONS” in the Preliminary Official Statement.)

OTHER TERMS AND COVENANTS: Other terms of the Ordinance and the various covenants of the City contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

*Preliminary, subject to change. See “THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS”.

SUCCESSOR PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA, Dallas Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Bonds.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, 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 City, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Bonds from the Dated Date of the Bonds to the date of Initial Delivery (defined herein) of the Bonds. **No bid producing a cash premium on the Bonds that results in a dollar price of less than 103% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE BONDS - ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Bonds (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Bonds on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Bonds plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") to the date of initial delivery of the Bonds, relating to the excludability of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of initial delivery of the Bonds) a certification as to their initial offering prices of the Bonds (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale (See "ESTABLISHMENT OF ISSUE PRICE" herein).

ESTABLISHMENT OF ISSUE PRICE:

(a) The Winning Bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City by the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the City, and Norton Rose Fulbright US LLP, the City's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Bonds under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's Financial Advisor and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the Winning Bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”). The City shall promptly advise the Winning Bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.** In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(e) The City acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled “ESTABLISHMENT OF ISSUE PRICE”:

- (1) “public” means any person other than an underwriter or a related party,
- (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common

ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (4) "sale date" means the date that the Bonds are awarded by the City to the Winning Bidder.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "City of Haltom City, Texas" in the amount of \$120,000, which is 2% of the par value of the Bonds (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Bonds are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Bonds; however, should the Purchaser fail or refuse to take up and pay for the Bonds, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

It is the obligation of the City to receive information from Winning Bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Bonds to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Bonds is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Haltom City, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Haltom City GORB2021A – Bid Form) and description of the goods or services (Purchase of the City of Haltom City, Texas General Obligation Refunding Bonds, Series 2021A). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The executed Disclosure Form must be sent by email to the City's financial advisor at mmcliney@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Stephanie Leibe, c/o Norton Rose Fulbright US LLP, 98 San Jacinto Blvd., Suite 1100, Austin, Texas 78701, along with a PDF executed version sent to stephanie.leibe@nortonrosefulbright.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Bonds until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at <https://www.ethics.state.tx.us/filinginfo/1295>.

ADDITIONAL CONDITIONS OF AWARD: Verification Regarding Israel Boycott. Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law. As used in the foregoing verification, 'boycott Israel,' a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Verification Regarding Terrorist List. Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>; <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Verification Regarding Discrimination Against Firearm Entity or Trade Association. Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, (1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association, and (2) will not discriminate during the term of the agreement against a firearm entity or firearm trade association. The foregoing verification is made solely to comply with Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law.

As used in the foregoing verification and the following definitions,

- (a) 'discriminate against a firearm entity or firearm trade association,' a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association,
- (b) 'firearm entity,' a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and
- (c) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

Each bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

Verification Regarding Energy Company Boycotts. Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of the agreement. The foregoing verification is made solely to comply with Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies," a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. Each bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

In connection with approval of the Bonds, the Texas Attorney General may require confirmation of any or all of the foregoing verifications. The winning bidder must be able to provide such confirmation(s) in a form acceptable to the Texas Attorney General, if requested.

OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the City and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE: The City has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the City of the initial offering yields of the Bonds.

The City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The City consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The City will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the City intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the City makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds.

FINAL OFFICIAL STATEMENT: In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Bonds, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the City and the Bonds to subsequent purchasers of the Bonds, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Bonds to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Bonds have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the City to do so will terminate when the City delivers the Bonds to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Bond (the "Delivery Date"), 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 Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the initial 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 the date of the last financial statements of the City appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the City.

CONTINUING DISCLOSURE AGREEMENT: The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BONDS: The initial delivery of the Bonds to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Bond in the total principal amount of \$6,000,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Bond for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Bond"), signed by manual or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Bonds will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Bond, they shall be immediately canceled and one Bond for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Bond must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery of the Initial Bond can be made on or about January 14, 2021, but if for any reason the City is unable to make delivery by January 14, 2021, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Bonds. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the City's reasonable control.

EXCHANGE OF INITIAL BONDS FOR DEFINITIVE BONDS: Upon payment for the Initial Bond at the time of such delivery, the Initial Bond is to be canceled by the Paying Agent/Registrar and registered definitive Bonds delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Bonds shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Bond, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Bond and delivery of registered definitive Bonds may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Bond, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE", all as described below. In addition, if the City fails to comply with its obligations described under "OFFICIAL STATEMENT- FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the City within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligation of the Purchaser to take up and pay for the Bonds, and of the City to deliver the Initial Bond, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Bond, there shall have been no material adverse change in the affairs of the City subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Bonds are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Bonds are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Bonds shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Bonds 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 Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds 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. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds 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 its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds 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 interest rate as the Bonds surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for determining the party to whom the semiannual interest on the Bonds is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

RATINGS: A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the rating is given, and the City makes no representations 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 such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Bonds are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from www.samcocapital.com.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Bonds, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

/s/ Dr. An Truong
Mayor,
City of Haltom City, Texas

ATTEST:

/s/ Art Camacho
City Secretary,
City of Haltom City, Texas

October 25, 2021

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OFFICIAL BID FORM

Honorable Mayor and City Council
 City of Haltom City
 5024 Broadway
 Haltom City, Texas 76117

October 25, 2021

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated October 18, 2021, which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for \$6,000,000 (preliminary, subject to change) CITY OF HALTOM CITY, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A, dated November 1, 2021 (the "Bonds").

For said legally issued Bonds, we will pay you \$ _____ (being a price of no less than 103% par value) plus accrued interest from their date to the date of delivery to us for Bonds maturing on February 1, in each of the following years, and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2022	\$ 70,000		2028	\$ 655,000	
2023	570,000		2029*	465,000	
2024	615,000		2030*	465,000	
2025	630,000		2031*	470,000	
2026	640,000		2032*	480,000	
2027	650,000		2033*	290,000	

**Maturities available for Term Bonds.*

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: _____ %

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Bonds, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed \$6,000,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the principal maturities set forth in the table above, we have created term Bonds (the "Term Bonds") as indicated in the following table (which may include no more than two Term Bonds. For those years which have been combined into a Term Bond, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Bond maturity date will mature in such year. The Term Bonds created are as follows:

Term Bond Maturity Date February 1	Year of First Mandatory Redemption	Principal Amount of Term Bond	Interest Rate
_____	_____	_____	_____
_____	_____	_____	_____

The Initial Bond shall be registered in the name of _____ which will, upon payment for the Bonds, be cancelled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the _____ Bank, _____, Texas, in the amount of \$120,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale. Upon delivery of the Bonds, said check is to be returned to the Purchaser.

We agree to accept delivery of the Bonds utilizing the Book-Entry-Only System through DTC and make payment for the Initial Bond in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 A.M., Central Time, on Thursday, November 18, 2021 or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Bonds to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it (1) does not and will not "boycott Israel", (2) is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, (3) does not and will not "discriminate against a firearm entity or firearm trade association", and (4) does not and will not "boycott energy companies", all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD".

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM", complete an electronic form of the Bond of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the City's financial advisor at mmcliney@samccapital.com and Bond Counsel at stephanie.leibe@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

By: _____
Authorized Representative

Telephone Number

E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Haltom City, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 25th day of October 2021.

/s/ _____
Mayor,
City of Haltom City, Texas

ATTEST:

/s/ _____
City Secretary,
City of Haltom City, Texas

\$6,000,000*
CITY OF HALTOM CITY, TEXAS
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2021A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____, _____, _____ (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Obligations") of the City of Haltom City, Texas (the "Issuer").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by _____ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Obligations used by the "Purchaser" in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by the "Purchaser" to purchase the Obligations.

(b) _____ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by _____ constituted a firm offer to purchase the Obligations.

2. Defined Terms.

(a) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is October 25, 2021.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

By: _____
Name: _____
Title: _____

Dated: October 25, 2021

*Preliminary, subject to change.

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SCHEDULE A
EXPECTED OFFERING PRICES

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SCHEDULE B

COPY OF UNDERWRITER'S BID

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE BOOK-ENTRY-ONLY

Rating: S&P “Applied for”
(See “OTHER PERTINENT INFORMATION – Rating” herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: October 18, 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 Bonds (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under “TAX MATTERS” herein, interest on the Bonds 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 Bonds and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. (See “TAX MATTERS” herein.)

The Issuer will NOT designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions.

\$6,000,000*
CITY OF HALTOM CITY, TEXAS
(A POLITICAL SUBDIVISION OF THE STATE OF TEXAS LOCATED IN TARRANT COUNTY)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A

Dated Date: November 1, 2021

Due: February 1, as shown on inside cover

The \$6,000,000* City of Haltom City, Texas General Obligation Refunding Bonds, Series 2021A (the "Bonds") are being issued by the City of Haltom City, Texas (the "Issuer" or the "City") in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council on October 25, 2021, and the City's Home Rule Charter. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds are direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Bonds will accrue from November 1, 2021 (the "Dated Date") and will be payable on February 1 and August 1 of each year, commencing February 1, 2022 until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds 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 (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as initial 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 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used (1) to refund certain of the City's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (2) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)

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

The Bonds are offered for delivery, when, as and if issued and received by the initial purchasers thereof at a competitive sale (the "Purchasers") 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, Texas, Bond Counsel. (See "LEGAL MATTERS – Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.) It is expected that the Bonds will be available for delivery through DTC on or about November 18, 2021.

BIDS DUE MONDAY, OCTOBER 25, 2021 11:00 A.M. CENTRAL TIME

*Preliminary, subject to change.

\$6,000,000*
CITY OF HALTOM CITY, TEXAS
(A political subdivision of the State of Texas located in Tarrant County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A

STATED MATURITY SCHEDULE*
CUSIP No. Prefix ⁽¹⁾ 406450

<u>Stated Maturity February 1</u>	<u>Principal Amount*</u>	<u>Initial Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix^(a)</u>
2022	\$ 70,000			
2023	570,000			
2024	615,000			
2025	630,000			
2026	640,000			
2027	650,000			
2028	655,000			
2029	465,000			
2030	465,000			
2031	470,000			
2032	480,000			
2033	290,000			

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on or after February 1, 2031, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2030, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Bonds to be grouped together as a "Term Bond" and such "Term Bonds" would also be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owner of the Bonds. 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 Purchasers are responsible for the selection or correctness of the CUSIP numbers set forth herein.

**CITY OF HALTOM CITY, TEXAS
5024 BROADWAY
HALTOM CITY, TEXAS 76117
PHONE: (817) 222-7700**

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Dr. An Truong Mayor	7	2023	Retired
Marian Hillard Councilmember, Place 1	2	2023	Retired
Tiffany Chandler Councilmember, Place 2	1	2023	Medical Data Coder
Lin Thompson Mayor Pro Tem, Councilmember, Place 3	2	2022	Retired
Charlie Roberts Councilmember, Place 4	1	2022	Technical Trainer
Susan Soule Councilmember, Place 5	1	2022	Retired
Kyle Smith Councilmember, Place 6	1	2022	Public Works Inspector Supervisor
Don Cooper Councilmember, Place 7	1	2023	Minister

ADMINISTRATION

Name	Position	Length of Service With the City (Years)
Rex Phelps	City Manager	5
Sidonna Foust	Assistant City Manager/Director of Finance	5
Art Camacho	City Secretary	13
Wayne K. Olson	City Attorney	28

CONSULTANTS AND ADVISORS

Bond Counsel..... Norton Rose Fulbright US LLP
Austin, Texas

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

Auditor..... Pattillo, Brown and Hill L.L.P.
Waco, Texas

For Additional Information Please Contact:

Ms. Sidonna Foust
Director of Finance
City of Haltom City
5024 Broadway
Haltom City, Texas 76117
(817) 222-7706 Telephone
sfoust@haltomcitytx.com

Mr. Mark M. McLiney
Mr. Andrew T. Friedman
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760 Telephone
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission as amended and in effect on the date of this Preliminary Official Statement (the "Rule"), this document constitutes an "official statement" of the Issuer with respect to the Bonds that has been "deemed final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

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

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

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THE BONDS 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 BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

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The cover page, subsequent pages hereof, the schedule, 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 Bonds 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.

The Issuer	The City of Haltom City, Texas (the "City" or "Issuer"), a municipal corporation and political subdivision of the State of Texas, is located on U.S. Highway 377, four miles northeast of Fort Worth, Texas, in central Tarrant County, Texas. The City's 2021 estimated population is 43,450. The area of the City is 12.4 square miles. The City was incorporated in 1949 and adopted a Home Rule Charter on October 10, 1955 and operates under a Council/Manager form of government. The Home Rule Charter was most recently amended pursuant to a successful election held within the City on May 1, 2021. The City Council consists of eight members (a Mayor and seven council members) elected by the City's residents. (See "APPENDIX B - General Information Regarding the City of Haltom City, Texas and Tarrant County, Texas" herein.)
The Bonds	The \$6,000,000* City of Haltom City, Texas (the "Issuer" or the "City") are being issued in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code, the City's Home Rule Charter, and an ordinance (the "Ordinance") to be adopted by the City Council on October 25, 2021.
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas.
Security for the Bonds	The Bonds constitute direct and general obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)
Redemption Provisions	The Bonds maturing on or after February 1, 2031 are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2030 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Bonds to be grouped together as one or more term Bonds and such term Bonds would be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds 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 the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.)
NOT Qualified Tax-Exempt Obligations	The Issuer will NOT designate the Bonds as "Qualified Tax-Exempt Obligations".
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used (1) to refund certain of the City's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (2) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS - Purpose of Bonds" herein.)
Rating	A municipal bond rating application for the Bonds has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" 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 to occur on or about November 18, 2021.
Legality	Delivery of the Bonds 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, Texas, Bond Counsel.

*Preliminary, subject to change.

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PRELIMINARY OFFICIAL STATEMENT

Relating to

\$6,000,000*

CITY OF HALTOM CITY, TEXAS

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

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Haltom City, Texas (the “City” or the “Issuer”) of its \$6,000,000* General Obligation Refunding Bonds, Series 2021A (the “Bonds”) 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 the City’s 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 Bonds 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 Northeast 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 Bonds will be filed by the Purchasers 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. 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 July 29, 2021, the Governor issued Executive Order GA-38, which supersedes all pre-existing executive orders related to COVID-19 and rescinds them in their entirety, except for Executive Order GA-13 (relating to detention in county and municipal jails) and Executive Order GA-37 (related to migrant transport). Executive order GA-38 combines several previous executive orders into one order and continues the prohibition against governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance. It also prohibits governmental entities from: (1) compelling any individual to receive a COVID-19 vaccine administered under emergency use authorization, and (ii) enforcing any requirements to show proof of vaccination before receiving a service or entering any place (other than nursing homes, hospitals and similar facilities) if the public or private entity that has adopted such requirement receives public funds through any means. Executive Order GA-38 remains in effect 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 Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Bonds. The City, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the City.

*Preliminary, subject to change.

The City collects a sales and use tax on all taxable transactions within the City's boundaries, revenue from the sale of water and the collection of sewage, franchise fees based on private utility sales, and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes, utility system revenue, 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 City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

Convening of the Texas Legislature

On January 12, 2021, the 87th Texas Legislature convened in general session which adjourned on May 31, 2021. The Texas Governor called a first special session which began July 8, 2021, and concluded on August 6, 2021. The Governor called a second special session which began on August 7, 2021 and concluded on September 2, 2021. The Governor called a third special session which convened on September 20, 2021, and 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 the financial condition of the City. The City makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed and final legislation for any developments applicable to the City.

PLAN OF FINANCING

Purpose of Bonds

Proceeds from the sale of the Bonds will be used (1) to refund certain of the City's currently outstanding Bonds, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (2) to pay costs of issuance and expenses relating to the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with BOKF, NA, Dallas, Texas, a national banking association (the "Escrow Agent") pursuant to an Escrow Deposit Letter dated as of October 25, 2021 (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the City (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled date of early redemption (the "Redemption Date"). Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the City, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Ordinance was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA". Cash and investments, if any, held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt. The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

THE BONDS

General Description

The Bonds will be dated November 1, 2021 (the "Dated Date"), will be issued in denominations of \$5,000 principal or any integral multiple thereof within a stated maturity, and 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. Interest on the Bonds will accrue from the Dated Date, with such interest payable on February 1 and August 1 of each

year, commencing February 1, 2022, until stated maturity or prior redemption. Principal and interest on the Bonds 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 Bonds 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 herein) 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 Bonds 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 Bonds will 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 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 Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, as amended, Texas Government Code, the Ordinance, and the City's Home Rule Charter.

Security for Payment

The Bonds are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Redemption Provisions

The Issuer reserves the right to redeem Bonds stated to mature on or after February 1, 2031, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar) on February 1, 2030 or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Two or more consecutive maturities of the Bonds may be grouped together as a term bond by the Purchasers, and such term bonds would be subject to mandatory sinking fund redemption in accordance with the Ordinance. If less than all of the Bonds within a stated maturity are to be redeemed, the particular Bonds to be redeemed will be selected by lot or by other customary random method by the Paying Agent/Registrar.

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the City shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Bonds 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 Bond 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 Bonds 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 Bonds 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 ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than \$5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds 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 Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds 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 Bonds from the Beneficial Owners. Any such selection of Bonds 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 or 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 Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Sources and Uses

<u>Sources of Funds</u>	<u>The Bonds</u>
Par Amount	\$ _____
Accrued Interest	_____
[Net] Reoffering Premium	_____
City Cash Contribution	_____
Total Sources of Funds	\$ _____
<u>Uses of Funds</u>	
Deposit to Escrow Fund	\$ _____
Costs of Issuance	_____
Purchasers' Discount	_____
Deposit to Bond Fund	_____
Total Uses of Funds	\$ _____

Payment Record

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

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas ("Bond Counsel"). The legal opinion of Bond Counsel will accompany the Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds 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, (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 Bonds. 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 Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of 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 Bonds. City officials may restrict the use of such Government Securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, 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 Bonds ("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 Bonds, registered owners of Bonds 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 Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds 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 Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 Bonds 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 Bonds 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 Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Bonds 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 Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's Bonds are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court (the "Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") 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 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 the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary at the time of conception of the contractual relationship.

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 Bonds. As noted above, the Ordinance provides that Bondholders 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors or general principles of equity which 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 institution, shall be an association or a 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 shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

The Bonds 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 or described under the "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds 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 person entitled to the receipt of the interest payable on a Bond on any interest payment date means the fifteenth (15th) 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 Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds 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 Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond 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 Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds 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 Bonds 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 Bond or Bonds 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 Bonds.)

Limitation on Transfer of Bonds

Neither the City 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 Bond 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 Bond redeemed in part.

Replacement Bonds

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds 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 Bond 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.

BOOK-ENTRY-ONLY SYSTEM

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

The City, the Financial Advisor, and the Purchasers cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or any 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. 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"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has an S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the 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 Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the

transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Purchasers believe to be reliable, but the Issuer, the Financial Advisors and the Purchasers take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

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 Bonds will be issued to the holders and the Bonds 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 Council 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 ⁽¹⁾ TABLE 1

As of August 30, 2021, the City had the following investments:

<u>Type of Security</u>	<u>Market Value</u>	<u>Percentage of Total</u>
Cash	\$ 10,925,079	11%
Local Government Investment Pools	68,010,663	68%
Certificates of Deposits	1,507,874	2%
Municipal Securities	5,324,729	5%
Federal Agency Coupon Securities	<u>14,141,645</u>	<u>14%</u>
	<u>\$ 99,909,990</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.

⁽¹⁾ 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 Tarrant County Appraisal District (the “Appraisal District”) is primarily responsible for appraising property within the City generally as of January 1 of each year. 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. **The City has implemented this “tax freeze” pursuant to an Ordinance adopted by the City Council on July 12, 2004.**

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. **On October 24, 2011, the City adopted an ordinance that continued the taxation of all goods-in-transit for the tax year 2012 and beyond.**

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. For a discussion of how the various exemptions described above are applied by the City, see "CITY'S APPLICATION OF PROPERTY TAX CODE" herein.

City and Taxpayer Remedies

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

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 (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

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

on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

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

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

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

CITY'S APPLICATION OF THE PROPERTY TAX CODE

The City grants an optional exemption of \$10,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The City does not grant an additional exemption of up to 20% for residence homesteads.

The City taxes business personal property.

The Tarrant County Tax Collector collects property taxes for the City.

The City does not permit discounts or split payments, except in the case of persons over 65 or disabled who are permitted to pay taxes on homesteads in four installments. The first installment is due on February 1 of each year and the final installment is due on August 1.

The City grants the Article VIII, Section 1-j property ("freeport property") exemption but currently has no property in this category.

The City currently does not have any active abatement agreements.

The City currently has four tax increment reinvestment zones.

The City has created four public improvement districts.

The City has entered into several Chapter 380 agreements regarding developments in the City.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Bonds 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 Sufficiency Certificate and upon the representations and certifications of the City pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the periodic calculation and payment to the United States Treasury of any arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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 Bonds. 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 City 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 Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds 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 Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds 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 Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Bond holders of the exclusion of interest on the Bonds 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 Bonds. Prospective purchaser of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchaser of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, 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 purchaser should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds 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 Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond 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 Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond 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, 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 Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds 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 on Certain Bonds

The initial public offering price to be paid for certain Bonds (the "Premium Bonds") may be greater than the stated redemption price on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. 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. 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 Bonds should consult with their own tax advisors with respect to the determination of amortizable certificate premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under these agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal market Access ("EMMA") system through an internet website accessible at www.emma.msrb.org as described below under "Availability of Information".

Annual Reports

Under State law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City 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 maintain each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request to City Secretary, 5024 Broadway, Haltom City, Texas, 76117 and upon payment of charges prescribed by the Texas General Services Commission.

The City will file certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in Table 1 of the Official Statement and in Tables 1 through 17 of APPENDIX A to this Official Statement, and in APPENDIX D. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2021. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB through EMMA.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) non-payment related defaults, if material; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material

events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional 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 will adopt 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 Bonds nor the Ordinance make provision for credit enhancement, 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 Bonds 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 Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds 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 Bonds. 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 Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its continuing disclosure obligations under the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond 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 Bonds, 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 Bonds 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 Bonds, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical and technical data) the information under the captions "PLAN OF FINANCING", "THE BONDS" (except under the subcaptions "Use of Bond 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 Bonds for Sale” in the Official Statement and such firm is of the opinion that the information relating to the Bonds 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 Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds 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 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of 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 Bonds, the City will provide the Purchasers with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

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 Bonds 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 Bonds 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 – Rating” herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with 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 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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 Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for

qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchasers to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchasers' written request and sole expense, in registering or qualifying the Bonds 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.

Rating

A municipal bond rating application for the Bonds has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflect only the views of S&P at the time the rating is given, and the Issuer makes no representations 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 revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

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 that are believed to be reliable. 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 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.

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.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting 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 delivery of the Bonds.

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.

Winning Bidder

After requesting competitive bids for the Bonds, the City accepted the bid of _____ (previously defined as the "Purchasers") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a [net] reoffering premium of \$_____, plus accrued interest on the Bonds 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 Purchasers. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchasers.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Purchasers will be furnished a certificate, executed by proper officers of the City, acting in their official capacity, 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, on the date of such Official Statement, on the date of sale of the Bonds and the receipt of the bids therefor, and on the date of the delivery, 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 the date of the last audited financial statements of the City.

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.

Authorization of the Official Statement

The Official Statement will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the City Council, and the Purchasers will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorize its further use in the reoffering of the Bonds by the Purchasers.

This Official Statement will be approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF HALTOM CITY, TEXAS

ATTEST:

/s/ _____
Mayor
City of Haltom City, Texas

/s/ _____
City Secretary
City of Haltom City, Texas

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

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SCHEDULE I
SCHEDULE OF REFUNDED OBLIGATIONS
CITY OF HALTOM CITY, TEXAS

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012
(Redemption Date 02-01-22 @ par)

Current Interest Bonds				
<u>Original Dated Date</u>	<u>Original Maturity (February 1)</u>	<u>Original Principal Amount</u>	<u>Principal Being Refunded</u>	<u>Interest Rate</u>
08/15/2012	2023	\$ 150,000.00 ^(a)	\$ 150,000.00	2.250%
	2024	155,000.00 ^(a)	155,000.00	2.250%
	2025	160,000.00 ^(b)	160,000.00	2.500%
	2026	160,000.00 ^(b)	160,000.00	2.500%
	2027	165,000.00 ^(c)	165,000.00	2.700%
	2028	170,000.00 ^(c)	170,000.00	2.700%
	2029	175,000.00 ^(d)	175,000.00	2.850%
	2030	180,000.00 ^(d)	180,000.00	2.850%
	2031	185,000.00 ^(e)	185,000.00	3.000%
	2032	190,000.00 ^(e)	190,000.00	3.000%
		<u>\$ 1,690,000.00</u>	<u>\$ 1,690,000.00</u>	

- ^(a) Represents a sinking fund redemption of a term bond that matures February 1, 2024.
^(b) Represents a sinking fund redemption of a term bond that matures February 1, 2026.
^(c) Represents a sinking fund redemption of a term bond that matures February 1, 2028.
^(d) Represents a sinking fund redemption of a term bond that matures February 1, 2030.
^(e) Represents a sinking fund redemption of a term bond that matures February 1, 2032.

General Obligation Refunding Bonds, Series 2012
(Redemption Date 02-01-22 @ par)

Current Interest Bonds				
<u>Original Dated Date</u>	<u>Original Maturity (February 1)</u>	<u>Original Principal Amount</u>	<u>Principal Being Refunded</u>	<u>Interest Rate</u>
02/01/2012	2023	\$ 175,000.00 ^(a)	\$ 175,000.00	3.000%
	2024	180,000.00 ^(a)	180,000.00	3.000%
	2025	190,000.00 ^(b)	190,000.00	3.000%
	2026	195,000.00 ^(b)	195,000.00	3.000%
	2027	200,000.00 ^(c)	200,000.00	3.000%
	2028	200,000.00 ^(c)	200,000.00	3.000%
		<u>\$ 1,140,000.00</u>	<u>\$ 1,140,000.00</u>	

- ^(a) Represents a sinking fund redemption of a term bond that matures February 1, 2024.
^(b) Represents a sinking fund redemption of a term bond that matures February 1, 2026.
^(c) Represents a sinking fund redemption of a term bond that matures February 1, 2028.

General Obligation Bonds, Series 2013
(Redemption Date 02-01-22 @ par)

Current Interest Bonds				
<u>Original Dated Date</u>	<u>Original Maturity (February 1)</u>	<u>Original Principal Amount</u>	<u>Principal Being Refunded</u>	<u>Interest Rate</u>
04/01/2013	2023	\$ 120,000.00	\$ 120,000.00	3.500%
	2024	165,000.00	165,000.00	3.500%
	2025	170,000.00	170,000.00	3.500%
	2026	180,000.00	180,000.00	3.000%
	2027	185,000.00	185,000.00	3.125%
	2028	190,000.00	190,000.00	3.125%
	2029	200,000.00	200,000.00	3.250%
	2030	205,000.00	205,000.00	3.250%
	2031	210,000.00	210,000.00	3.375%
	2032	220,000.00	220,000.00	3.375%
	2033	220,000.00	220,000.00	3.500%
		<u>\$ 2,065,000.00</u>	<u>\$ 2,065,000.00</u>	

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013
(Redemption Date 02-01-22 @ par)

Current Interest Bonds				
<u>Original Dated Date</u>	<u>Original Maturity (February 1)</u>	<u>Original Principal Amount</u>	<u>Principal Being Refunded</u>	<u>Interest Rate</u>
04/01/2013	2023	\$ 100,000.00	\$ 100,000.00	3.500%
	2024	100,000.00	100,000.00	3.500%
	2025	100,000.00	100,000.00	3.500%
	2026	100,000.00	100,000.00	3.000%
	2027	100,000.00	100,000.00	3.125%
	2028	100,000.00	100,000.00	3.125%
	2029	100,000.00	100,000.00	3.250%
	2030	100,000.00	100,000.00	3.250%
	2031	100,000.00	100,000.00	3.375%
	2032	100,000.00	100,000.00	3.375%
	2033	100,000.00	100,000.00	3.500%
		<u>\$ 1,100,000.00</u>	<u>\$ 1,100,000.00</u>	

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APPENDIX A
FINANCIAL INFORMATION
CITY OF HALTOM CITY, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2021 Actual Certified Market Value of Taxable Property (100% of Market Value).....	\$	3,553,495,280
Less Exemptions:		
Optional Over-65 or Disabled Homestead	\$	180,330,663
Optional Percentage Homestead		103,228,881
Disabled/Deceased Veterans'		7,308,203
Other Exemptions		<u>387,623,630</u>
TOTAL EXEMPTIONS	\$	<u>678,491,377</u>
2021 Certified Assessed Value of Taxable Property	\$	<u>2,875,003,903</u>

Source: Tarrant County Appraisal District.

GENERAL OBLIGATION BONDED DEBT

(As of September 30, 2021)

General Obligation Debt Principal Outstanding

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006	\$	1,545,000
General Obligation Bonds, Series 2006		525,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007		1,955,000
General Obligation Refunding Bonds, Series 2010		185,000
General Obligation Refunding Bonds, Series 2012		285,000 ^(a)
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012		190,000 ^(a)
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013		100,000 ^(a)
General Obligation Bonds, Series 2013		115,000 ^(a)
General Obligation Refunding Bonds, Series 2013		1,875,000
General Obligation Refunding Bonds, Series 2014		1,720,000
General Obligation Bonds, Series 2014		840,000
General Obligation and Refunding Bonds, Series 2017		4,425,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018		5,525,000
General Obligation Bonds, Series 2018		510,000
General Obligation Bonds, Series 2019		3,935,000
General Obligation Refunding Bonds, Series 2020		2,030,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020		5,330,000
General Obligation Refunding Bonds, Series 2021		6,340,000
General Obligation Bonds, Series 2021		<u>27,820,000</u>
		65,250,000
General Obligation Refunding Bonds, Series 2021A		<u>6,000,000</u> *
Total Gross General Obligation Debt	\$	<u>71,250,000</u> *

Less: Self Supporting Debt

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006 (54%W&S, 24%DD)	\$	1,215,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 (17% W&S)		330,000
General Obligation Refunding Bonds, Series 2010 (100% Utility)		185,000
General Obligation Refunding Bonds, Series 2012 (8% Utility)		115,000 ^(a)
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 (93% Utility, 7% Oil & Gas)		190,000 ^(a)
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 (100% Oil & Gas)		100,000 ^(a)
General Obligation Refunding Bonds, Series 2014 (42% Drainage and 36% W&S)		1,305,000 ^(a)
General Obligation and Refunding Bonds, Series 2017 (14% W&S)		630,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (100% W&S)		5,525,000
General Obligation Refunding Bonds, Series 2020 (100% W&S)		2,030,000
General Obligation Refunding Bonds, Series 2021 (0.06% Oil & Gas)		380,000
General Obligation Refunding Bonds, Series 2021A (28% Utility)		<u>1,690,000</u> *
Total Self-Supporting Debt	\$	13,695,000
Total Net General Obligation Debt Outstanding	\$	<u>57,555,000</u> *

2021 Net Assessed Valuation	\$	2,875,003,903
Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		2.48% *
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		2.00% *

Population: 2000 -39,018; 2010 - 39,600; est. 2020 - 43,450
Per Capita Certified Net Taxable Assessed Valuation - \$66,168.10
Per Capita Gross General Obligation Debt Principal - \$1,639.82*
Per Capita Net General Obligation Debt Principal - \$1,324.63*

* Preliminary, subject to change.

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

(As of September 30, 2020)

In fiscal year ended September 30, 2020, the City entered into lease agreements as lessee for financing the acquisition of various vehicles valued at \$1,057,257. The vehicles have lease terms from 4 to 5 years each with an interest rate of 2.33%. The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2020 are as follows:

Equipment	\$ 2,436,358
	<u>(505,729)</u>
	<u>\$ 1,930,629</u>

Future minimum lease payments for capital leases obligations are as follows:

Fiscal Year		
<u>Ending</u>		
2020	\$	596,055
2021		567,576
2022		438,653
2023		302,678
2024		133,143
Amount representing Interest		<u>(260,719)</u>
Present value of future minimum capital lease payments	\$	<u>1,777,386</u>

Source: Information provided by the Issuer. As of fiscal year ended September 30, 2019.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending (9/30)	Current Total	Less Refunded	The Bonds*			Total	Less:	Total Net
	Outstanding Debt ⁽¹⁾	Obligations Debt Service	Principal	Interest	Total	Combined Debt Service*	Self Supporting Debt Service	Debt Service *
2022	\$ 9,122,640	\$ 184,394	\$ 70,000	\$ 89,300	\$ 159,300	\$ 9,097,546	\$ 1,981,794	\$ 7,115,752
2023	7,098,120	721,231	570,000	112,900	682,900	7,059,788	1,855,954	5,203,835
2024	6,866,743	758,988	615,000	101,050	716,050	6,823,806	1,833,224	4,990,582
2025	6,634,499	760,331	630,000	88,600	718,600	6,592,768	1,639,237	4,953,532
2026	6,165,247	756,631	640,000	75,900	715,900	6,124,516	1,454,599	4,669,917
2027	5,622,781	752,826	650,000	63,000	713,000	5,582,955	1,190,904	4,392,051
2028	5,240,414	743,319	655,000	49,950	704,950	5,202,045	1,136,031	4,066,014
2029	4,439,799	541,124	465,000	38,750	503,750	4,402,425	1,028,903	3,373,522
2030	4,276,285	536,234	465,000	29,450	494,450	4,234,501	1,024,301	3,210,200
2031	4,028,849	530,706	470,000	20,100	490,100	3,988,243	781,500	3,206,743
2032	4,023,786	529,450	480,000	10,600	490,600	3,984,936	775,575	3,209,361
2033	2,522,513	325,600	290,000	2,900	292,900	2,489,813	-	2,489,813
2034	2,201,738	-	-	-	-	2,201,738	-	2,201,738
2035	1,826,613	-	-	-	-	1,826,613	-	1,826,613
2036	1,822,063	-	-	-	-	1,822,063	-	1,822,063
2037	1,821,963	-	-	-	-	1,821,963	-	1,821,963
2038	1,826,213	-	-	-	-	1,826,213	-	1,826,213
2039	1,826,625	-	-	-	-	1,826,625	-	1,826,625
2040	1,823,125	-	-	-	-	1,823,125	-	1,823,125
2041	1,480,513	-	-	-	-	1,480,513	-	1,480,513
2042	1,478,125	-	-	-	-	1,478,125	-	1,478,125
2043	1,479,331	-	-	-	-	1,479,331	-	1,479,331
2044	1,479,900	-	-	-	-	1,479,900	-	1,479,900
2045	1,478,938	-	-	-	-	1,478,938	-	1,478,938
2046	1,476,425	-	-	-	-	1,476,425	-	1,476,425
Total	\$ 88,063,243	\$ 7,140,833	\$ 6,000,000	\$ 682,500	\$ 6,682,500	\$ 87,604,910	\$ 14,702,020	\$ 65,510,171

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

* Preliminary, subject to change. Interest calculations based on an assumed rate.

TAX ADEQUACY (Includes Self-Supporting Debt)

2021 Certified Net Taxable Assessed Valuation	\$	2,875,003,903
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2022*)		9,097,546 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$	0.32289 *

* Preliminary, subject to change. Includes the Bonds.

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

TAX ADEQUACY (Excludes Self-Supporting Debt)

2021 Certified Net Taxable Assessed Valuation	\$	2,875,003,903
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2022*)		7,115,752 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$	0.25256 *

* Preliminary, subject to change. Includes the Bonds.

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

INTEREST AND SINKING FUND MANAGEMENT INDEX

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2020	\$ 932,094
2021 Anticipated Interest and Sinking Fund Tax Levy at 98% Collections Produce ⁽¹⁾	6,456,814
Total Available for General Obligation Debt	<u>\$ 7,388,908</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/22	7,115,752
Estimated Surplus at Fiscal Year Ending 9/30/2022 ⁽¹⁾	<u>\$ 273,156</u>

⁽¹⁾ Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(As of September 30, 2021)

Fiscal Year Ending 9-30	Principal Repayment Schedule				Principal Unpaid at End of Year*	Percent of Principal Retired (%)*
	Currently Outstanding ^(a)	Less Refunded Obligations	The Bonds*	Total*		
2022	\$ 7,135,000	\$ -	\$ 70,000	\$ 7,205,000	\$ 64,045,000	10.11%
2023	5,320,000	545,000	570,000	5,345,000	58,700,000	17.61%
2024	5,245,000	600,000	615,000	5,260,000	53,440,000	25.00%
2025	5,170,000	620,000	630,000	5,180,000	48,260,000	32.27%
2026	4,855,000	635,000	640,000	4,860,000	43,400,000	39.09%
2027	4,370,000	650,000	650,000	4,370,000	39,030,000	45.22%
2028	4,135,000	660,000	655,000	4,130,000	34,900,000	51.02%
2029	3,480,000	475,000	465,000	3,470,000	31,430,000	55.89%
2030	3,435,000	485,000	465,000	3,415,000	28,015,000	60.68%
2031	3,295,000	495,000	470,000	3,270,000	24,745,000	65.27%
2032	3,380,000	510,000	480,000	3,350,000	21,395,000	69.97%
2033	2,065,000	320,000	290,000	2,035,000	19,360,000	72.83%
2034	1,800,000	-	-	1,800,000	17,560,000	75.35%
2035	1,465,000	-	-	1,465,000	16,095,000	77.41%
2036	1,490,000	-	-	1,490,000	14,605,000	79.50%
2037	1,520,000	-	-	1,520,000	13,085,000	81.64%
2038	1,555,000	-	-	1,555,000	11,530,000	83.82%
2039	1,590,000	-	-	1,590,000	9,940,000	86.05%
2040	1,625,000	-	-	1,625,000	8,315,000	88.33%
2041	1,315,000	-	-	1,315,000	7,000,000	90.18%
2042	1,340,000	-	-	1,340,000	5,660,000	92.06%
2043	1,370,000	-	-	1,370,000	4,290,000	93.98%
2044	1,400,000	-	-	1,400,000	2,890,000	95.94%
2045	1,430,000	-	-	1,430,000	1,460,000	97.95%
2046	1,460,000	-	-	1,460,000	-	100.00%
Total	\$ 71,245,000	\$ 5,995,000	\$ 6,000,000	\$ 71,250,000		

^(a) Includes self-supporting debt.

* Preliminary, subject to change.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-21

TABLE 3

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2012-13	\$ 1,554,478,270	8,988,502	0.58%
2013-14	1,583,377,293	28,899,023	1.86%
2014-15	1,673,819,654	90,442,361	5.71%
2015-16	1,651,241,858	(22,577,796)	-1.35%
2016-17	1,674,769,242	23,527,384	1.42%
2017-18	1,965,607,988	290,838,746	17.37%
2018-19	2,145,241,779	179,633,791	9.14%
2019-20	2,514,631,469	369,389,690	17.22%
2020-21	2,646,448,447	131,816,978	5.24%
2021-22	2,875,003,903	228,555,456	8.64%

Source: Tarrant County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 4

	2021	% of Total	2020	% of Total	2019	% of Total
Real, Residential, Single-Family	\$ 1,650,961,588	66.83%	\$ 1,482,236,151	60.00%	\$ 1,382,714,837	55.97%
Real, Residential, Multi-Family	511,010,159	20.68%	463,130,090	18.75%	419,402,325	16.98%
Real, Vacant Lots/Tracts	41,132,234	1.66%	74,851,870	3.03%	70,304,143	2.85%
Real, Acreage (Land Only)	156,559	0.01%	144,163	0.01%	132,825	0.01%
Real, Commercial and Industrial/Other	860,067,384	34.81%	969,813,438	39.26%	614,236,065	24.86%
Oil and Gas	7,805,447	0.32%	8,034,100	0.33%	14,363,160	0.58%
Real & Tangible, Personal Utilities	53,379,443	2.16%	57,431,001	2.32%	51,989,191	2.10%
Tangible Personal, Commercial & Industrial	402,821,444	16.31%	427,014,097	17.28%	410,132,547	16.60%
Tangible Personal, Mobile Homes	4,191,038	0.17%	4,408,776	0.18%	4,416,934	0.18%
Real Property, Inventory	21,969,984	0.89%	30,083,631	1.22%	20,616,607	0.83%
Total Appraised Value	\$ 3,553,495,280	100.00%	\$ 3,517,147,317	100.00%	\$ 2,988,308,634	100.00%
Less:						
Optional Over-65 or Disabled Homestead	\$ 180,330,663		\$ 385,833,976		\$ 161,813,206	
Optional Percentage Homestead	103,228,881		93,534,493		90,286,464	
Disabled/Deceased Veterans'	7,308,203		7,435,443		6,925,468	
Other Exemptions	387,623,630		383,894,958		214,652,027	
	\$ 678,491,377		\$ 870,698,870		\$ 473,677,165	
Net Taxable Assessed Valuation	\$ 2,875,003,903		\$ 2,646,448,447		\$ 2,514,631,469	

PRINCIPAL TAXPAYERS

TABLE 5

Name	Type of Business/Property	2020 Net Taxable Assessed Valuation	% of 2020 Assessed Valuation
CAF TNREF III JL LLC	Apartments	\$ 70,000,000	2.65%
Hillshire Brands Company	Industrial	55,523,254	2.10%
Northern Cross Borrower LLC	Apartments	44,100,000	1.67%
KV Bellmond Apartments	Apartments	43,165,000	1.63%
CC820 Beach Grand LLC	Apartments	39,600,000	1.50%
AV Haltom Lakeview	Apartments	34,060,000	1.29%
CMLH Holdings	Apartments	29,750,000	1.12%
Fossil Ridge Apartments LP	Apartments	26,190,000	0.99%
Spring Lake City LP	Apartments	26,050,000	0.98%
Ararat Hills Master	Apartments	23,670,000	0.89%
		\$ 392,108,254	14.82%

Source: Tarrant County Appraisal District. 2021 Top Taxpayers not available at this time.

As shown in the table above, the top ten taxpayers in the City account for in excess of 14% of the City's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the City, resulting in less local tax revenue. Current events, including the Pandemic (see "INFECTIOUS DISEASE OUTBREAK-Covid 19" herein) have caused volatility in industries across the State, which may impact business revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Bonds may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "THE BONDS – Default and Remedies" and "AD VALOREM TAX PROCEDURES – Issuer's Rights in the Event of Tax Delinquencies" in this Official Statement.

TAX RATE DISTRIBUTION**TABLE 6**

	2020	2019	2018	2017	2016
General Fund	\$ 0.403750	\$ 0.413727	\$ 0.423000	\$ 0.455180	\$ 0.462320
I&S Fund	0.262010	0.252033	0.230000	0.213000	0.237670
Total Tax Rate	\$ 0.665760	\$ 0.665760	\$ 0.653000	\$ 0.668180	\$ 0.699990

Source: Tarrant County Appraisal District

TAX DATA**TABLE 7**

Taxes are due October 1 and become delinquent after January 31. Current collections are those taxes collected through August 31, applicable to the current year's tax levy. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2010	\$ 1,488,304,888	\$ 0.646371	\$ 9,619,971	97.75	99.61	9/30/2011
2011	1,545,489,768	0.651740	10,072,575	97.35	98.76	9/30/2012
2012	1,554,478,270	0.651740	10,131,157	98.47	103.60	9/30/2013
2013	1,583,377,293	0.699900	11,082,058	97.40	98.85	9/30/2014
2014	1,673,819,654	0.700000	11,716,738	98.99	101.01	9/30/2015
2015	1,651,241,858	0.699990	11,558,528	99.87	101.71	9/30/2016
2016	1,674,769,242	0.668180	11,723,217	99.77	100.23	9/30/2017
2017	1,965,607,988	0.653000	13,133,799	98.62	100.42	9/30/2018
2018	2,145,241,779	0.665760	14,008,429	98.63	98.63	9/30/2019
2019	2,514,631,469	0.665760	16,709,584	95.55	97.96	9/30/2020
2020*	2,875,003,903	0.665760	17,934,708	98.98	99.51	9/30/2021

Source: Tarrant County Appraisal District and the Issuer.

* Collections as of August 31, 2021.

MUNICIPAL SALES TAX COLLECTIONS

TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The City's total sales tax rate is 2%. 1% of the tax is for the General Fund, ½ percent for economic development, ¼% for street maintenance, and ¼% for the crime control district. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy ⁽¹⁾	Equivalent of Ad Valorem Tax Rate	Haltom City Crime Control District
2011	\$ 8,622,657	42.80%	\$ 0.179	\$ 1,166,669
2012	9,354,719	46.17%	0.166	1,277,760
2013	9,651,233	43.54%	0.164	1,328,837
2014	9,941,167	42.42%	0.168	1,358,735
2015	10,732,980	46.43%	0.154	1,477,194
2016	11,759,408	50.15%	0.142	1,638,818
2017	12,219,477	46.52%	0.161	1,693,594
2018	13,289,578	47.43%	0.161	1,840,869
2019	13,503,831	40.41%	0.186	1,866,178
2020	13,403,764	37.37%	0.214	1,838,950
2021	11,212,843	(as of September 2021)		1,558,842

Source: State Comptroller's Office of the State of Texas.

OVERLAPPING DEBT INFORMATION

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt As of 8/31/21	% Overlapping	Amount Overlapping
Birdville ISD	\$ 440,840,000	21.88%	\$ 96,455,792
Forth Worth ISD	1,249,965,000	0.24%	2,999,916
Keller ISD	877,564,989	0.60%	5,265,390
Tarrant County	213,675,000	1.33%	2,841,878
Tarrant County College District	255,995,000	1.33%	3,404,734
Tarrant County Hospital Dist.	14,495,000	1.33%	192,784
Total Gross Overlapping Debt			<u>\$ 111,160,492</u>
Haltom City, City of			\$ 71,250,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 182,410,492 *</u>
Ratio of Gross Direct Debt and Overlapping Debt			6.34% *
Per Capita Gross Direct Debt and Overlapping Debt			\$4,198.17 *

Note: The above figures show Gross General Obligation Debt for the City of Haltom City, Texas. The Issuer's Net General Obligation Debt is \$57,555,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 168,715,492 *
Ratio of Net Direct and Overlapping Debt to 2021 Net Assessed Valuation	5.87% *
Per Capita Net Direct and Overlapping Debt	\$3,882.98 *

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

* Includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 9

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Fund Balance - Beginning of Year	\$ 13,422,649	\$ 13,402,033	\$ 10,244,499	\$ 9,573,035	\$ 11,562,281
Revenues	31,313,659	28,542,161	28,490,702	26,800,791	23,569,567
Expenditures	<u>27,363,793</u>	<u>28,867,635</u>	<u>26,814,176</u>	<u>25,199,170</u>	<u>25,295,763</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 3,949,866	\$ (325,474)	\$ 1,676,526	\$ 1,601,621	\$ (1,726,196)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 1,550,196	\$ 1,568,200	\$ 1,568,200	\$ 668,200	\$ 727,600
Sale of Capital Assets	77,388	108,378	62,913	18,356	-
Operating Transfers Out	<u>(806,244)</u>	<u>(1,330,488)</u>	<u>(1,229,663)</u>	<u>(1,616,713)</u>	<u>(990,650)</u>
Total Other Financing Sources (Uses):	\$ 821,340	\$ 346,090	\$ 401,450	\$ (930,157)	\$ (263,050)
Prior Period Adjustment	\$ -	\$ -	\$ 1,079,558	\$ -	\$ -
Fund Balance - End of Year	\$ <u>18,193,855</u>	\$ <u>13,422,649</u>	\$ <u>13,402,033</u>	\$ <u>10,244,499</u>	\$ <u>9,573,035</u>

Source: The Issuer's Comprehensive Annual Financial Reports and information provided by the Issuer.

⁽¹⁾ The City expects its general fund balance for fiscal year ending September 30, 2021 was approximately \$21,715,318.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2020 Net Assessed Valuation	% of Actual	2020 Tax Rate
Birdville ISD	\$ 12,315,574,268	100%	\$ 1.380000
Forth Worth ISD	45,325,742,318	100%	1.378000
Keller ISD	20,328,739,911	100%	1.395000
Tarrant County	219,908,316,431	100%	0.234000
Tarrant County College Dist.	220,876,522,612	100%	0.130000
Tarrant County Hospital Dist.	220,311,777,399	100%	0.224000

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

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Amount Authorized	Amount Issued to Date	Amount Unissued
Birdville ISD	None				
Fort Worth ISD	None				
Keller ISD	None				
Tarrant County	8/8/1998	Justice Center	\$ 70,600,000	\$ 63,100,000	\$ 7,500,000
		Healthcare Facility	9,100,000	1,000,000	8,100,000
		Jail	14,600,000	14,600,000	-
	5/13/2006	Road & Bridge	200,000,000	200,000,000	-
		Jail	108,000,000	108,000,000	-
		County Buildings	62,300,000	47,300,000	15,000,000
		Juvenile Detention	36,320,000	36,320,000	-
		County Offices	<u>26,500,000</u>	<u>26,500,000</u>	<u>-</u>
			<u>\$ 527,420,000</u>	<u>\$ 496,820,000</u>	<u>\$ 30,600,000</u>
Tarrant County College Dist.	11/5/2019	College Facility	\$ 825,000,000	\$ 300,000,000	\$ 525,000,000
Tarrant County Hospital Dist.	None				
City of Haltom City	5/1/2021	Police Facilities	\$ 29,000,000	\$ 29,000,000	-

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

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

TABLE 10

Plan Description

Information regarding the City's Pension Plan can be found within the City's 2020 Annual Financial Report, Note IX, Page number 45.

Source: The City's Annual Financial Report for Fiscal Year End September 30, 2020.

UTILITY PLANT IN SERVICE**TABLE 11***(As of September 30, 2020)*

Land	\$ 6,125,273
Buildings & Improvements	10,585,874
Machines, Equipment and Equipment	5,383,717
Construction in Progress	5,438,799
Waterworks and Sanitary Sewer System	<u>68,778,708</u>
Total	\$ 96,312,371
Less: Accumulated Depreciation	<u>(37,704,051)</u>
Net Property, Plant and Equipment	<u>\$ 58,608,320</u>

Source: *The City's Comprehensive Annual Financial Report for fiscal year ended 2020.*

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**TABLE 12**

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, garbage, bad debt, debt service payments and expenditures identified as capital.

	Fiscal Year Ended				
	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Revenues	\$ 25,315,650	\$ 23,537,076	\$ 23,502,346	\$ 20,695,926	\$ 19,353,943
Expenses	<u>15,541,824</u>	<u>16,452,435</u>	<u>14,187,868</u>	<u>14,994,043</u>	<u>15,828,200</u>
for Debt Service	<u>\$ 9,773,826</u>	<u>\$ 7,084,641</u>	<u>\$ 9,314,478</u>	<u>\$ 5,701,883</u>	<u>\$ 3,525,743</u>
Customer Count:					
Water	13,173	13,147	13,101	12,241	12,126
Sewer	12,717	12,739	12,716	12,180	12,053

Source: *The City's Comprehensive Annual Financial Reports.*

WATER SUPPLY**TABLE 13**

In 2010, the City entered into a twenty-year contract for the purchase of water. Under the terms of the contract, the City is obligated to make a minimum annual payment, subject to adjustment under certain conditions as provided in the contract, of approximately \$50,000. Payments under this contract were approximately \$4,169,950 in 2020 and are included as operating expenses of the Water and Sewer Fund.

SEWER CONTRACT

In 2018, the City entered into a twenty-year contract for the treatment and transportation of sanitary sewage. Payments under this contract are on a per connection basis and were approximately \$3,465,472 in 2020 and are also included as operating expenses of the Water and Sewer Fund.

New Rates
Effective October 1, 2020

Minimum Water Charge- Group A (100%) - Per Number of Units	\$ 16.60
Minimum Water Charge- Group B (90%) - Per Number of Units	14.94
Minimum Water Charge- Group C (25%) - Per Number of Units	4.15
Consumption Charge- Per 1,000 Gallons of Water	7.80
Consumption Charge- Oil and Gas Well Drillers Only- Per 1,000 Gallons of Water	16.23
No Maximum	

Old Rates
Effective October 1, 2019

Minimum Water Charge- Group A (100%) - Per Number of Units	\$ 16.60
Minimum Water Charge- Group B (90%) - Per Number of Units	14.94
Minimum Water Charge- Group C (25%) - Per Number of Units	4.15
Consumption Charge- Per 1,000 Gallons of Water	7.80
Consumption Charge- Oil and Gas Well Drillers Only- Per 1,000 Gallons of Water	16.23
No Maximum	

Separate Minimum Charge for Separate Units. When more than one building or apartment or other subdivision of space in any residence or commercial building is served through one meter, each such additional building, apartment, or subdivision of space shall be deemed a separate water service unit and a separate minimum charge shall be made therefore and collected by the director. In any case, such minimum charge shall be the regular minimum charge at the current rates in effect at the time of billing.

NEW RATES
Effective October 1, 2020

Minimum Sewer Charge- Group A (100%) - Per Number of Units	\$ 12.30
Minimum Sewer Charge- Group B (90%) - Per Number of Units	11.07
Minimum Sewer Charge- Group C (25%) - Per Number of Units	3.08
Consumption Charge- Per 1,000 Gallons of Sewer (not including sewer surcharge)	4.10
Consumption Charge- Residential/Commercial Per 1,000 Gallons of Water	5.90
BOD	0.5200
TSS	0.3300

OLD RATES
Effective October 1, 2019

Minimum Sewer Charge- Group A (100%) - Per Number of Units	\$ 12.30
Minimum Sewer Charge- Group B (90%) - Per Number of Units	11.07
Minimum Sewer Charge- Group C (25%) - Per Number of Units	3.08
Consumption Charge- Per 1,000 Gallons of Sewer (not including sewer surcharge)	4.10
Consumption Charge- Residential/Commercial Per 1,000 Gallons of Water	5.90
BOD	0.5200
TSS	0.3300

Monthly Volume of Wastewater: Assumption. The monthly volume of wastewater generated by a residential

Separate Minimum Charge for Separate Units. When more than one building or apartment or other subdivision of space in any residence or commercial building is served through one meter, each such additional building, apartment, or subdivision of space shall be deemed a separate sewer service unit and a separate minimum charge shall be made therefore and collected by the director. In any case, such minimum charge shall be the regular minimum charge at the current rates in effect at the time of billing.

STORMWATER UTILITY

On October 11, 2004, the City Council authorized the creation of a stormwater utility system for the purpose of providing stormwater service for all real property in the service area.

STORMWATER FUND OPERATING STATEMENT

TABLE 16

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude amortization and depreciation.

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Revenues	\$ 1,861,202	\$ 1,773,242	\$ 1,848,867	\$ 1,880,390	\$ 1,642,607
Expenses	1,479,895	1,251,055	922,774	1,010,429	1,058,306
Net Revenues	<u>\$ 381,307</u>	<u>\$ 522,187</u>	<u>\$ 926,093</u>	<u>\$ 869,961</u>	<u>\$ 584,301</u>

Source: *The Issuer's Comprehensive Annual Financial Reports.*

DRAINAGE RATES

TABLE 17

(Based on Monthly Billing)

New Rates	
Effective October 1, 2020	
Residential per account	\$6.81
Commercial - per sq foot	\$ 0.00130
Old Rates	
Effective October 1, 2019	
Residential per account	\$6.81
Commercial - per sq foot	\$ 0.00130

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APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF HALTOM CITY, TEXAS AND
TARRANT COUNTY, TEXAS**

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CITY OF HALTOM CITY, TEXAS

The City of Haltom City, Texas (the “City”) is located on U.S. Highway 377 four miles northeast of Fort Worth, Texas (“Fort Worth”) in central Tarrant County, Texas. The City is approximately 30 miles northwest of Dallas, Texas midway between Dallas/Fort Worth International Airport and the Fort Worth Alliance Airport. The City is bisected by U.S. Highways 183 and 121 and Interstate 820. The City is served by three rail line, Union Pacific, Trinity Railway Express and Fort Worth and Western. Also, the Trinity Rail Express, a commuter train, and the Tarantula, a sight seeing train, go through Haltom City. The area of the City is 12.4 square miles.

The City, whose municipal boundaries include the first Tarrant County, Texas (the “County”) seat of Birdville, is located near the geographic center of the County. The City’s land area extends three to six miles northeast of downtown Fort Worth. It is surrounded on the northwest, west, and south by Fort Worth city limits; on the east by Richland Hills and North Richland Hills; and on the northeast by Watauga. It is bisected by Big and Little Fossil Creeks and borders the Trinity River flood plain on the south.

Established from a ranching and farming community, Haltom Village was founded in 1932 and named to honor G.W. Haltom (1872-1944), a Fort Worth jeweler whose family ranch holdings comprised much of the new area. Gradual growth was due in part to Haltom’s Meadow Oaks Corporation and the bisection of the village by major new highways affording easier access to Fort Worth, northeastern Tarrant County and Dallas. Also in 1932, the routing of State Highways 10 (E. Belknap Street) and 121 one –quarter mile south of the old Birdville business district presented local business leaders with a momentous decision regarding the future of their businesses and property investments. Most businesses chose to relocate, in order to take advantage of greater convenience and accessibility for customers, increased traffic flow, and a chance to build anew.

The City was incorporated on July 4, 1949, and gradually expanded, annexing Oak Knoll, Garden of Eden, Meadow Oaks, East Ridge, and, in 1955, unincorporated portions of Birdville. Haltom City elected a Home Rule Charter with a city manager, mayor and council form of government on October 10, 1955.

Economic and Demographic Information

Fiscal Year	Population	Per Capital Personal Income	Unemployment Rate
2011	42,260	21,057	8.1%
2012	42,090	19,766	6.1%
2013	43,310	20,195	5.7%
2014	43,851	20,322	5.0%
2015	42,640	20,322	4.2%
2016	42,730	20,551	3.9%
2017	42,740	20,303	3.2%
2018	42,740	20,304	3.0%
2019	42,730	20,547	2.9%
2020	44,339	21,628	6.2%

Source: The Issuer’s Comprehensive Annual Financial Report for fiscal year ended September 30, 2020.

Principal Employers

Employer	2020 Employees	2020 Percentage of Total Haltom City Employment
Birdville ISD	3,103	13.68%
Tyson Foods (formerly Hillshire Brands)	800	3.53%
Medtronic Midas Rex	350	1.54%
City of Haltom City	280	1.23%
GST Manufacturing	220	0.97%
MICA Corporation	200	0.88%
Liberty Carton Company	154	0.68%
Unifirst	137	0.60%
Falcon Steel Company	125	0.55%
Blackmon Mooring	120	0.53%

Source: The Issuer’s Comprehensive Financial Report for the Fiscal Year Ended September 30, 2020.

TARRANT COUNTY, TEXAS

Tarrant County, Texas (the "County") is an urban county located in the north central part of Texas with an estimated 2021 population of 2,091,320. The City of Fort Worth, Texas which began as an army post in 1849, serves as the county seat. The County is one of the fastest growing urban counties in the United States today. Twenty-five other incorporated cities are located wholly within the County, and seven other incorporated county-line cities are located largely within the County boundaries.

The County's roots lie in the 'Old West' and much of its heritage can be traced to the era of the cowboy and the cattle drives that passed through The County. The County is one of 254 counties in Texas which were originally set up by the State to serve as decentralized administrative divisions providing state services and collecting state taxes.

The County has changed dramatically over the past few years. Once dependent on defense plants and its military base, the County's economy has been transformed into one of the most vibrant and diverse in the nation and is leading the regional resurgence in business relocations and expansions, retail development and new housing construction. Once tied to the oil rigs and cattle ranches of west Texas, the County's businesses today reach around the globe and the County's commercial and industrial airports are among the country's foremost international gateways.

The advantages that the County offers -- a low cost of living, a central location, a mild climate, an outstanding transportation network, an educated, dynamic and adaptable work force, a vigorous "can do" business attitude and a long and effective tradition of cooperation between government and business -- have made the County one of the fastest growing economies in the nation.

Museums

The Amon Carter Museum was established by Amon G. Carter, Sr. (1879-1955), and opened in 1961 to house his collection of four hundred paintings, drawings, and sculptures by Frederic Remington and Charles M. Russell, the single most important collection of works by these artists. The Amon Carter Museum collects, preserves and exhibits a wide range of nineteenth and early twentieth-century American paintings, prints, and sculptures as well as one of the finest collections of American photography from the early days to the present.

The Kimbell Art Museum has long been considered the finest small museum in the United States. Its holdings range in period from antiquity to the 20th century including masterpieces by Fra Angelico, El Greco, Caravaggio, La Tour, Velazquez, Rembrandt, Houdon, Goya, David, Delacroix, Cezanne, Mondrian, Picasso, Matisse, Holbein and Vigee Le Brun. The museum is one of the only institutions in the Southwest with a substantial collection of Asian arts and has also assembled small but select groups of Mesoamerican, African and Mediterranean antiquities. The Kimbell is the site of choice for many traveling show and exhibits.

Parks and Lakes

The region's many parks and lakes offer everything from public trails for horseback riding, hiking and rollerblading to lectures and guided tours of the area's natural sanctuaries. There are over 20 public and private golf courses. There are ten lakes, all or partly located in Tarrant Count, covering over 100,000 acres. County residents have access to numerous other lakes throughout the region and camping is available at several state parks within the North Texas region.

Labor Force Statistics ⁽¹⁾

	<u>2021</u> ⁽²⁾	<u>2020</u> ⁽³⁾	<u>2019</u> ⁽³⁾	<u>2018</u> ⁽³⁾	<u>2017</u> ⁽³⁾
Civilian Labor Force	1,092,124	1,082,822	1,082,571	1,059,957	1,036,343
Total Employed	1,023,789	1,003,269	1,046,916	1,023,016	997,799
Total Unemployed	68,335	79,553	35,655	36,941	38,544
Unemployment Rate	6.3%	7.3%	3.3%	3.5%	3.7%
% U.S. Unemployment	6.1%	8.1%	3.7%	3.9%	4.4%
Texas Unemployment	6.7%	7.6%	3.5%	3.8%	4.3%

(1) Source: Texas Labor Market Information.

(2) June 2021

(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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November 18, 2021

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

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DRAFT

IN REGARD to the authorization and issuance of the “City of Haltom City, Texas General Obligation Refunding Bonds, Series 2021A” (the *Bonds*), dated November 1, 2021, in the aggregate principal amount of \$_____ we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Haltom City, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2022 through 2033, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. 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 Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer’s obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds 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. We 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 Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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 Council of the Issuer in connection with the issuance of the Bonds, including the Ordinance, the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and BOKF, NA, Dallas, Texas (the *Escrow Agent*), and the certification (the *Sufficiency Certificate*) by SAMCO Capital Markets, Inc., as Financial Advisor to the Issuer, concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (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 Bonds 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 Bonds 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

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Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF HALTOM CITY, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A”

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 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 Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (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), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the ordinances authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds 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 Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer.

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 Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement and 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 Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds 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 Bonds 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 Bonds. Ownership of tax-exempt obligations

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF HALTOM CITY, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A”

such as the Bonds 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 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

**EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**(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 HALTOM CITY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2020

**Prepared By:
City of Haltom City, Texas
Finance Department**

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CITY OF HALTOM CITY, TEXAS

ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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CITY OF HALTOM CITY

March 8, 2021

Honorable Mayor and City Council Members:

The comprehensive annual financial report of the City of Haltom City for the fiscal year ended September 30, 2020 is hereby submitted. State Law requires that all governmental units publish within six months of the close of each fiscal year financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a licensed public accountant. This report is published to satisfy that requirement and to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls over financial reporting. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from the control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's current system of internal controls over financial reporting adequately safeguards assets and provides reasonable assurance for proper recording of financial transactions.

The City Charter and State Law require the City's basic financial statements to be audited by independent certified public accountants. Pattillo, Brown and Hill, L.L.P., Certified Public Accountants, performed the required audit and have issued an unmodified ("clean") opinion on the City of Haltom City's financial statements for the year ended September 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City, incorporated in 1950, is located six miles northeast of downtown Fort Worth in Tarrant County. The City has a land area of 12.4 square miles and an estimated population of 46,394. The City of Haltom City is a "home rule" unit of local government under State of Texas law. The City has a council-manager form of government. Policy-making and legislative authority are vested in a governing body (City Council) consisting of the mayor and seven council members, all elected at large through popular vote. Council members serve two-year terms, with four members elected in even numbered years and the mayor and three members elected in odd numbered years. The Council appoints the City Manager, who in turn appoints the heads of the various departments.

The City provides a full range of services. These include public safety (police and fire), municipal court, sanitation, parks, library, public works, and general administrative services. In addition, the City owns and operates a water distribution system, a wastewater collection system, and a drainage utility system.

The basic financial statements of the City include all government activities, organizations, and functions for which the City is financially accountable. The criteria considered in determining governmental activities to be reported within the City's basic financial statements are based upon and consistent with those set forth in the Codification of Governmental Accounting and Financial Reporting Standards. Component units are legally separate organizations that a primary government must include as a part of its financial reporting entity. The government-wide financial statements include not only the City itself (known as the primary government), but also include the Economic Development Corporation and the Crime Control District as discretely presented component units. The discretely presented component units are presented as separate columns in the government-wide financial statements.

The Haltom City Charter specifies that an operating budget be adopted prior to the first day of the fiscal year beginning October 1st. The City's budget process is a seven-month cycle, which begins in mid-February and ends in mid-September. Departments submit budget proposals by early May and during the months of May, June, and July the City Manager develops the recommended budget based on the policy direction received from Council. Prior to August 15th, the City Manager submits to the Council a proposed budget of expenditures and the means to finance them for the next year. The Council holds workshop meetings and public hearings on the proposed budget to receive citizen feedback and make final determinations about the eventual adopted budget. Prior to September 30th, the budget is legally enacted through the passage of an appropriation ordinance. Budgets are prepared by fund (e.g., general), department (e.g., fire), and division (e.g., suppression). Department heads may transfer resources within a department with the approval of the Finance Director. Transfers between departments and transfers involving capital outlays need special approval by the City Manager. Budget changes that increase the total budgeted expenditures of a fund must be approved by the City Council. The City Charter provides that the budget may be amended by the City Council.

LOCAL ECONOMY

The City of Haltom City has always shared the good fortune of Fort Worth and Northeast Tarrant County in general, with expanded job markets and general economic activity. This past year, the Fort Worth Metropolitan Statistical Area (MSA), in which Haltom City is located, has seen significant expansive growth driven by commercial construction, retail sales, services and transportation. Overall, the North Texas region has fared better than the nation as a whole. The Dallas-Fort Worth MSA area's population and labor force are among the more rapidly growing in the nation, having grown more than most other major MSA in Texas between 2010 and 2020. Relatively low taxes, housing and energy costs make the area attractive to business, with the additional enticement that Texas has no state personal income tax.

The City is strategically located less than 12 miles southwest of the Dallas / Fort Worth International Airport (DFW Airport) and less than 8 miles southeast of Fort Worth's Alliance Airport (the world's first industrial airport). Each airport is a major economic development catalyst for all cities in the surrounding area, which includes Haltom City.

Fiscal year 2020 proved to be a positive year for retail activity and growth for the City of Haltom City even amidst the Covid-19 pandemic. Sales Tax remained close to flat even over the previous year since our City is not solely reliant on retail revenue but rather a varied tax base to include industrial-type businesses. Property tax values continue to increase each year and the demand of new homes and new neighborhoods will continue to drive growth within our City. With our first new housing development almost completed, the second neighborhood will begin constructing all phases sooner than planned rather than one phase at a time. The new development along the 820 corridor will be the economic engine that will catapult the city into a favorable economic financial position.

Because of the City's location in a region with a varied economic base, unemployment is relatively stable. Haltom City's labor force is approximately 22,897 and the unemployment rate for September 2020 was 7.3%, which is higher than September 2019 due to the Covid pandemic. The State of Texas unemployment rate is 8.3% and the national rate is 7.8%. As the local and national economies recover from the pandemic, unemployment is expected to decrease in the near term as businesses return to normal operations.

The general obligation bond rating for the City is AA- from Standard & Poor's. The rating is based on the strong financial management and budgetary flexibility.

LONG-TERM FINANCIAL PLANNING

Each year, the City Council meets and sets forth the strategic goals for the City. The Haltom City Council's Long-Term Strategic Goals for the coming three to five years are:

- Continue to cultivate the commercial and retail development plan for a successful economic development environment.
- Focus on competitive employee compensation to retain and attract high quality staff while maintaining a relationships-driven culture.
- Promote Fiscal Responsibility while Utilizing Performance Measures.
- Promote and Support Safety and Security within our Community.
- Build and Maintain Partnerships with Non-Profit Sector to Advance Revitalization.
- Address critical facility and infrastructure needs.

The City continues to focus major efforts on our strategic goals. These goals drive decision-making and help the City Council further the City's mission and vision, and then translate that vision into actions. The City's limited resources are then prioritized to achieve that plan. The City's actions to implement the established strategic goals and address community issues are numerous and varied. However, the City continually addresses community issues through the best and most appropriate methods available.

Since 2004, the City's Finance Staff has worked with Department Heads and the City's financial advisor to develop financial models to be used in long-term financial planning. Models projecting revenues and expenditures/expenses for 5 years beyond the current year have been developed for all of the operational funds of the City and the Debt Service Fund. Assumptions have been developed for future tax rates and charges for service as well as projections for expenditures/expenses. Each possible program addition or change is analyzed in terms of impact over a 5-year window as a part of the decision-making process. The models also enable the City to make assumptions about the future debt capacity of the operational funds. The ability to determine available current resources and future debt proceeds has enabled the City to move forward with a new Capital Improvement Program. The program has identified projects based on their critical nature and the timeliness of available financing for the project.

In FY 2020, the City Council authorized a debt issuance of \$6 million for streets and parks. All authorized debt has been issued.

RELEVANT FINANCIAL POLICIES

Financial Policies guide the development and implementation of the budget and are a framework for fiscal decision making that ensure financial resources are available to meet the current and future needs of the City. The policy statements address areas of reporting and auditing, budgeting, revenues, capital improvements, debt, and grants to name a few. The financial management policies are designed to ensure the financial integrity and assist the City in achieving the following:

- Quality basic City services that meet the needs and desires of the citizens.
- A financial base sufficient to maintain or enhance City assets required to support community service demands.
- Responsiveness to constant changing needs, desires, and service requirements of the City.
- Prudent and professional financial management practices to assure residents of Haltom City and the financial community that City government is well managed and in sound fiscal condition.
- Cost effective services to citizens through cooperation with other government entities.
- An adequate capital improvement program that maintains and enhances the public's assets.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Haltom City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2019. The Certificate of Achievement is a prestigious national award- recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the thirty-third consecutive year (fiscal years ended 1987-2019) that the government has achieved this prestigious award.

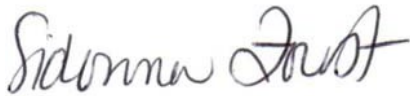
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation award for its annual budget document dated October 1, 2019. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, and operating guide, and a communications device.

The preparation of this report could not be accomplished without the efficient and dedicated endeavors of the entire staff of the Finance Department, our Audit Committee, and our independent auditors. We would like to express our sincere appreciation to all employees who contributed to the preparation. We would also like to thank the Mayor, City Council, and the City Manager for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Sidonna Foust
Assistant City Manager/Director of Finance



Jon Stevenson
Assistant Director of Finance/Controller

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Haltom City, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Haltom City, Texas as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Haltom City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Haltom City, Texas as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual non-major fund financial statements and schedules 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 combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021, on our considerations of the City of Haltom City, Texas' 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 solely 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Haltom City, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 8, 2021

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial management team of the City of Haltom City offers the following narrative overview and analysis of the financial activities of the City of Haltom City for the fiscal year ended September 30, 2020. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2020 by \$142.9 million (net position). Of this amount, about \$24.9 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by about \$17.7 million for the year ended September 30, 2020. Out of this, \$11.0 million is from governmental activities and \$6.6 million from business activities.
- On a government-wide basis, the City's total assets increased by \$18.9 million or 9% and total liabilities decreased by \$7.6 million or 8%.
- As of September 30, 2020, the City's governmental funds reported combined ending fund balances of \$48.5 million, an increase of \$8.8 million in comparison with prior year. Approximately, \$18 million of the fund balance is available for spending at the government's discretion (unassigned fund balance).

II. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including the police, fire, street maintenance, culture and recreation and general administration. Property taxes, sales taxes, franchise fees, charges for services and fines/forfeitures provide the majority of funding for these activities.
- **Business-type activities:** The City charges a fee to customers to cover all or most of the cost of certain services provided. The City's water and sewer system, and drainage utility system are reported here.

The government-wide financial statements include not only the City itself (known as the primary government), but also include the Economic Development Corporation and the Crime Control District, which are legally separate entities. The Economic Development Fund accounts for the local sales tax used to stimulate the local economy, development, and redevelopment. The Crime Control District accounts for the accumulation and use of sales tax proceeds designated for crime reduction programs. Additional information on these two component units can be found in Note 1 in the notes to the financial statements.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, the City establishes many other funds to control and manage money for particular purposes or to show the legal responsibilities for using certain revenues.

The City's three kinds of funds, governmental, proprietary, and fiduciary, use different accounting approaches.

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

Proprietary funds: When the City charges customers for the full cost of the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

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

Notes to the Financial Statements

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

Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-retirement healthcare benefits to its employees. This report also contains combined financial statements, as well as individual detailed budgetary comparisons for all non-major governmental funds.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the City's Financial Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City of Haltom City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$142.9 million as of September 30, 2020.

By far the largest portion of the City's net position, \$99.7 million (or 70%) reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

A portion of the City's net position (\$18.4 million, or 13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$24.9 million, or 17%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position. However, the governmental activities showed a \$1.2 million negative unrestricted net position (deficit) and the business-type activities showed a positive unrestricted net position of \$26.1 million. The net position for governmental activities and business-type activities are summarized as follows:

	Governmental Activities		Business Type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Assets						
Current and other assets	\$ 53,709,325	\$ 43,179,062	\$ 32,305,718	\$ 26,103,954	\$ 86,015,043	\$ 69,283,016
Capital assets	<u>86,567,485</u>	<u>82,939,063</u>	<u>58,608,320</u>	<u>60,029,205</u>	<u>145,175,805</u>	<u>142,968,268</u>
Total assets	<u>140,276,810</u>	<u>126,118,125</u>	<u>90,914,038</u>	<u>86,133,159</u>	<u>231,190,848</u>	<u>212,251,284</u>
Deferred Outflows of Resources	<u>2,817,408</u>	<u>7,438,897</u>	<u>408,405</u>	<u>1,001,100</u>	<u>3,225,813</u>	<u>8,439,997</u>
Liabilities						
Current liabilities	4,010,838	2,576,189	2,950,177	3,286,687	6,961,015	5,862,876
Noncurrent liabilities	<u>60,701,295</u>	<u>66,972,149</u>	<u>18,174,978</u>	<u>20,724,772</u>	<u>78,876,273</u>	<u>87,696,921</u>
Total Liabilities	<u>64,712,133</u>	<u>69,548,338</u>	<u>21,125,155</u>	<u>24,011,459</u>	<u>85,837,288</u>	<u>93,559,797</u>
Deferred Inflows of Resources	<u>5,015,851</u>	<u>1,668,535</u>	<u>646,870</u>	<u>223,555</u>	<u>5,662,721</u>	<u>1,892,090</u>
Net Position						
Net investment in capital assets	56,184,646	53,560,693	43,473,153	43,145,765	99,657,799	96,706,458
Restricted	18,389,983	17,961,901	-	-	18,389,983	17,961,901
Unrestricted	<u>(1,208,395)</u>	<u>(9,182,445)</u>	<u>26,077,265</u>	<u>19,753,480</u>	<u>24,868,870</u>	<u>10,571,035</u>
Total Net Position	<u>\$ 73,366,234</u>	<u>\$ 62,340,149</u>	<u>\$ 69,550,418</u>	<u>\$ 62,899,245</u>	<u>\$ 142,916,652</u>	<u>\$ 125,239,394</u>

Analysis of the City's operations

The City of Haltom City's net position increased by \$17.7 million to \$142.9 million during the current fiscal year. Out of which an increase of \$11.0 million in governmental activities and an increase of \$6.7 million in business-type activities. Details are listed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 4,268,172	\$ 4,344,519	\$ 26,748,035	\$ 24,789,336	\$ 31,016,207	\$ 29,133,855
Operating grants and contributions	1,634,438	258,868	-	-	1,634,438	258,868
Capital grants and contributions	143,769	24,356	-	-	143,769	24,356
General Revenues:						
Taxes:						
Property taxes levied for general purposes	17,273,899	14,458,831	-	-	17,273,899	14,458,831
Other taxes	17,355,074	17,534,316	-	-	17,355,074	17,534,316
Gain on sale of capital assets	32,017	-	-	-	32,017	-
Other revenues	308,672	311,668	-	-	308,672	311,668
Investment income	<u>745,428</u>	<u>901,211</u>	<u>428,817</u>	<u>520,982</u>	<u>1,174,245</u>	<u>1,422,193</u>
Total revenues	<u>41,761,469</u>	<u>37,833,769</u>	<u>27,176,852</u>	<u>25,310,318</u>	<u>68,938,321</u>	<u>63,144,087</u>
Expenses:						
General government	6,582,331	7,170,945	-	-	6,582,331	7,170,945
Public safety	17,919,745	17,907,680	-	-	17,919,745	17,907,680
Streets	1,877,804	3,217,049	-	-	1,877,804	3,217,049
Culture and recreation	3,457,170	3,732,618	-	-	3,457,170	3,732,618
Interest and other fees	1,478,330	1,174,401	-	-	1,478,330	1,174,401
Water & wastewater	-	-	18,182,467	18,761,789	18,182,467	18,761,789
Drainage	-	-	1,763,216	1,567,980	1,763,216	1,567,980
Total expenses	<u>31,315,380</u>	<u>33,202,693</u>	<u>19,945,683</u>	<u>20,329,769</u>	<u>51,261,063</u>	<u>53,532,462</u>
Change in net position before transfers	10,446,089	4,631,076	7,231,169	4,980,549	17,677,258	9,611,625
Transfers	579,996	580,000	(579,996)	(580,000)	-	-
Change in net position	11,026,085	5,211,076	6,651,173	4,400,549	17,677,258	9,611,625
Net position - beginning	<u>62,340,149</u>	<u>57,129,073</u>	<u>62,899,245</u>	<u>58,498,696</u>	<u>125,239,394</u>	<u>115,627,769</u>
Net position - ending	<u>\$ 73,366,234</u>	<u>\$ 62,340,149</u>	<u>\$ 69,550,418</u>	<u>\$ 62,899,245</u>	<u>\$ 142,916,652</u>	<u>\$ 125,239,394</u>

Governmental activities

The net position of governmental activities at end of the fiscal year was at \$73.4 million compared to \$62.3 million for prior year. This was an increase in net position of \$11.0 million. Total revenues increased over the prior year from \$37.8 million to \$41.8 million. Total expenses for the fiscal year decreased to \$31.3 million from \$33.2 million. The decrease was mainly due to lower operating costs implemented by management due to the COVID-19 pandemic.

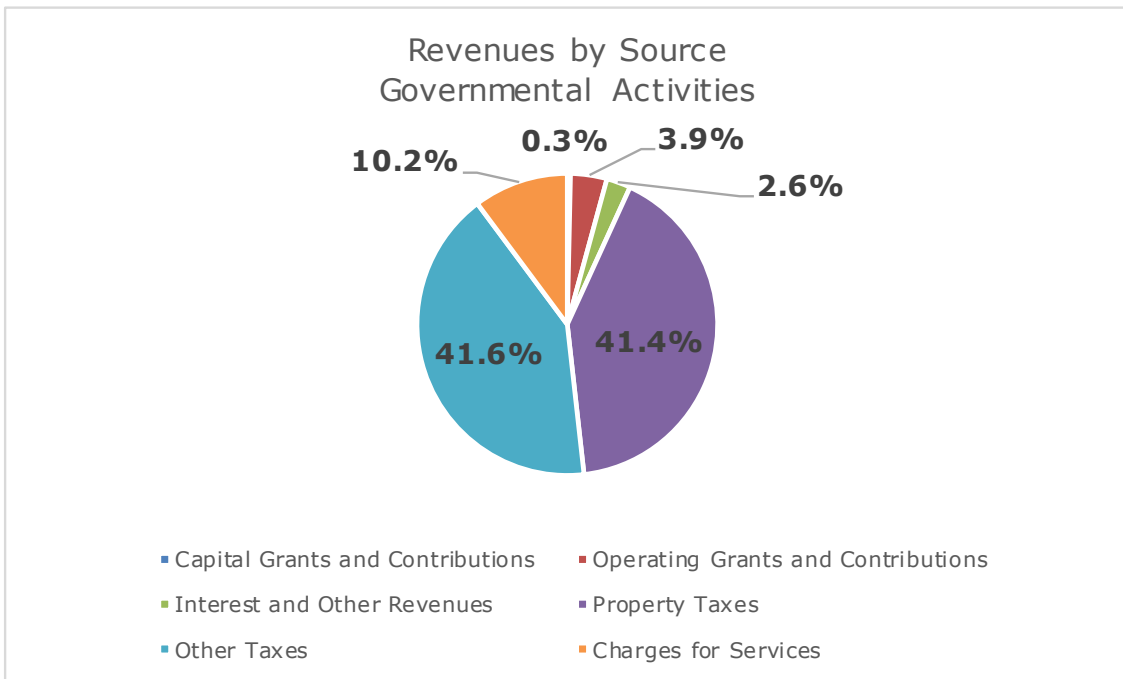
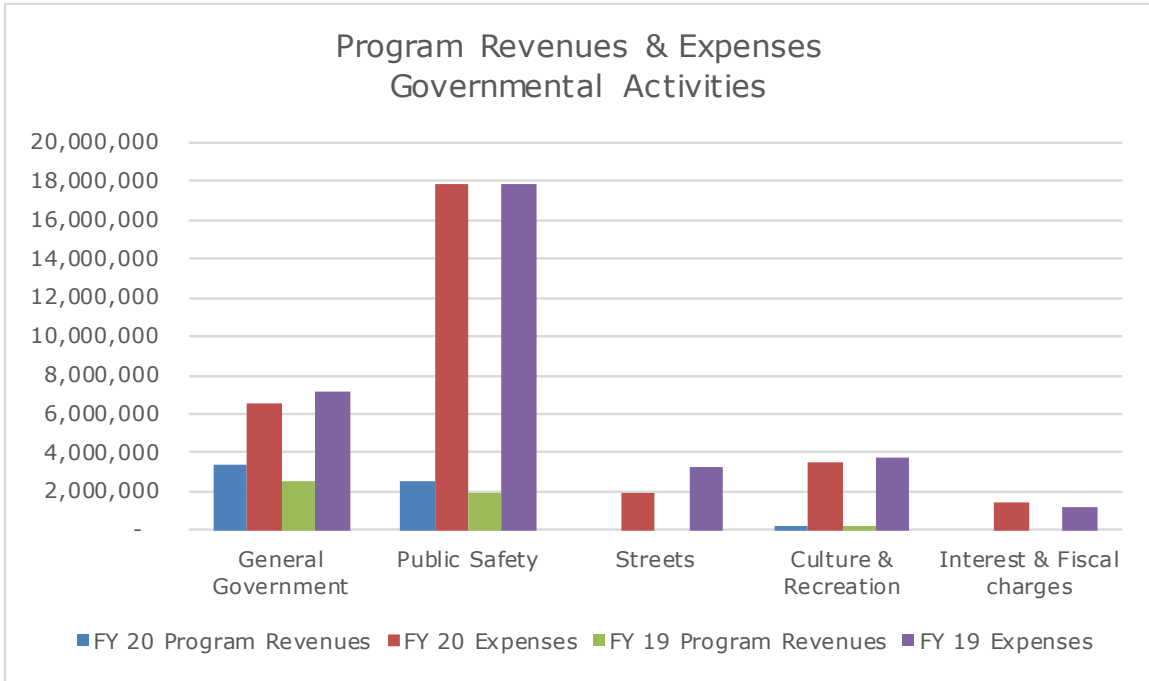
Key changes of revenues and expenses are as follows:

Revenues

- Total revenue increased by \$3.9 million or 10% from previous year.
- Property tax increased by about \$2.8 million (19%) due to higher assessed value.
- Operating grants and contributions increased by \$1.3 million (531%) over the prior year due to grants received for COVID-19.

Expenses

- Total expenses for the governmental activities decreased by \$1,887,313 or 6%.
- General government expenses decreased by \$1.9 million (8%) due to cost reductions implemented at the beginning of the COVID-19 pandemic.
- Streets expenses were \$1.3 million (42%) lower due to lower street maintenance and construction.
- Interest and fiscal charges increased by \$0.3 million (26%) due to additional debt service.



Business-type activities

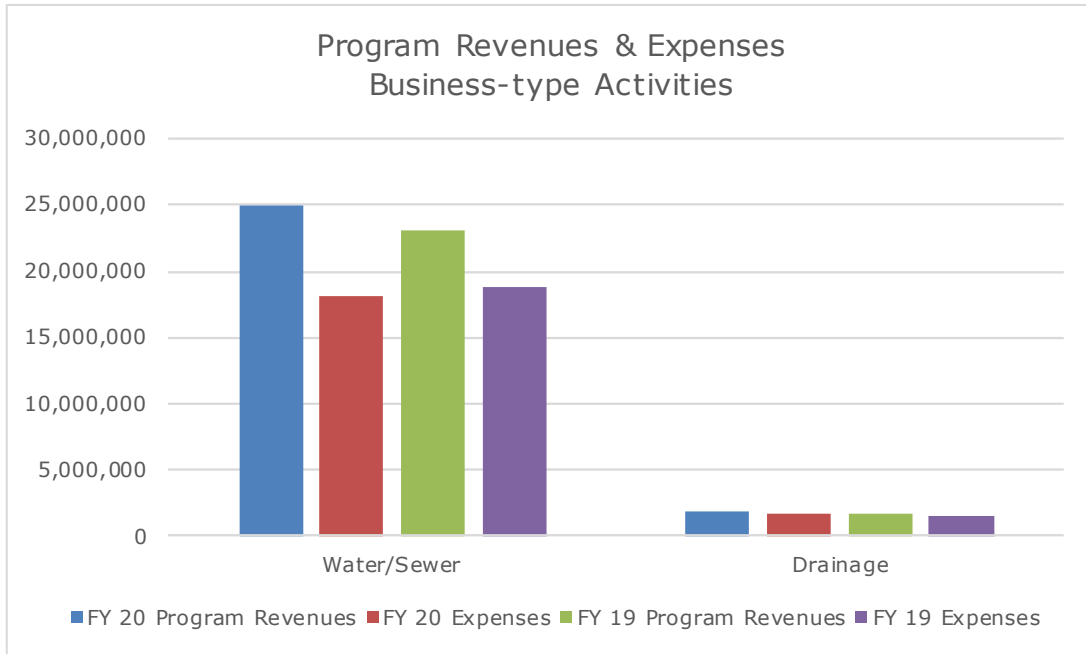
The net position of business-type activities at end of the fiscal year was at \$69.6 million compared to \$62.9 million for prior year. This was an increase in net position of \$6.7 million. The City generally can only use the net position to finance the continuing operations of the business-type activities. Total revenues for business-type activities increased over the prior year from \$25.3 million to \$27.2 million due to higher sales and service fees. Total expenses for the fiscal year decreased to \$19.9 million from \$20.3 million. The decrease was due to lower operating costs for both water/sewer and drainage activities.

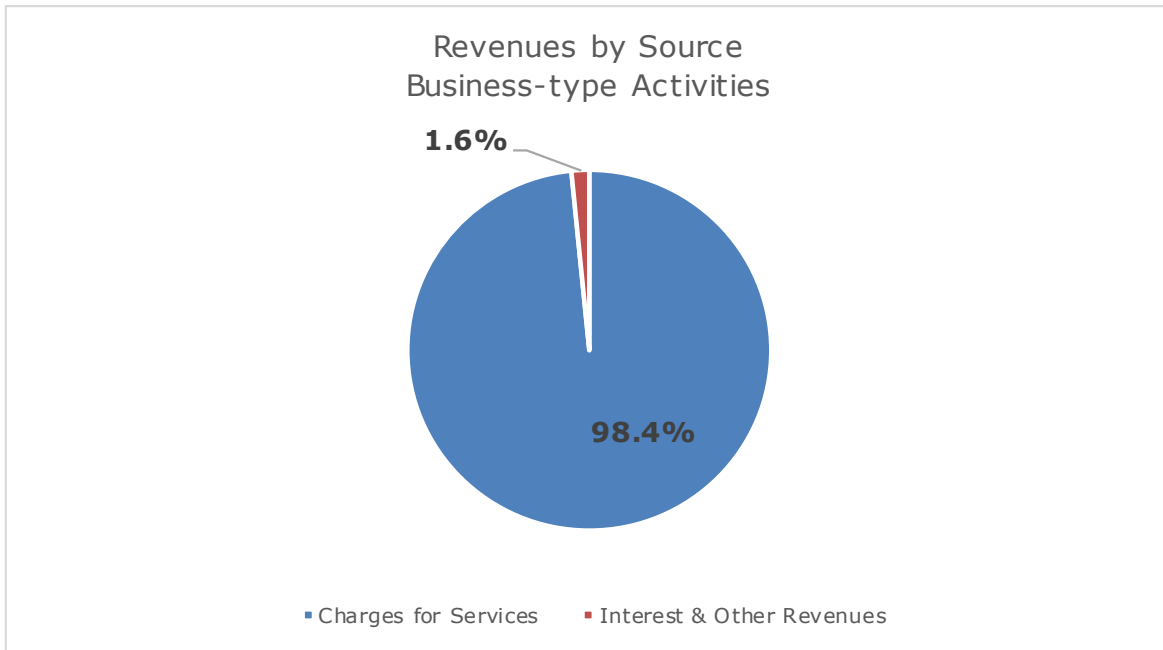
Water and Sewer Fund

- The Water and Sewer Fund program revenues increased from \$23.1 million in the prior year to \$24.9 million in the current year, driven mostly by an increase in water and sewer sales and service fees.
- Expenses for Water and Sewer Fund decreased by about \$0.6 million (3%). The decreased is due to lower water and sewer maintenance expenses in the current year.

Drainage Fund

- Program revenues for the current year were \$1.8 compared to \$1.7 in the prior year. This represents a 6% increase.
- Drainage expenses increased from \$1.5 million in the prior year to \$1.7 in 2020. This represents a 13% increase, primarily caused by an increase in drainage maintenance costs.





Analysis of City’s Funds

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

As of the end of the current fiscal year, the City’s governmental funds had a combined ending fund balance of about \$48.5 million, an increase of \$8.8 million (22%) in comparing to the prior year. About \$17.9 million (37%) of this fund balance constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remaining fund balance of \$30.6 million (63%), is not available for general spending.

The General Fund balance had an increase of \$4.7 million (35%) this fiscal year. For fiscal year 2020, total General Fund revenues increased by \$2.5 million (10%). Two major increases were taxes and licenses and permits revenues. Total tax revenues increased by \$0.9 million (4%) contributed by property tax, sales tax and franchise tax. Licenses and permits increase by \$0.8 million (72%) mainly due to increased development in the area.

General Fund expenditures were \$1.6 million (6%) lower compared to prior year. Most department expenditures decreased due to cost reductions implemented at the beginning of the COVID-19 pandemic.

The Debt Service Fund had a fund balance of \$0.9 million, all of which is restricted for the payment of debt. The City is to limit general obligation annual debt requirements to 25% of general government expenditures. The fiscal year 2020 debt requirement was about 22% of the General Fund expenditures.

The fund balance of Street Reconstruction Capital Project Fund ended the year at about \$18.8 million. The fund balance is restricted for street capital projects. This fund balance increased \$4.2 million over the prior year due to the issuance of \$5.7 million of certificates of obligation. Total expenditures for the current year increased \$2.9 million over the prior year.

The fund balance of the Capital Improvement Fund ended the year at about \$8.2 million. The fund balance is restricted for capital improvement projects. The decrease in the fund was approximately \$0.6 million, primarily caused by current year expenditures outweighing interest income earned in the fund.

Proprietary funds. The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City of Haltom City’s business-type activities.

General Fund Budgetary Highlights

General Fund balance increased by \$4.7 million (35%) for fiscal year 2020.

When comparing to the budget, actual total revenues were \$2.1 million higher than the budget due to increases in property taxes, licenses and permits, and grants from other governments. Grants from other governments include federal funding received to help offset costs incurred to deal with the COVID-19 pandemic.

The total expenditures were lower than budgeted by \$3.6 million. Most departments spent less than their budgeted amounts except for Administrative, Planning, and City Council. When the COVID-19 pandemic began, the City implemented a cost reduction strategy to help offset any potential revenue shortfalls.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At September 30, 2020, the City had \$145.2 million (net of accumulated depreciation) invested in capital assets including police and fire equipment, buildings, park facilities, roads, water, sewer, and storm water facilities. This amount represents a net increase of \$2.2 million (1.5%) from last year. Details of capital assets are listed below.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 18,831,057	\$ 18,846,739	\$ 6,125,273	\$ 6,125,273	\$ 24,956,330	\$ 24,972,012
Buildings	9,006,842	9,715,247	4,222,276	5,666,838	13,229,118	15,382,085
Improvements	44,181,475	46,077,032	-	-	44,181,475	46,077,032
Machinery & equipment	6,302,895	5,220,006	391,832	575,878	6,694,727	5,795,884
Waterworks & sewer system	-	-	42,430,140	43,255,369	42,430,140	43,255,369
Construction in progress	8,245,216	3,080,039	5,438,799	4,405,847	13,684,015	7,485,886
Total	\$ 86,567,485	\$ 82,939,063	\$ 58,608,320	\$ 60,029,205	\$ 145,175,805	\$ 142,968,268

There were no major changes in most of the capital asset groups except Improvements Other Than Buildings and Construction in Progress. Major construction projects completed or in progress during the current fiscal year were Joy Lee, Swan, Vicki St, McCullar St, Oak Knoll Rd, Thomas Rd and Fire Station 3.

Additional information on the City of Haltom City’s capital assets can be found in Note VI of this report.

Long-term Liabilities - At the end of the current fiscal year, the City had total general obligation bonds, refunding bonds, certificates of obligation, tax notes, premium on bonds, and compensated absences, outstanding of \$58.1 million. Of this amount, \$42.6 million was from governmental activities and \$15.5 million were business-type activities.

The City had total bonded debt outstanding of \$53.0 million. Of this amount, \$37.9 million was comprised of debt backed by the full faith and credit of the City and \$15.1 million represents bonds secured by the full faith and credit of the City but serviced by specific revenue sources from the proprietary funds. The City’s underlying General Obligation Bond rating is AA- by Standard & Poor’s.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Certificates of obligations	\$ 10,125,000	\$ 5,020,000	\$ 9,715,000	\$ 12,870,000	\$ 19,840,000	\$ 17,890,000
General obligation bonds	26,365,000	30,350,000	-	-	26,365,000	30,350,000
General obligation refunding bonds	-	-	5,040,000	3,570,000	5,040,000	3,570,000
Tax notes	-	225,000	-	-	-	225,000
Premium on bond issuance	1,409,441	1,104,935	393,939	467,499	1,803,380	1,572,434
Total bonded debt	37,899,441	36,699,935	15,148,939	16,907,499	53,048,380	53,607,434
Compensated absences	2,925,450	2,894,147	348,669	300,683	3,274,119	3,194,830
Capital leases	1,777,386	1,131,026	-	-	1,777,386	1,131,026
Total long-term debt	\$ 42,602,277	\$ 40,725,108	\$ 15,497,608	\$ 17,208,182	\$ 58,099,885	\$ 57,933,290

Additional information on the City’s long-term debt can be found in note VII of this report.

V. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budgetary flexibility remains very strong with solid fund reserves. The City's economy remains consistent despite the negative effect of the Covid-19 pandemic on neighboring cities. The City's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, especially tax rates, and fees that will be charged for the business-type activities.

Highlights of the 2021 budget include:

- Balanced budget
- Maintain property tax rate of \$0.66576
- Mid-year salary increase for full time employees
- Total City budget over \$91.2 million

VI. REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Finance Department at 5024 Broadway Avenue, Haltom City, Texas.

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BASIC FINANCIAL STATEMENTS

CITY OF HALTOM CITY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development	Crime Control District
ASSETS					
Cash and investments	\$ 49,186,090	\$ 28,477,122	\$ 77,663,212	\$ 3,990,746	\$ 2,457,260
Receivables, net:					
Taxes	733,304	-	733,304	-	-
Accounts receivable	-	3,454,226	3,454,226	-	-
Intergovernmental	2,508,571	-	2,508,571	-	330,930
Accrued Interest	213,027	125,567	338,594	10,751	9,195
Other	889,138	-	889,138	-	1,716
Inventory	179,195	211,771	390,966	-	-
Prepays	-	37,032	37,032	-	-
Capital assets					
Land	18,831,057	6,125,273	24,956,330	-	-
Building and improvements	19,092,974	10,585,874	29,678,848	-	-
Improvements other than Buildings	91,041,006	-	91,041,006	-	-
Water and sewer system	-	68,778,708	68,778,708	-	-
Machinery and equipment	15,999,660	5,383,717	21,383,377	-	-
Construction-in-progress	8,245,216	5,438,799	13,684,015	-	-
Less: accumulated depreciation	(66,642,428)	(37,704,051)	(104,346,479)	-	-
Total assets	<u>140,276,810</u>	<u>90,914,038</u>	<u>231,190,848</u>	<u>4,001,497</u>	<u>2,799,101</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on bond refunding	119,011	13,772	132,783	-	-
Deferred outflow related to pensions	2,320,846	340,371	2,661,217	-	27,681
Deferred outflow related					
to retiree health plan OPEB	205,456	30,393	235,849	-	2,527
Deferred outflow related to SDBF OPEB	<u>172,095</u>	<u>23,869</u>	<u>195,964</u>	<u>-</u>	<u>1,652</u>
Total deferred					
outflows of resources	<u>2,817,408</u>	<u>408,405</u>	<u>3,225,813</u>	<u>-</u>	<u>31,860</u>

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

CITY OF HALTOM CITY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development	Crime Control District
LIABILITIES					
Accounts payable	\$ 1,672,326	\$ 1,200,163	\$ 2,872,489	\$ 77,476	\$ 341,157
Accrued liabilities	964,046	446,218	1,410,264	213,698	49,566
Accrued interest payable	226,026	98,036	324,062	-	-
Customer deposits	-	1,205,760	1,205,760	-	-
Retainage payable	60,601	-	60,601	-	-
Unearned revenue	1,087,839	-	1,087,839	-	-
Noncurrent liabilities:					
Due within one year					
Long-term debt	6,656,462	1,844,734	8,501,196	-	16,276
Total OPEB liability - SDBF	7,309	979	8,288	-	601
Due in more than one year					
Long-term debt	35,945,815	13,652,874	49,598,689	-	65,104
Net pension liability	15,221,943	2,251,767	17,473,710	-	187,206
Net OPEB liability - retiree health plan	2,005,698	296,701	2,302,399	-	24,667
Total OPEB liability - SDBF	864,068	127,923	991,991	-	10,116
Total liabilities	64,712,133	21,125,155	85,837,288	291,174	694,693
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow related to pensions	3,725,933	464,285	4,190,218	-	20,441
Deferred inflow related to retiree health plan OPEB	1,187,101	168,328	1,355,429	-	12,473
Deferred inflow related to SDBF OPEB	102,817	14,257	117,074	-	986
Total deferred inflows of resources	5,015,851	646,870	5,662,721	-	33,900
NET POSITION					
Net investment in capital assets	56,184,646	43,473,153	99,657,799	-	-
Restricted for:					
Capital projects	15,803,438	-	15,803,438	-	-
Donor restrictions for libraries, parks and law enforcement	797,882	-	797,882	-	-
Debt service	1,033,177	-	1,033,177	-	-
Promotion of tourism and business	160,433	-	160,433	-	-
Economic development	-	-	-	3,710,323	-
Public safety	595,053	-	595,053	-	-
Unrestricted	(1,208,395)	26,077,265	24,868,870	-	2,102,368
Total net position	\$ 73,366,234	\$ 69,550,418	\$ 142,916,652	\$ 3,710,323	\$ 2,102,368

CITY OF HALTOM CITY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 6,582,331	\$ 3,318,494	\$ 8,233	\$ -
Public safety	17,919,745	860,081	1,571,974	143,769
Streets	1,877,804	-	-	-
Culture and recreation	3,457,170	89,597	54,231	-
Interest and fiscal charges	<u>1,478,330</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>31,315,380</u>	<u>4,268,172</u>	<u>1,634,438</u>	<u>143,769</u>
Business-type activities:				
Water and sewer services	18,182,467	24,932,166	-	-
Drainage services	<u>1,763,216</u>	<u>1,815,869</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>19,945,683</u>	<u>26,748,035</u>	<u>-</u>	<u>-</u>
Total primary government	<u>51,261,063</u>	<u>31,016,207</u>	<u>1,634,438</u>	<u>143,769</u>
Component units				
Economic Development	414,078	-	-	-
Crime Control District	<u>1,505,801</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 1,919,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Property taxes, penalty and interest
- Sales taxes
- Franchise taxes
- Occupancy taxes
- Oil and gas leases
- Mixed beverage and bingo taxes
- Interest
- Miscellaneous
- Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue and Changes in Net Position

Primary Government				
Governmental Activities	Business-type Activities	Total	Economic Development	Crime Control District
\$(3,255,604)	\$ -	\$(3,255,604)	\$ -	\$ -
(15,343,921)	-	(15,343,921)	-	-
(1,877,804)	-	(1,877,804)	-	-
(3,313,342)	-	(3,313,342)	-	-
(1,478,330)	-	(1,478,330)	-	-
(25,269,001)	-	(25,269,001)	-	-
-	6,749,699	6,749,699	-	-
-	52,653	52,653	-	-
-	6,802,352	6,802,352	-	-
(25,269,001)	6,802,352	(18,466,649)	-	-
-	-	-	(414,078)	-
-	-	-	-	(1,505,801)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(414,078)</u>	<u>\$(1,505,801)</u>
\$ 17,273,899	\$ -	\$ 17,273,899	\$ -	\$ -
13,387,329	-	13,387,329	-	1,833,806
3,896,316	-	3,896,316	-	-
43,679	-	43,679	-	-
53,276	-	53,276	-	-
27,750	-	27,750	-	-
745,428	428,817	1,174,245	40,377	32,815
255,396	-	255,396	-	-
32,017	-	32,017	2,485,733	-
579,996	(579,996)	-	-	-
<u>36,295,086</u>	<u>(151,179)</u>	<u>36,143,907</u>	<u>2,526,110</u>	<u>1,866,621</u>
<u>11,026,085</u>	<u>6,651,173</u>	<u>17,677,258</u>	<u>2,112,032</u>	<u>360,820</u>
<u>62,340,149</u>	<u>62,899,245</u>	<u>125,239,394</u>	<u>1,598,291</u>	<u>1,741,548</u>
<u>\$ 73,366,234</u>	<u>\$ 69,550,418</u>	<u>\$ 142,916,652</u>	<u>\$ 3,710,323</u>	<u>\$ 2,102,368</u>

CITY OF HALTOM CITY, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Street Reconstruction Capital Projects</u>
ASSETS			
Cash and investments	\$ 18,991,135	\$ 964,026	\$ 18,455,896
Receivables (net of allowance):			
Taxes	454,573	278,731	-
Intergovernmental	1,927,492	-	525,009
Accrued interest	72,929	3,048	77,015
Other	886,274	-	-
Due from other funds	48,000	-	-
Inventory	179,195	-	-
Total assets	<u>22,559,598</u>	<u>1,245,805</u>	<u>19,057,920</u>
LIABILITIES			
Accounts payable	1,212,226	-	211,776
Accrued liabilities	937,948	-	-
Due to other funds	-	-	-
Accrued interest payable	-	34,980	13,398
Unearned revenue	1,087,839	-	-
Retainage payable	-	-	60,601
Total liabilities	<u>3,238,013</u>	<u>34,980</u>	<u>285,775</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	454,573	278,731	-
Unavailable revenue - court fines	643,311	-	-
Unavailable revenue - street assessments	29,846	-	-
Total deferred inflows of resources	<u>1,127,730</u>	<u>278,731</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Inventory	179,195	-	-
Restricted for:			
Construction of capital assets	-	-	18,772,145
Promotion of tourism	-	-	-
Grantors, trustees and donors	-	-	-
Public safety	-	-	-
Debt service	-	932,094	-
Unassigned	18,014,660	-	-
Total fund balances	<u>18,193,855</u>	<u>932,094</u>	<u>18,772,145</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 22,559,598</u>	 <u>\$ 1,245,805</u>	 <u>\$ 19,057,920</u>

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

<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 8,210,597	\$ 2,564,436	\$ 49,186,090
-	-	733,304
-	56,070	2,508,571
46,315	13,720	213,027
-	2,864	889,138
-	-	48,000
-	-	179,195
<u>8,256,912</u>	<u>2,637,090</u>	<u>53,757,325</u>
1,870	246,454	1,672,326
18,957	7,141	964,046
-	48,000	48,000
-	-	48,378
-	-	1,087,839
-	-	60,601
<u>20,827</u>	<u>301,595</u>	<u>3,881,190</u>
-	-	733,304
-	-	643,311
-	-	29,846
<u>-</u>	<u>-</u>	<u>1,406,461</u>
-	-	179,195
8,236,085	815,252	27,823,482
-	160,433	160,433
-	797,882	797,882
-	595,053	595,053
-	-	932,094
-	(33,125)	17,981,535
<u>8,236,085</u>	<u>2,335,495</u>	<u>48,469,674</u>
<u>\$ 8,256,912</u>	<u>\$ 2,637,090</u>	<u>\$ 53,757,325</u>

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CITY OF HALTOM CITY, TEXAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION

AS OF SEPTEMBER 30, 2020

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

Total Governmental Fund Balances		\$ 48,469,674
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		86,567,485
Deferred outflows of resources are not reported in the governmental funds.		
Deferred charges on debt refundings	\$ 119,011	
Deferred outflow related to pensions	2,320,846	
Deferred outflow related to retiree health plan OPEB	205,456	
Deferred outflow related to SDBF OPEB	<u>172,095</u>	2,817,408
Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.		1,406,461
Long-term liabilities, including bonds payable, compensated absences, OPEB liabilities and capital leases are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(36,490,000)	
Premium on bond issuance	(1,409,441)	
Accrued interest payable	(177,648)	
Net pension obligation	(15,221,943)	
Net OPEB liability - retiree health plan	(2,005,698)	
Total OPEB liability - SDBF OPEB	(871,377)	
Compensated absences	(2,925,450)	
Capital leases	<u>(1,777,386)</u>	(60,878,943)
Deferred inflows of resources are not reported in the governmental funds.		
Deferred inflows related to pensions	(3,725,933)	
Deferred inflows related to retiree health plan OPEB	(1,187,101)	
Deferred inflows related to SDBF OPEB	<u>(102,817)</u>	<u>(5,015,851)</u>
Net position of government activities		\$ <u>73,366,234</u>

CITY OF HALTOM CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Street Reconstruction Capital Projects</u>
REVENUES			
Taxes	\$ 25,050,840	\$ 6,427,215	\$ 2,875,661
Licenses and permits	1,935,600	-	-
Intergovernmental	1,577,542	-	-
Fines and fees	745,612	-	-
Charges for services	1,247,461	-	-
Oil and gas lease	53,276	-	-
Contributions	155	-	-
Interest	274,940	19,489	256,572
Miscellaneous	428,233	-	-
Total revenues	<u>31,313,659</u>	<u>6,446,704</u>	<u>3,132,233</u>
EXPENDITURES			
Current:			
General government	6,462,173	-	4,015
Public safety	17,038,562	-	-
Streets	1,128,292	-	1,695,929
Cultural and recreation	2,734,766	-	-
Debt service:			
Principal	-	4,835,000	-
Interest and other	-	1,352,157	-
Bond issuance costs	-	5,744	159,778
Capital outlay	-	-	2,301,545
Total expenditures	<u>27,363,793</u>	<u>6,192,901</u>	<u>4,161,267</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,949,866</u>	<u>253,803</u>	<u>(1,029,034)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	-	5,730,000
Premium on issuance of debt	-	-	429,778
Sale of capital assets	77,388	-	-
Transfers in	1,550,196	156,240	-
Transfers out	<u>(806,244)</u>	<u>-</u>	<u>(900,000)</u>
Total other financing sources and uses	<u>821,340</u>	<u>156,240</u>	<u>5,259,778</u>
NET CHANGE IN FUND BALANCES	4,771,206	410,043	4,230,744
FUND BALANCES, BEGINNING	<u>13,422,649</u>	<u>522,051</u>	<u>14,541,401</u>
FUND BALANCES, ENDING	\$ <u>18,193,855</u>	\$ <u>932,094</u>	\$ <u>18,772,145</u>

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

<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 56,958	\$ 34,410,674
-	-	1,935,600
-	111,073	1,688,615
-	19,184	764,796
-	79,069	1,326,530
-	-	53,276
-	72,164	72,319
149,428	44,959	745,388
-	37,286	465,519
<u>149,428</u>	<u>420,693</u>	<u>41,462,717</u>
-	24,616	6,490,804
-	255,161	17,293,723
-	-	2,824,221
10,650	79,163	2,824,579
-	309,934	5,144,934
-	70,617	1,422,774
-	-	165,522
<u>689,180</u>	<u>1,264,379</u>	<u>4,255,104</u>
<u>699,830</u>	<u>2,003,870</u>	<u>40,421,661</u>
(550,402)	(1,583,177)	1,041,056
-	956,294	6,686,294
-	-	429,778
-	-	77,388
-	650,004	2,356,440
-	(70,200)	(1,776,444)
<u>-</u>	<u>1,536,098</u>	<u>7,773,456</u>
(550,402)	(47,079)	8,814,512
<u>8,786,487</u>	<u>2,382,574</u>	<u>39,655,162</u>
\$ <u>8,236,085</u>	\$ <u>2,335,495</u>	\$ <u>48,469,674</u>

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CITY OF HALTOM CITY, TEXAS

RECONCILIATION OF THE CHANGES IN GOVERNMENTAL FUND BALANCES
TO THE CHANGE IN NET POSITION OF GOVERNMENT ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balances - total governmental funds:	\$	8,814,512
Amounts reported for governmental activities in the Statement of Activities are		
Capital assets used in governmental activities are not reported in the funds.		
Capital outlay		7,179,063
Deletion of capital assets	(45,371)
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.		
	(3,505,270)
Changes in revenues in the statement of activities that does not provide current financial resources.		
		268,902
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Bonds, tax notes and capital leases payable	(1,971,138)
Premium on bond issuance		125,272
Accrued interest payable		12,200
Net pension obligation		96,823
Net OPEB liability - retiree health plan		161,719
Total OPEB liability - SDBF OPEB	(51,818)
Compensated absences	(31,303)
Loss on bond refundings are recorded as expenditures in the fund financial statements but are capitalized and amortized in the government-wide financial statements.		
	(<u>27,506)</u>
Change in net position of governmental activities	\$	<u>11,026,085</u>

CITY OF HALTOM CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
Property taxes	\$ 10,074,387	\$ 10,074,387	\$ 10,565,146	\$ 490,759
City sales taxes	10,536,600	10,536,600	10,511,668	(24,932)
Bingo tax	-	-	10,994	10,994
Mixed beverage tax	12,000	12,000	16,756	4,756
Franchise taxes	<u>4,212,000</u>	<u>4,212,000</u>	<u>3,946,276</u>	<u>(265,724)</u>
	<u>24,834,987</u>	<u>24,834,987</u>	<u>25,050,840</u>	<u>215,853</u>
Licenses and permits:				
Electric	26,500	26,500	63,557	37,057
Plumbing A/C	56,200	56,200	101,653	45,453
Building/mobile home	570,400	570,400	1,487,815	917,415
Street/general contractor	52,200	52,200	74,696	22,496
Certificates of occupancy	15,000	15,000	19,800	4,800
Oil and gas	200,000	200,000	148,000	(52,000)
Garage sales permits	14,000	14,000	6,358	(7,642)
Special events permits	6,000	6,000	5,601	(399)
Alarm permits	<u>30,000</u>	<u>30,000</u>	<u>28,120</u>	<u>(1,880)</u>
	<u>970,300</u>	<u>970,300</u>	<u>1,935,600</u>	<u>965,300</u>
Intergovernmental:				
State surtax on fines	37,000	37,000	20,080	(16,920)
Grants from other governments	<u>156,959</u>	<u>156,959</u>	<u>1,557,462</u>	<u>1,400,503</u>
	<u>193,959</u>	<u>193,959</u>	<u>1,577,542</u>	<u>1,383,583</u>
Fines and fees:				
Municipal court	795,625	795,625	636,958	(158,667)
Library	5,000	5,000	1,345	(3,655)
Warrants	130,000	130,000	78,248	(51,752)
Public hearing	18,000	18,000	18,550	550
False alarms	<u>12,000</u>	<u>12,000</u>	<u>10,511</u>	<u>(1,489)</u>
	<u>960,625</u>	<u>960,625</u>	<u>745,612</u>	<u>(215,013)</u>
Charges for services:				
Record duplication	6,500	6,500	5,032	(1,468)
Grass cutting	30,000	30,000	14,903	(15,097)
Recreational activities/concessions	140,000	140,000	59,134	(80,866)
Kennel fees/vaccination	12,000	12,000	9,619	(2,381)
Admin/building/fleet services fees	1,437,900	1,437,900	1,151,604	(286,296)
Developer test/fire inspection	38,000	38,000	4,950	(33,050)
Nuisance abatement fees	<u>3,000</u>	<u>3,000</u>	<u>2,219</u>	<u>(781)</u>
	<u>1,667,400</u>	<u>1,667,400</u>	<u>1,247,461</u>	<u>(419,939)</u>
Oil and gas lease	80,000	80,000	53,276	(26,724)
Contributions	75	155	155	80
Interest	241,000	241,000	274,940	33,940
Miscellaneous	<u>283,700</u>	<u>283,700</u>	<u>428,233</u>	<u>144,533</u>
Total revenues	\$ <u>29,232,046</u>	\$ <u>29,232,126</u>	\$ <u>31,313,659</u>	\$ <u>2,081,613</u>

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

CITY OF HALTOM CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
General government:				
Administrative	\$ 683,415	\$ 683,415	\$ 689,234	\$(5,819)
City secretary	229,005	229,005	225,349	3,656
Human resources	642,619	642,619	441,956	200,663
Planning	656,752	656,752	677,995	(21,243)
City council	19,680	19,680	20,964	(1,284)
Finance	647,894	647,894	449,395	198,499
Fleet services	1,083,853	1,083,853	542,609	541,244
Building maintenance	1,228,572	1,228,572	578,943	649,629
Nondepartmental	<u>3,188,929</u>	<u>3,188,929</u>	<u>2,835,728</u>	<u>353,201</u>
Total general government	<u>8,380,719</u>	<u>8,380,719</u>	<u>6,462,173</u>	<u>1,918,546</u>
Public safety:				
Police	10,342,599	10,342,599	9,577,756	764,843
Fire	7,446,905	7,446,905	6,954,471	492,434
Municipal court	623,464	623,464	506,335	117,129
Total public safety	<u>18,412,968</u>	<u>18,412,968</u>	<u>17,038,562</u>	<u>1,374,406</u>
Streets	<u>1,375,722</u>	<u>1,375,722</u>	<u>1,128,292</u>	<u>247,430</u>
Culture and Recreation:				
Library	1,246,718	1,246,718	1,062,511	184,207
Parks and recreation	2,163,857	2,163,857	1,672,255	491,602
Total culture and recreation	<u>3,410,575</u>	<u>3,410,575</u>	<u>2,734,766</u>	<u>675,809</u>
Total expenditures	<u>31,579,984</u>	<u>31,579,984</u>	<u>27,363,793</u>	<u>4,216,191</u>
Revenues under expenditures	<u>(2,347,938)</u>	<u>(2,347,858)</u>	<u>3,949,866</u>	<u>6,297,724</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,550,200	2,550,200	1,550,196	1,000,004
Transfers out	(806,239)	(806,239)	(806,244)	(5)
Sale of capital assets	10,000	10,000	77,388	67,388
Total other financial sources (uses)	<u>1,753,961</u>	<u>1,753,961</u>	<u>821,340</u>	<u>(932,621)</u>
Net change in fund balance	<u>(593,977)</u>	<u>(593,897)</u>	<u>4,771,206</u>	<u>5,365,103</u>
Fund balance - beginning of year	<u>13,422,649</u>	<u>13,422,649</u>	<u>13,422,649</u>	<u>-</u>
Fund balance - end of year	\$ <u>12,828,672</u>	\$ <u>12,828,752</u>	\$ <u>18,193,855</u>	\$ <u>5,365,103</u>

CITY OF HALTOM CITY, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2020

	Water and Sewer Fund	Drainage Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 25,813,858	\$ 2,663,264	\$ 28,477,122
Receivables:			
Accounts receivable, net	3,221,044	233,182	3,454,226
Accrued interest	111,187	14,380	125,567
Prepays	37,032	-	37,032
Inventory	211,771	-	211,771
Total current assets	<u>29,394,892</u>	<u>2,910,826</u>	<u>32,305,718</u>
Noncurrent assets:			
Land	522,999	5,602,274	6,125,273
Buildings and improvements	5,023,351	5,562,523	10,585,874
Water and sewer system	62,696,644	6,082,064	68,778,708
Machinery and equipment	4,472,367	911,350	5,383,717
Construction-in-progress	4,236,189	1,202,610	5,438,799
Accumulated depreciation	<u>(33,837,277)</u>	<u>(3,866,774)</u>	<u>(37,704,051)</u>
Total noncurrent assets	<u>43,114,273</u>	<u>15,494,047</u>	<u>58,608,320</u>
Total assets	<u>72,509,165</u>	<u>18,404,873</u>	<u>90,914,038</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	13,772	-	13,772
Deferred outflow related to pensions	299,735	40,636	340,371
Deferred outflow related to retiree health plan	26,722	3,671	30,393
Deferred outflow related to SDBF OPEB	21,242	2,627	23,869
Total deferred outflows of resources	<u>361,471</u>	<u>46,934</u>	<u>408,405</u>

CITY OF HALTOM CITY, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2020

	Water and Sewer Fund	Drainage Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,170,395	\$ 29,768	\$ 1,200,163
Accrued liabilities	298,582	147,636	446,218
Accrued interest payable	91,997	6,039	98,036
Customer deposits	1,205,760	-	1,205,760
Due within one year			
Compensated absences	66,189	3,545	69,734
Total OPEB liability - SDBF	877	102	979
Revenue bonds payable	<u>1,530,000</u>	<u>245,000</u>	<u>1,775,000</u>
Total current liabilities	<u>4,363,800</u>	<u>432,090</u>	<u>4,795,890</u>
Noncurrent liabilities:			
Compensated absences	264,755	14,180	278,935
Net pension liability	1,979,789	271,978	2,251,767
Net OPEB liability - retiree health plan	260,864	35,837	296,701
Total OPEB liability - SDBF	112,456	15,467	127,923
Revenue bonds payable	<u>12,278,939</u>	<u>1,095,000</u>	<u>13,373,939</u>
Total noncurrent liabilities	<u>14,896,803</u>	<u>1,432,462</u>	<u>16,329,265</u>
Total liabilities	<u>19,260,603</u>	<u>1,864,552</u>	<u>21,125,155</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	422,209	42,076	464,285
Deferred inflow related to retiree health plan OPEB	149,170	19,158	168,328
Deferred inflow related to SDBF OPEB	<u>12,688</u>	<u>1,569</u>	<u>14,257</u>
Total deferred inflows of resources	<u>584,067</u>	<u>62,803</u>	<u>646,870</u>
NET POSITION			
Net investment in capital assets	29,319,106	14,154,047	43,473,153
Unrestricted	<u>23,706,860</u>	<u>2,370,405</u>	<u>26,077,265</u>
Total net position	<u>\$ 53,025,966</u>	<u>\$ 16,524,452</u>	<u>\$ 69,550,418</u>

CITY OF HALTOM CITY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Water and Sewer Fund	Drainage Fund	Total
OPERATING REVENUES			
Water and sewer sales	\$ 23,657,866	\$ -	\$ 23,657,866
Drainage fee revenue	-	1,787,718	1,787,718
Service fees	1,189,199	28,151	1,217,350
Administrative fees	39,880	-	39,880
Other	45,221	-	45,221
	<u>24,932,166</u>	<u>1,815,869</u>	<u>26,748,035</u>
OPERATING EXPENSES			
General and administrative	2,231,050	211,503	2,442,553
Construction	1,688,352	15,525	1,703,877
Water and sewer maintenance	155,706	-	155,706
Collection and distribution	7,787,674	-	7,787,674
Drainage maintenance	-	1,042,188	1,042,188
Depreciation	2,200,096	245,341	2,445,437
Nondepartmental	2,279,038	78,679	2,357,717
Franchise fees	1,400,004	132,000	1,532,004
	<u>17,741,920</u>	<u>1,725,236</u>	<u>19,467,156</u>
Total operating expenses			
Operating income	<u>7,190,246</u>	<u>90,633</u>	<u>7,280,879</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest	383,484	45,333	428,817
Interest expense and bond issuance costs	(440,547)	(37,980)	(478,527)
	<u>(57,063)</u>	<u>7,353</u>	<u>(49,710)</u>
Total non-operating expenses			
Income before transfers	7,133,183	97,986	7,231,169
TRANSFERS IN (OUT)			
Transfers out	(459,996)	(120,000)	(579,996)
CHANGE IN NET POSITION	<u>6,673,187</u>	<u>(22,014)</u>	<u>6,651,173</u>
NET POSITION, BEGINNING	<u>46,352,779</u>	<u>16,546,466</u>	<u>62,899,245</u>
NET POSITION, ENDING	<u>\$ 53,025,966</u>	<u>\$ 16,524,452</u>	<u>\$ 69,550,418</u>

CITY OF HALTOM CITY, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Water and Sewer Fund	Drainage Fund	Total
Cash flows from operating activities			
Receipts from customers and users	\$ 24,135,822	\$ 1,761,842	\$ 25,897,664
Payments to suppliers	(13,199,810)	(1,178,956)	(14,378,766)
Payments to employees	(2,337,255)	(285,316)	(2,622,571)
Net cash provided by operating activities	<u>8,598,757</u>	<u>297,570</u>	<u>8,896,327</u>
Cash flows from noncapital financing activities			
Transfer to governmental funds	(459,996)	(120,000)	(579,996)
Net cash provided (used) by noncapital financing activities	<u>(459,996)</u>	<u>(120,000)</u>	<u>(579,996)</u>
Cash flow from capital and related financing activities			
Debt principal payments	(1,425,000)	(245,000)	(1,670,000)
Interest payments	(516,669)	(39,023)	(555,692)
Purchases of property and equipment	(1,023,337)	(1,215)	(1,024,552)
Net cash used by capital and related financing activities	<u>(2,965,006)</u>	<u>(285,238)</u>	<u>(3,250,244)</u>
Cash flows from investing activities			
Interest on investments	<u>367,751</u>	<u>43,710</u>	<u>411,461</u>
Net cash provided (used) by investing activities	<u>367,751</u>	<u>43,710</u>	<u>411,461</u>
Net increase (decrease) in cash and cash equivalents	5,541,506	(63,958)	5,477,548
Cash and investments - beginning of year	<u>20,272,352</u>	<u>2,727,222</u>	<u>22,999,574</u>
Cash and investment - end of year	<u>25,813,858</u>	<u>2,663,264</u>	<u>28,477,122</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	7,190,246	90,633	7,280,879
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,200,096	245,341	2,445,437
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(490,176)	(54,027)	(544,203)
Decrease in inventory and prepaid	(162,657)	-	(162,657)
Increase in other postemployment assets	(3,932)	(1,186)	(5,118)
(Increase) decrease in deferred outflows of resources	541,942	55,871	597,813
Increase (decrease) in accounts payable and accrued expenses	(6,770)	(34,967)	(41,737)
Increase (decrease) in compensated absences	49,268	(1,282)	47,986
Increase (decrease) in deferred inflows of resources	383,764	32,378	416,142
Increase (decrease) in customer deposits	(306,168)	-	(306,168)
Increase in pension obligation	(775,674)	(47,876)	(823,550)
Increase in other postemployment obligation	<u>(21,182)</u>	<u>12,685</u>	<u>(8,497)</u>
Net cash provided by operating activities	<u>8,598,757</u>	<u>297,570</u>	<u>8,896,327</u>
Schedule of non-cash capital and financing activities:			
Decrease in fair value of investments	43,469	4,452	47,921

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

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CITY OF HALTOM CITY, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City adopted a Home Rule Charter on October 10, 1955 and operates under a Council/Manager form of government. The City Council consists of eight members: a mayor, and seven council members elected by the City's residents. All powers of the City are vested in an elected council that enacts local legislation, adopts budgets, determines policies, and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City.

The financial statements of the City of Haltom City, Texas (the "City") are presented in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

Financial Reporting Entity

The City's basis financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement No. 61 and defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either (a) the primary government must be able to impose its will, or (b) the primary government may potentially benefit financially or be financially responsible for the component unit.

Blended component units are part of the City's operations and therefore data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize it is legally separate from the City.

Based on these criteria, the financial information of the following entities is discretely presented as single columns in the government-wide financial statements. Separate financial statements for the Economic Development Corporation and the Crime Control District are not prepared.

Haltom City Economic Development Corporation (the "Corporation") was incorporated on September 11, 1995 under the Development Corporation Act of 1979. The Corporation is used to account for the accumulation and use a half-cent sales tax proceeds and is legally separate from the City. The Corporation operates under a seven-member Board of Directors appointed by the City Council. The majority of the Board consists of non-council members. The Corporation was created to stimulate economic development activities within the City. The City is able to impose its will on the Corporation. The Corporation does not provide services entirely, or almost entirely, to the primary government or exclusively benefits the primary government. Separate financial statements are not available for this component unit.

Haltom City Crime Control and Prevention District (the "District") was officially created on November 13, 1995 with the provision of Chapter 323, as amended, Texas Tax Code and the Act. The District is used to account for the accumulation and use of half-cent sales tax proceeds designed for crime reduction and is legally separate from the City. The District operates under a seven-member Board of Directors appointed by the City Council. The Board consists of non-council members. The City is able to impose its will on the District. The District does not provide services entirely, or almost entirely, to the primary government or exclusively benefit the primary government. Separate financial statements are not available for this component unit.

Resource flows (except those that affect the statement of net position only, such as loans and repayments) between the primary government and the discretely presented component units are reported as external transactions – that is, as revenues and expenses.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary activities are not reported in the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statement for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Elimination of these shares would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are represented as general revenues.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major fund rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue such as property taxes, sale tax, franchise tax, and charges for service to be available if they are collected within 60 days of the end of the current fiscal period. Permits and municipal court fines and fees are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The following is a brief description of the major funds used by the City:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of financial resources. The City reported the following major governmental funds:

The **General Fund** is the primary operating fund of the City. It is used to account for all financial resources except those required to be account for in another fund.

The **Debt Service Fund** is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs from taxes levied by the City.

The **Street Reconstruction Fund** is a capital project fund used to account for projects financed with resources from governmental funds and tax-supported debt. Proceeds are used for construction, renovation, and major improvement to various City facilities, and other large non-recurring projects.

The **Capital Improvement Fund** is a capital project fund used to account for projects financed with resources from governmental funds and tax-supported debt. Proceeds are used for construction, renovation, and major improvement to various City facilities, and other large non-recurring projects.

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City has presented the following proprietary funds.

The ***Water and Sewer Fund*** is used to account for the City's water and sewer operations that are financed and operated in a manner similar to private business enterprise – where the intent is that costs (expenses including depreciation) of providing services are financed or recovered through user charges.

The ***Drainage Fund*** is used to account for the City's storm water management program.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

There were no non-major proprietary funds for the fiscal year ended September 30, 2020.

Cash, Cash Equivalents, and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Interest income relating to consolidated investments is allocated to the individual funds monthly based on the funds' prorated share of the investment principal, which was allocated to the funds based on the funds' prorated cash balance at the date the investment was purchased.

For purposes of reporting cash flows, Enterprise Funds consider cash and all highly liquid investments with maturity of three months or less to be 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. Investments for the City are reported at fair value, except for the position in investment pools.

Excess cash may be invested in certificates of deposit, United States treasury bills, notes, and bonds, government agencies, repurchase agreements, Texas local government investment pools, and local government general obligation or revenue bonds. Maturities on all investments are consistent with the City's cash flow requirements.

Inventories and Prepaid Items

Inventories consist of expendable supplies and automotive parts held for consumption. Inventories are valued at cost, which approximates market, using the first-in/first-out method. Inventories are recognized as expenditures as they are consumed.

Payments made to vendors for services that will benefit periods subsequent to September 30, 2018 are recorded as prepaid items.

Interfund Receivables/Payables and Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from funds" (i.e., the non-current portion of interfund loans). All other outstanding balances are reported as either "due to/from other funds" or "advances to/from other funds."

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at historical records are available and at an estimated historical cost where not historical records exist. Donated capital assets are recorded at acquisition value, which is the price to acquire an asset with equivalent service potential at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Intangible assets with definite lives are recorded at cost and amortized over the useful lives. Intangible assets with indefinite lives are recorded at cost and no amortization is taken. Intangible assets of the City consist of right of ways and easements.

Depreciation is recorded for each major class of depreciable property utilizing the straight-line method over the following estimated useful lives of the assets:

Buildings	50 years
Waterworks and sewer system	10-50 years
Improvements other than building	10-30 years
Machinery and equipment	3-10 years

Capitalization of Interest

The City capitalizes interest costs for business-type activities only from the date of the borrowing until projects acquired with those funds are ready for their intended use. The total interest incurred for the year ended September 30, 2020, in the enterprise funds was \$522,168. Of these amounts, \$14,254, in interest costs were capitalized as capital assets as part of the cost of constructing various projects.

Accrued Vacation/Compensated Absences

Accrual of Vacation Leave: The following table outlines the accrual rates, maximum accrual rates and maximum payout rates for various years of service. Appointed employees are not restricted by the maximum hour accumulation of vacation provision, but the maximum hours paid at termination after the effective date of this policy will be governed as set forth below.

Non-sworn Employee Months of Service	Monthly Accrual of Hours	Annual Equivalent Hours	Maximum Hour Accumulation	Maximum Hours Paid at Termination
Initial employment through completion of year four	6.67	80	160	120
Year five through completion of year nine	10	120	240	180
Beginning of year ten	13.33	160	320	240
Sworn Civil Service Working Regular Shifts Months of Service	Monthly Accrual of Hours	Annual Equivalent Hours	Maximum Hour Accumulation	Maximum Hours Paid at Termination
Initial employment through completion of year nine	10	120	240	180
Beginning of year ten	13.33	160	320	240
Sworn Civil Service Working 24-Hour Shifts Months of Service	Monthly Accrual of Hours	Annual Equivalent Hours	Maximum Hour Accumulation	Maximum Hours Paid at Termination
Initial employment through completion of year nine	14	168	336	252
Beginning of year ten	20	240	480	360

Termination: Upon termination, an employee who has completed the probationary period will be paid his/her unused accrued vacation leave up to 1.5 times the annual accrual. Appointed employees with accruals above 1.5 times the annual accrual as of April 1, 2011, will have the excess hours (those hours above 1.5 the employee's annual accrual) transferred to a separate account (for accounting purposes). The excess hours transferred will not be allowed to increase at any time. The excess hours transferred may be used by an employee if all other accrued vacation leave is exhausted. Upon termination, appointed employees will be paid in accordance with the non-sworn employees chart, above, based upon length of service. Upon termination, the appointed employee will also be paid for any remaining excess vacation hours that were transferred to the separate account for accounting purposes.

Maximum Accumulation: Vacation leave hours will not accrue beyond the maximum limits outlined in this policy. Once at the maximum, an employee will not accrue vacation leave until the leave balance is reduced below the maximum accrual. After the employee's leave balance is below the maximum, the employee will resume accruals, but there will be no retroactive accruals.

Sick Leave Accumulation: A regular full-time employee accrues eight (8) hours of sick leave each month for an annual accrual of 96 hours. An employee who enters employment before the 16th or terminates employment after the 15th of any month shall accrue eight (8) hours of sick leave for that month.

Annual Sick Leave Payout: In November of each year, an eligible employee will be paid for all accrued sick leave in excess of 240 hours. In order to be eligible for the payout, an employee must be employed by the City on the day the payout is distributed. The payout will be made at the hourly rate in effect on the last day of the pay period prior to the checks being issued. Firefighters working 24-hour shifts will be paid the pay plan step rate associated with an employee working 2080 hours per year.

Vested compensated absences (unpaid to employees terminated before year-end) that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated benefits within proprietary funds, and for governmental activities at the government-wide level, are recorded as an expense and liability of those funds as the benefits accrue to employees.

Pensions

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

Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered an other postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Retiree Health Care Plan. For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the City for benefits due and payable that are not reimbursed by plan assets. Information regarding the City's total OPEB liability is obtained from a report prepared by a consulting actuary, Gabriel Roeder Smith & Company.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – 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.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- The difference in expected and actual pension and OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet 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 the following items that qualify for reporting in this category.

- Unavailable revenues related to property taxes, court fines, and street assessments.
- The difference in expected and actual pension and OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in the spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision, or by enabling legislation;
- Committed fund balances – amounts constrained to specific purposes by a government itself, using its highest level of decision – making authority (ordinance); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – this classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Charter gives the City Council the authority to constrain amounts to be used for a specific purpose or to delegate this responsibility to the City Manager.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentive). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt services, or for other purposes).

The City maintains an unallocated fund balance to be used for unanticipated emergencies of at least 20% of the expenditure budgets of the major operation fund (General, Water & Sewer, and Drainage Utility Funds).

When fund balance resources are available for a specific purpose more than one classification, it is the City's policy to use the most restrictive funds first in the following order; restricted, committed, assigned, and unassigned as they are needed.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, 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. Net position is reported as restricted when there are limitation imposed on their use either through the enabling legislations adopted by the City of through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, Debt Service, and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for all funds.

The City Manager submits to the City Council, not less than 45 days prior to the beginning of each fiscal year, a proposed budget for most City funds. At the meeting of the City Council at which the budget is submitted, the City Council establishes the time and place of the public hearing on the budget and publishes a notice of the budget hearing. Upon adoption, the budget is filed with the City Secretary for public inspection.

During the fiscal year, the City Manager authorized to transfers budgeted amount between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Unused appropriations lapse at year-end.

For the year ended September 30, 2020, bond issuance costs exceeded appropriations by \$744 in the debt service fund. These overages were funded with existing fund balance. In the general fund, general government expenditures in the administrative, planning, and City Council departments exceeded appropriations by \$5,819, \$21,243, and \$1,284, respectively. These overages were funded by greater than anticipated revenues. In the street reconstruction fund, general government expenditures and bond issuance costs exceeded appropriations by \$4,015 and \$159,778, respectively. These overages were funded by existing fund balance. In the capital improvement fund, parks and recreation expenditures exceeded appropriations by \$10,650. These overages were funded by existing fund balance. In the grants fund, library expenditures exceeded appropriations by \$2,012. These overages were funded by existing fund balance. In the court technology fund, municipal court expenditures exceeded appropriations by \$2,494. These overages were funded by existing fund balance. In the capital replacement fund, principal, interest, and capital outlay expenditures exceeded appropriations by \$57,934, \$70,617, and \$756,069, respectively. These overages were funded by other financing sources.

III. BANK DEPOSITS AND INVESTMENTS

Bank Deposits

The City’s funds (exclusive of the Postemployment Benefits Trust) are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with its agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks’ dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance. The City’s deposits were fully insured or collateralized as required by States statutes as of September 30, 2020. The collateral is held in the City’s name by the Federal Reserve Bank of Dallas, an agent of the City’s financial institution.

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes and the City’s investment policy authorized the City to invest in the following investments as summarized in the following table as of September 30, 2020:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	3 years	100%	None
U.S. Agency obligations	3 years	75%	None
Certificates of deposit	3 years	50%	None
Repurchase agreements	3 years	50%	None
No-load money market mutual funds	3 years	50%	None
Public funds investment pool	N/A	70%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of September 30, 2020 are classified in the accompanying financial statement as follows:

Governmental activities	\$ 49,186,090
Business-type activities	<u>28,477,122</u>
Total primary government	<u>77,663,212</u>
Economic development	3,990,746
Crime Control District	<u>2,457,260</u>
Total component units	<u>6,448,006</u>
Total	<u>\$ 84,111,218</u>

Cash and investments as of September 30, 2020 consist of the following:

Cash deposits	\$ 20,230,803
Investments	<u>63,880,415</u>
Total	<u>\$ 84,111,218</u>

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. City policy limits the weighted average maturity of its portfolio to a period less than 720 days. Presented below is the weighted average maturity in days of the types of investment the City held at September 30, 2020.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assigned of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

As of September 30, 2020, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (Days)</u>	<u>Minimum Legal Rating</u>	<u>Rating</u>
TexPool	\$ 129,635	38	AAA	AAAm
Texas CLASS	49,261,605	84	AAA	AAAm
Texas Term	450,693	57	AAA	AAAm
Certificate of deposits	5,567,981	345	N/A	N/A
FFCB	2,000,246	988	AA	AA+
Municipal bonds	<u>6,470,255</u>	492	AA	AA-/AA3 or higher
Total	<u>\$ 63,880,415</u>			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2020:

- \$2,856,100 valued using a documented trade history in exact security (Level 2 inputs).
- \$5,099,426 are valued using an option-adjusted discounted cash flow model (Level 2 inputs).
- \$6,082,956 are valued using a present value of expected future cash flow model (Level 2 inputs).

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2020, other than external investment pools and securities guaranteed by the U.S. Government, the City did not have 5% or more of its investment with one issuer. The City's investment policy allows up to 100% to be invested in U.S. Treasury Bills/Notes/Bonds, and U.S. Agencies and Instrumentalities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to receive its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2020, the City deposits with financial institutions in excess of federal depository insurance limits are fully collateralized.

Investment in State Investment Pools

The City is a voluntary participant in various investment pools. These pools included the following: TexPool, Texas Term, and Texas CLASS.

The State Comptroller of Public Accounts exercises responsibility over TexPool. 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 in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. TexPool has a redemption period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets general banking moratorium or national state of emergency that affects the pool's liquidity.

Texas Term is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. A seven-member advisory board governs the Pool. As required by the Public Funds Investment Act, the Advisory Board is composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Under agreement with the Texas Term Advisory Board, PFM Asset Management LLC provides administrative and investment services to the pool. The Pool purchases only investments of the type in which Texas local governments are permitted to invest their own funds. The fair value of the position in Texas Term is the same as the value of Texas Term shares. Texas Term has a redemption period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets general banking moratorium or national state of emergency that affects the pool's liquidity.

The Texas CLASS investment pool was organized in March 1996 in accordance with the Texas Public Funds Investment Act and Texas Government Code. MBIA Municipal Investors Service Corp. serves as investment adviser and administrator to the Pool. All investments are made in securities that are allowed by the Texas Public Funds Investment Act and are overseen by a Texas CLASS participant board of directors. The board is made up of seven trustees and seven advisory positions, which meet twice a year with one participant meeting, held annually. The board has the power to administer the affairs of the Pool and to enter into controls and agreements on behalf of the Pool. Texas CLASS also has a fair value position that is the same as the value of its shares. Texas CLASS has a redemption period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets general banking moratorium or national state of emergency that affects the pool's liquidity.

IV. RECEIVABLES

Accounts receivable and the related allowance for doubtful accounts for the governmental funds and the enterprise funds at September 30, 2020 are as follows:

Fund	Accounts Receivable	Allowance for Doubtful Accounts	Accounts Receivable, Net
Governmental	\$ 7,142,347	\$(2,750,307)	\$ 4,392,040
Enterprise	<u>3,746,949</u>	<u>(167,156)</u>	<u>3,579,793</u>
Total	<u>\$ 10,889,296</u>	<u>\$(2,917,463)</u>	<u>\$ 7,971,833</u>

V. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 and are levied for appropriation for the fiscal year beginning on October 1. Property taxes are accrued based on the period for which they are levied and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year-end are recorded as deferred revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue in the period to which they apply. Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as provided by City ordinance and the Texas Property Tax Code. The City's charter provide that general property taxes are limited to \$1.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation bonds. Article XI, Section 5 of the State of Texas Constitution limits property taxes for cities, including those applicable to debt service, to \$2.50 per \$100 of assessed valuation. The City's 2020 tax rate was \$0.66570 per \$100 of assessed valuation.

VI. CAPITAL ASSETS

The following is a summary of changes in the governmental activities capital assets during the fiscal year ended September 30, 2020:

	9/30/2019	Additions	Deletions	9/30/2020
Capital assets, not being depreciated:				
Land	\$ 18,846,739	\$ -	\$(15,682)	\$ 18,831,057
Construction in progress	<u>3,080,039</u>	<u>5,165,177</u>	<u>-</u>	<u>8,245,216</u>
Total capital assets not being depreciated	<u>21,926,778</u>	<u>5,165,177</u>	<u>(15,682)</u>	<u>27,076,273</u>
Capital assets, being depreciated:				
Buildings	19,092,974	-	-	19,092,974
Improvements other than building	90,676,289	364,717	-	91,041,006
Machinery and equipment	<u>14,939,410</u>	<u>1,649,169</u>	<u>(588,919)</u>	<u>15,999,660</u>
Total capital assets being depreciated	<u>124,708,673</u>	<u>2,013,886</u>	<u>(588,919)</u>	<u>126,133,640</u>
Less accumulated depreciation for:				
Buildings	(9,377,727)	(708,405)	-	(10,086,132)
Improvements other than building	(44,599,257)	(2,260,274)	-	(46,859,531)
Machinery and equipment	<u>(9,719,404)</u>	<u>(536,591)</u>	<u>559,230</u>	<u>(9,696,765)</u>
Total accumulated depreciation	<u>(63,696,388)</u>	<u>(3,505,270)</u>	<u>559,230</u>	<u>(66,642,428)</u>
Total capital assets being depreciated, net	<u>61,012,285</u>	<u>(1,491,384)</u>	<u>(29,689)</u>	<u>59,491,212</u>
Governmental capital assets, net	<u>\$ 82,939,063</u>	<u>\$ 3,673,793</u>	<u>\$(45,371)</u>	<u>\$ 86,567,485</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 116,603
Public safety	756,522
Highway and streets	1,983,250
Culture and recreation	<u>648,895</u>
Total	<u>\$ 3,505,270</u>

The following is a summary of the changes in business-type activities capital assets during the fiscal year ended September 30, 2020:

	9/30/2019	Additions	Transfers/ Deletions	9/30/2020
Capital assets, not being depreciated:				
Land	\$ 6,125,273	\$ -	\$ -	\$ 6,125,273
Construction in progress	<u>4,405,847</u>	<u>1,032,952</u>	<u>-</u>	<u>5,438,799</u>
Total capital assets not being depreciated	<u>10,531,120</u>	<u>1,032,952</u>	<u>-</u>	<u>11,564,072</u>
Capital assets, being depreciated:				
Building and improvements	10,610,165		(24,291)	10,585,874
Machinery and equipment	5,811,234	15,682	(443,199)	5,383,717
Water works and sewer system	<u>68,754,418</u>	<u>-</u>	<u>24,290</u>	<u>68,778,708</u>
Total capital assets being depreciated	<u>85,175,817</u>	<u>15,682</u>	<u>(443,200)</u>	<u>84,748,299</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,943,327)	(1,420,271)	-	(6,363,598)
Machinery and equipment	(5,235,356)	(175,916)	419,387	(4,991,885)
Water works and sewer system	<u>(25,499,049)</u>	<u>(849,519)</u>	<u>-</u>	<u>(26,348,568)</u>
Total accumulated depreciation	<u>(35,677,732)</u>	<u>(2,445,706)</u>	<u>419,387</u>	<u>(37,704,051)</u>
Total capital assets being depreciated, net	<u>49,498,085</u>	<u>(2,430,024)</u>	<u>(23,813)</u>	<u>47,044,248</u>
Total business-type capital assets, net	<u>\$ 60,029,205</u>	<u>\$ (1,397,072)</u>	<u>\$ (23,813)</u>	<u>\$ 58,608,320</u>

Interest incurred in 2020 during the construction phase of proprietary fund assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capitalized interest of \$13,039 and \$1,215 has been recorded for the water sewer and drainage funds, respectively.

VII. INTERFUND TRANSACTIONS

In 2020, the General Fund charged the Water and Sewer Proprietary Fund and the Drainage Utility Proprietary Fund a franchise fee equal to 8.5% of gross revenues based upon budgeted amounts. The franchise fee is recorded as tax revenue by the General Fund and an operating expense by both the Water and Sewer Fund and Drainage Utility Fund. The amount of the franchise fees charged in 2020 are as follows:

Fund	Franchise Fees
Water and Sewer Proprietary Fund	\$ 1,400,004
Drainage Utility Proprietary Fund	<u>132,000</u>
Total	<u>\$ 1,532,004</u>

The General Fund charges various funds an administrative fee for certain general and administrative services. Administrative charges are recorded as service revenue by the General Fund and operating expenses by the paying funds. The 2020 administrative fees were as follows:

Fund	Administrative Charges
Water and Sewer Fund	\$ 780,000
Drainage Utility Fund	<u>200,004</u>
Total	<u>\$ 980,004</u>
<u>Discretely Presented Component Units</u>	
Crime Control Prevention District	\$ <u>39,600</u>
Total	<u>\$ 39,600</u>

Interfund transfers during the year ended September 30, 2020 were as follows:

Transfer from:	Transfer to:	Amount
General Fund	Debt Service	\$ 156,240
General Fund	Nonmajor Governmental Funds	650,004
Nonmajor Governmental Funds	General Fund	70,200
Streets Reconstruction	General Fund	900,000
Water and Sewer	General Fund	459,996
Drainage	General Fund	<u>120,000</u>
Total		<u>\$ 2,356,440</u>

Transfers are primarily used to move funds from:

- The Water and Sewer and Drainage Utility Fund to the General Fund for a payment in lieu of taxes.
- The General Fund to the Capital Replacement Fund for future purchase of vehicles and equipment.

Interfund receivables, payables, and transfers are reported in the governmental activities and business-type activities fund financial statements. In the entity-wide statements, interfund receivables, payables, and transfers are eliminated within the governmental and business-type activities columns, as appropriate.

The composition of interfund balances as of September 30, 2020 consisted of \$48,000 owed to the General Fund from the nonmajor governmental funds. The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

VIII. LONG-TERM LIABILITIES

Changes in Outstanding Debt

During the year ending September 30, 2020, the following changes in liabilities occurred:

	9/30/2019	Increases	Reductions	9/30/2020	Due Within One Year
Governmental Activities:					
Certificates of obligation	\$ 5,020,000	\$ 5,730,000	\$ 625,000	\$ 10,125,000	\$ 965,000
Tax notes	225,000	-	225,000	-	-
General obligation bonds	30,350,000	-	3,985,000	26,365,000	4,615,000
Premium on bond issuances	1,104,935	429,778	125,272	1,409,441	-
Capital leases	1,131,026	956,294	309,934	1,777,386	491,372
Compensated absence obligations	2,894,147	1,696,480	1,665,177	2,925,450	585,090
	<u>\$ 40,725,108</u>	<u>\$ 8,812,552</u>	<u>\$ 6,935,383</u>	<u>\$ 42,602,277</u>	<u>\$ 6,656,462</u>
Business-Type Activities:					
General obligation refunding bonds	\$ 3,570,000	\$ 2,230,000	\$ 760,000	\$ 5,040,000	\$ 960,000
Certificates of obligation	12,870,000	-	3,155,000	9,715,000	815,000
Premium on bond issuances	467,499	-	73,560	393,939	-
Compensated absences	300,683	240,248	192,262	348,669	69,734
	<u>\$ 17,208,182</u>	<u>\$ 2,470,248</u>	<u>\$ 4,180,822</u>	<u>\$ 15,497,608</u>	<u>\$ 1,844,734</u>
Crime Control District:					
Compensated absences	\$ 21,261	\$ 113,345	\$ 53,226	\$ 81,380	\$ 16,276
Total crime control district	<u>\$ 21,261</u>	<u>\$ 113,345</u>	<u>\$ 53,226</u>	<u>\$ 81,380</u>	<u>\$ 16,276</u>

The ordinances authorizing the issuance of the Combination Tax and Limited Pledge Revenue Certificates of Obligation, and the General Obligation Refunding Bonds require that the City’s ad valorem tax revenues be enough to generate net revenues sufficient to provide for the payment of the debt service requirements of the bonds issued. The City is in compliance with all requirements of the ordinances for the year ended September 30, 2020.

The liability for compensated absences is fully liquidated by the fund in which the employee was employed upon retirement.

The City’s direct borrowings (capital leases) related to governmental activities are secured with equipment as collateral. The City’s revenue bonds are collateralized by the revenue of the combined utility system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used, first, to pay operating and maintenance expenses of the system and, second, to establish and maintain the revenue bond funds.

Should the City default on its outstanding bonds, any registered owner of the bonds is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring specific performance from the City.

Long-term debt of the City consists of refunding bonds, certificates of obligation, contractual obligations, tax notes, and obligations under compensated absence agreements. At September 30, 2020, total outstanding bonds and tax notes consisted of the following:

	Governmental Activities	Due Within One Year	Business-Type Activities	Due Within One Year
\$2,000,000 Series 2006 General Obligation Bonds, dated September 25, 2006; due in annual installments of \$50,000 to \$140,000; through February 1, 2025; interest at 4.00%	\$ 625,000	\$ 100,000	\$ -	\$ -
\$5,450,000 Series 2006 Certificates of Obligation, dated September 25, 2006; due in annual installments of \$180,000 to \$490,000; through February 1, 2026; interest at 4.00%	395,000	60,000	1,420,000	210,000
\$6,500,000 Series 2007 Certificates of Obligation, dated October 18, 2007; due in annual installments of \$250,000 to \$635,000; through February 1, 2027; interest at 3.90%	1,860,000	235,000	380,000	50,000

	Governmental Activities	Due Within One Year	Business-Type Activities	Due Within One Year
\$5,385,000 Series 2010 General Obligation Refunding Bonds, dated October 7, 2010; due in annual installments of \$30,000 to \$280,000; through February 1, 2022, interest at 2.00% to 4.00% issued at a premium of \$96,607	\$ 465,000	\$ 280,000	\$ 185,000	\$ 185,000
\$2,345,000, Series 2011 Combination Tax and Limited Pledge Revenue Certificates of Obligation, dated August 22, 2011; due in annual installments of \$125,000 to \$235,000; through February 1, 2026; interest at 2.00% to 3.50%, issued at a premium of \$29,831	750,000	125,000	-	-
\$7,655,000, Series 2011 General Obligation Bonds, dated April 11, 2011; due in annual installments of \$75,000 to \$685,000; through February 1, 2032; interest at 3.75% at 4.35%, issued at a premium of \$32,247	6,375,000	195,000	-	-
\$4,380,000, Series 2012 Combination Tax and Limited Pledge Revenue Certificates of Obligation, dated August 15, 2012; due in annual installments of \$150,000 to \$340,000; through February 1, 2032; interest at 2.00% to 3.00%, issued at a premium of \$113,275	90,000	45,000	1,980,000	145,000
\$3,615,000 Series 2012 General Obligation Refunding Bonds, dated February 1, 2012; due in annual installments of \$40,000 to \$285,000; through February 1, 2028, interest at 2.00% to 3.00%, issued at a premium of \$264,753	1,475,000	165,000	235,000	120,000
\$2,995,000 Series 2013 General Obligation Bonds, dated April 11, 2013; due in annual installments of \$100,000 to \$220,000; through February 1, 2033, interest at 3.00% to 3.50%, issued at a premium of \$79,715	2,290,000	110,000	-	-
\$2,300,000 Series 2013 Combination Tax and Limited Pledge Revenue Certificates of Obligation, dated April 1, 2013; due in annual installments of \$100,000 to \$175,000; through February 1, 2033, interest at 3.00% to 3.50%, issued at a premium of \$108,245	1,300,000	100,000	-	-

	Governmental Activities	Due Within One Year	Business-Type Activities	Due Within One Year
\$4,955,000 Series 2013 General Obligation Refunding Bonds, dated December 19, 2013; due in annual installments of \$420,000 to \$495,000; through February 1, 2025, interest at 2.29%, issued at par value	\$ 2,370,000	\$ 495,000	\$ -	\$ -
\$3,900,000 Series 2014 General Obligation Refunding Bonds, dated May 14, 2014; due in annual installments of \$50,000 to \$455,000; through February 1, 2029, interest at 2.16%, issued at par value	470,000	55,000	1,685,000	380,000
\$1,575,000 Series 2014 General Obligation Bonds, dated September 25, 2014; due in annual installments of \$105,000; through September 30, 2029, interest at 2.39%, issued at par value	945,000	105,000	-	-
\$7,970,000 Series 2017 General Obligation and Refunding Bonds, dated January 9, 2017; due in annual installments of \$530,000 to \$965,000; through August 1, 2028; interest at 3.00% to 4.00%	4,685,000	890,000	705,000	75,000
\$2,860,000 Series 2018 General Obligation due 2/1/2023	755,000	245,000	-	-
\$6,720,000 Series 2018 Non BQ, Water Meter CO's due 2/1/2032	-	-	5,935,000	410,000
\$7,460,000 Series 2019 General Obligation Bond, due 2/1/2034	5,910,000	1,975,000	-	-
\$5,730,000 Series 2020 Combination Tax and Limited Pledge Revenue Certificates of Obligation, dated July 15, 2020; due in annual installments of \$240,000 to \$400,000; through September 30, 2040, interest at 2.0%, issued at a premium of \$429,778	5,730,000	400,000	-	-
\$2,230,000 Series 2020 General Obligation Refunding Bonds, dated December 15, 2019; due in annual installments of \$200,000 to \$240,000; through February 1, 2030; interest at 1.98%	-	-	2,230,000	200,000
Premium on issuance of debt	<u>1,409,441</u>	<u>-</u>	<u>393,939</u>	<u>-</u>
Total bonds and notes outstanding	<u>\$ 37,899,441</u>	<u>\$ 5,580,000</u>	<u>\$ 15,148,939</u>	<u>\$ 1,775,000</u>

Repayment of Long-Term Obligations

Retirement of the notes, bonds, certificates of obligation, and contractual obligations used in governmental activities is provided from taxes allocated for debt service together with interest earned within the debt service fund. Revenue bonds are retired from net revenues of the enterprise fund and certain certificates of obligation and tax notes are retired through sales taxes. The retirement of compensated absences are provided by financial resources of the general and proprietary funds.

Annual debt service requirements to amortize all obligations outstanding, except employee benefits, as of September 30, 2020, follow:

Governmental Activities					
Due Fiscal Year Ending	General Obligation Refunding Bonds	General Obligation Bonds	Certificate of Obligation	Interest	Total
2021	\$ 1,885,000	\$ 2,730,000	\$ 965,000	\$ 1,154,676	\$ 6,734,676
2022	1,440,000	1,280,000	790,000	977,883	4,487,883
2023	1,255,000	1,325,000	770,000	864,516	4,214,516
2024	1,265,000	1,150,000	785,000	840,559	4,040,559
2025	1,275,000	1,195,000	805,000	651,163	3,926,163
2026-2030	2,345,000	5,810,000	2,585,000	1,843,639	12,583,639
2031-2035	-	3,410,000	1,785,000	527,760	5,722,760
2036-2040	-	-	1,640,000	86,700	1,726,700
Total	\$ 9,465,000	\$ 16,900,000	\$ 10,125,000	\$ 6,946,896	\$ 43,436,896

Business-Type Activities				
Due Fiscal Year Ending	General Obligation Refunding Bonds	Certificate of Obligation	Interest	Total
2021	\$ 960,000	\$ 815,000	\$ 359,186	\$ 2,134,186
2022	790,000	840,000	276,304	1,906,304
2023	680,000	865,000	240,096	1,785,096
2024	670,000	900,000	204,724	1,774,724
2025	485,000	935,000	420,988	1,840,988
2026-2030	1,455,000	3,830,000	414,356	5,699,356
2031-2032	-	1,530,000	34,875	1,564,875
Total	\$ 5,040,000	\$ 9,715,000	\$ 1,950,529	\$ 16,705,529

Component Units

There are no debt service requirements for debt obligations for the Economic Development and Crime Control District funds.

Reserve Requirement

Water and Sewer System Revenues bond ordinances establish a Reserve Fund that must be maintained by the City. The total amount to be accumulated in the Reserve Fund is the average principal and interest on said bonds or equal parity bonds. The City issued surety bond insurance policies for the substitution of the reserve requirement as set forth in the bond ordinances. These bonds were paid off during 2014.

As of September 30, 2020, the City had no general obligation bonds which were authorized and unissued.

Advance refunding

In the current fiscal year, the City issued \$2,230,000 in general obligation refunding bonds with an interest rate at 1.98%. The proceeds were used to refund \$2,195,000 of outstanding Series 2010 Certificates of Obligation which had interest rates ranging from 2.00% to 4.00%. The net proceeds of \$2,292,902 (including bond issuance costs of \$54,002) 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 Series 2010 Certificates of Obligation are considered defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$19,002. The advance refunding reduced its total debt service payments by \$267,504 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$182,515.

Obligations Under Capital Leases

In the current year, the City entered into lease agreements as lessee for financing the acquisition of various vehicles valued at \$1,057,257. The vehicles have lease terms from 4 to 5 years each with an interest rate of 2.33%. The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2020 are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 2,436,358
Less: accumulated depreciation	(505,729)
 Total	 <u>\$ 1,930,629</u>

Future minimum lease payments for capital leases obligations are as follows:

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>
2020	\$ 596,055
2021	567,576
2022	438,653
2023	302,678
2024	133,143
Amount representing interest	(260,719)
 Present value of future minimum capital lease payments	 <u>\$ 1,777,386</u>

IX. DEFINED BENEFIT PENSION PLAN

Plan Descriptions. The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

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

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

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating transfers
Annuity increases (to retirees)	70% of CPI Repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	224
Inactive employees entitled to but not yet receiving benefits	163
Active employees	<u>266</u>
Total	<u>653</u>

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year, respectively. The contribution rates for the City were 19.02% and 19.16% in calendar years 2019 and 2018, respectively. The City’s total contributions to TMRS for the year ended September 30, 2020, were \$3,379,471.

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 123,167,810	\$ 96,950,279	\$ 26,217,531
Changes for the year:			
Service cost	3,071,536	-	3,071,536
Interest	8,236,772	-	8,236,772
Difference between expected and actual experience	(481,136)	-	(481,136)
Contributions - employer	-	3,584,207	(3,584,207)
Contributions - employee	-	1,220,247	(1,220,247)
Net investment income	-	14,992,491	(14,992,491)
Benefit payments, including refunds of employee contributions	(5,354,650)	(5,354,650)	-
Administrative expense	-	(84,691)	84,691
Other changes	<u>325,920</u>	<u>(2,547)</u>	<u>328,467</u>
Net changes	<u>5,798,442</u>	<u>14,355,057</u>	<u>(8,556,615)</u>
Balance at 12/31/2019	<u>\$ 128,966,252</u>	<u>\$ 111,305,336</u>	<u>\$ 17,660,916</u>

The net pension liability for governmental activities is primarily liquidated by the General Fund.

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 36,145,068	\$ 17,473,710	\$ 2,184,714
Component unit's net pension liability	<u>387,242</u>	<u>187,206</u>	<u>23,406</u>
Total	<u>\$ 36,532,310</u>	<u>\$ 17,660,916</u>	<u>\$ 2,208,120</u>

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the City recognized pension expense of \$3,426,024. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 23,362	\$ 810,873
Changes in actuarial assumptions	238,925	-
Difference between projected and actual investment earnings	-	3,379,345
Contributions subsequent to the measurement date	<u>2,398,930</u>	<u>-</u>
Total	<u>\$ 2,661,217</u>	<u>\$ 4,190,218</u>

For the year ended September 30, 2020, the discretely presented component unit recognized pension expense of \$36,705. At September 30, 2020, the discretely presented component unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 250	\$ 8,687
Changes in actuarial assumptions	2,560	-
Difference between projected and actual investment earnings	-	11,754
Contributions subsequent to the measurement date	<u>24,871</u>	<u>-</u>
Total	<u>\$ 27,681</u>	<u>\$ 20,441</u>

For the City and component unit, \$2,398,930 and \$24,871, respectively, are reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	City	Component Unit
2021	\$(1,239,988)	\$(7,172)
2022	(1,215,466)	(6,909)
2023	205,329	8,313
2024	(1,677,806)	(11,863)

X. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

TMRS Supplemental Death Benefits Fund

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 the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided. Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit and is a fixed amount of \$7,500.

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

Inactive employees or beneficiaries currently receiving benefits	145
Inactive employees entitled to but not yet receiving benefits	28
Active employees	<u>266</u>
Total	<u>439</u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.19% for 2020 and 0.18% for 2019, of which 0.05% and 0.05%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City's retiree-only portion of contributions to the SDBF for the years ended September 30, 2020 and 2019 were \$8,878 and \$8,616, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

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.

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

Measurement year ended December 31,	2019
Inflation rate	2.50% per annum
Actuarial cost method	Entry Age Normal Method
Discount rate	2.75%
Projected salary increases	3.50% to 11.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS pension trust fund and are wholly accounted for under provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.31% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019.

Discount Rate Sensitivity Analysis. The following presents the Total OPEB Liability of the City and discretely presented component unit, calculated using the discount rate of 2.75%, as well as what the City's and discretely presented component unit's total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's total OPEB liability	\$ 1,205,552	\$ 1,000,279	\$ 838,870
Component unit's total OPEB liability	<u>12,916</u>	<u>10,717</u>	<u>8,987</u>
Total	<u>\$ 1,218,468</u>	<u>\$ 1,010,996</u>	<u>\$ 847,857</u>

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2018	\$ 891,866
Changes for the year:	
Service cost	31,378
Interest	33,509
Differences between expected and actual experience	(94,183)
Changes of assumptions	157,142
Benefit payments	<u>(8,716)</u>
Net changes	<u>119,130</u>
Balance at 12/31/2019	<u>\$ 1,010,996</u>

The total OPEB liability for governmental activities is primarily liquidated by the General Fund.

Changes in actuarial assumptions and other inputs reflect a change in the discount rate from 3.71% to 2.75%.

OPEB Expense and Deferred Outflows of Resources Related to OPEB. For the year ended September 30, 2020, the city recognized OPEB expense of \$82,466. At September 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 26,245	\$ 77,439
Changes in actuarial assumptions	163,444	39,635
Contributions subsequent to the measurement date	<u>6,275</u>	<u>-</u>
Totals	<u>\$ 195,964</u>	<u>\$ 117,074</u>

For the year ended September 30, 2020, the component unit recognized OPEB expense of \$883. At September 30, 2020, the component unit reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 281	\$ 561
Changes in actuarial assumptions	1,304	425
Contributions subsequent to the measurement date	67	-
Totals	<u>\$ 1,652</u>	<u>\$ 986</u>

For the City and component unit, \$6,275 and \$67, respectively, were reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30	City	Component Unit
2021	\$ 18,303	160
2022	18,303	160
2023	18,303	160
2024	9,474	65
2025	8,232	54

XI. OTHER POSTEMPLOYMENT BENEFITS

Post-retirement Health Care Benefits

Plan Description.

Full-time employees of the City who retire from the Texas Municipal Retirement System (TMRS) are eligible to participate in the retiree health care plan. The requirement as defined by TMRS is any age with 20 years of service or 5 years of service for age 60 and above. Under State law, the City must offer health insurance to full-time employees that retire through our pension system, the Texas Municipal Retirement System. This affords the option to continue insurance, but the retiree must pay the full premiums for coverage unless eligible for additional coverage as outlined below.

The City established by ordinance the healthcare plan that covers retired employees of the City. The City established an irrevocable trust and contracted with an administrator, Public Agencies Retirement Services (PARS), as well as a custodial bank, to manage the plan's assets. Because plan assets are pooled by PARS with those of other plans for investment, the City's plan assets meet the criteria of an agent multiple-employer plan under GASB Statement No. 75.

Benefits Provided.

A retiree who worked as a full-time employee for a minimum of twenty (20) years may receive up to \$350 per month as reimbursement for retiree health care. The retiree can remain on the City's health plan and receive up to \$350 per month or purchase insurance elsewhere and provide proof of coverage and cost in order to receive up to \$350 per month for the cost of health care coverage.

If the actual monthly cost is less than \$350 per month, then the payment is capped at the total monthly cost. The maximum contribution by the City with twenty years of full-time service is \$350 per month.

For the fiscal year ended September 30, 2020, the City's contributions to the plan were \$192,401, which consist of a trust contribution of \$0 for the year and benefit payments of \$192,401, which were paid by the City using its own assets.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>253</u>
Total	<u><u>302</u></u>

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2018
Actuarial Cost Method	Individual Entry Age Normal Cost Method
Discount Rate	6.50% as of December 31, 2019
Inflation Rate	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Participation Rates	85% for retirees with over 20 years of City service at retirement; 5% for retirees with less than 20 years of City service at retirement; and 60% of non-Medicare retirees are assumed to remain on the City's health plan.
Health care cost trend rates	Initial rates of 7.20%, declining to ultimate rate of 4.25% after 15 years. The City's \$200/month explicit subsidy is not expected to increase in future years.
Note:	The Single Discount Rate changed from 6.49% as of December 31, 2018 to 6.50% as of December 31, 2019. Additionally, the demographic assumptions were updated to reflect the 2019 TMRS Experience study and the health care trend rates were updated to reflect the repeal of the excise tax on high-cost employer health plans.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

There is no separately issued audited benefit plan report available for the City's OPEB plan.

Discount Rate

A Single Discount Rate of 2.75% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date as well as the long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits). The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019.

The asset portfolio of the OPEB trust can support a 6.50% long term rate of return. The City's funding policy is to contribute \$200,000 every other fiscal year.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 12/31/2018	\$ 5,419,467	\$ 2,549,381	\$ 2,870,086
Changes for the year:			
Service cost	174,629	-	174,629
Interest	351,147	-	351,147
Difference between expected and actual experience	(14,085)	-	(14,085)
Changes of assumptions	(163,826)	-	(163,826)
Contributions - employer	-	192,401	(192,401)
Net investment income	-	715,285	(715,285)
Benefit payments	(192,401)	(192,401)	-
Administrative expense	-	(16,801)	16,801
Net changes	<u>155,464</u>	<u>698,484</u>	<u>(543,020)</u>
Balance at 12/31/2019	<u>\$ 5,574,931</u>	<u>\$ 3,247,865</u>	<u>\$ 2,327,066</u>

The total OPEB liability for governmental activities is primarily liquidated by the General Fund.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.50%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (5.50%)	Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
City's total OPEB Liability	\$ 2,951,925	\$ 2,302,399	\$ 1,739,266
Component unit's total OPEB Liability	<u>31,626</u>	<u>24,667</u>	<u>18,634</u>
Total	<u>\$ 2,983,551</u>	<u>\$ 2,327,066</u>	<u>\$ 1,757,900</u>

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the net OPEB liability.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
City's total OPEB Liability	\$ 1,907,502	\$ 2,302,399	\$ 2,772,276
Component unit's total OPEB Liability	<u>20,436</u>	<u>24,667</u>	<u>29,701</u>
Total	<u>\$ 1,927,938</u>	<u>\$ 2,327,066</u>	<u>\$ 2,801,977</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

At September 30, 2020, the City reported a liability of \$2,327,066 for its net OPEB Liability. The net OPEB Liability was determined by an actuarial valuation as of December 31, 2018. Update procedures were used to roll forward the total OPEB liability to December 31, 2019. For the year ended September 30, 2020, the City recognized OPEB expense of \$139,179. There were no changes of benefit terms that affected measurement of the net OPEB liability during the measurement period.

Changes in assumptions and other inputs reflect a change in the blended discount rate from 6.49% to 6.50%.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience, liability	\$ 26,441	\$ 721,712
Changes in assumptions		333,955
Difference between expected and actual experience, assets	-	299,762
Contributions subsequent to the measurement date	<u>209,408</u>	<u>-</u>
Totals	<u>\$ 235,849</u>	<u>\$ 1,355,429</u>

At September 30, 2020, the Component Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience, liability	\$ 283	\$ 7,732
Changes in assumptions	-	3,578
Difference between expected and actual experience, assets	-	1,163
Contributions subsequent to the measurement date	<u>2,244</u>	<u>-</u>
Totals	<u>\$ 2,527</u>	<u>\$ 12,473</u>

The City and discretely presented component unit reported \$209,408 and \$2,244 respectively, as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the City paid with own assets and will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	City	Component Unit
2021	\$(235,707)	\$(2,525)
2022	(235,707)	(2,525)
2023	(213,543)	(2,288)
2024	(274,218)	(2,938)
2025	(165,360)	(1,772)
Thereafter	(204,453)	(142)

XII. RISK MANAGEMENT

The Texas Municipal League Intergovernmental Risk Pool (TMLIRP) is a self-insurance program offering and providing other units of local governments with a stable and economic source of risk financing and loss prevention services. The Pool is governed by a Board of Trustees elected by the members who understand these needs. This appointed board serves as the regulatory authority and is not subject to state regulation by the Texas Department of Insurance. The trustees have created programs that are tailored to the risks faced by Texas political subdivisions.

TMLIRP provides statutory workers compensation coverage in accordance with the terms of Chapter 504 Texas Labor Code. Haltom City has a self-insured retention (SIR) or large deductible program in the amount of \$100,000 per accident claim. There is no aggregate limit. TMLIRP serves as the 3rd party administrator for these claims. The Pool pays for any claims up to the SIR and the City gets invoiced. TMLIRP provides statutory excess coverage for each claim over the SIR. Limits for workers compensation employee benefits are set in the law. The pooling mechanism assists with stabilizing these rates for the members. The SIR or deductible credit is calculated and used in the total annual standard contribution cost.

TMLIRP Liability Fund Coverages will pay on behalf of Haltom City or covered party for damages or sums the City is legally obligated or responsible to pay for 3rd party occurrences due to bodily injury or property damage (General Liability, deductible of \$5,000), bodily injury or property damage arising from law enforcement activities (Law Enforcement Liability, deductible of \$5,000), civil claims or wrongful acts (Errors and Omissions, deductible of \$5,000), ownership or use of an automobile (Auto Liability, deductible of \$5,000), comprehensive and collision (Auto Physical Damage, deductible of \$1,000) and Crime coverage (deductible of \$2,000) are also provided to respond to 3rd party damages and loss.

Auto Catastrophe Coverage applies to non-collision losses, including hail, involving two or more vehicles. The each occurrence deductible for Auto Physical Damage does not apply to hail loss. The auto catastrophe deductible is \$10,000 per occurrence.

Property coverage is the broadest form of coverage available. Special Form is the most inclusive property coverage option which includes full Replacement Cost (RC). RC is limited to no more than 150% of the reported value on the property schedule. The per occurrence deductible (\$1,000 dollars) includes wind and hail. All perils are covered for physical loss of or damage to the City's scheduled or insured properties except those that are specifically excluded. Common exclusions are wear and tear, faulty design or workmanship, neglect, war, and intentional acts. Flood and Earthquake deductible is \$25,000 or 1% of building value, whichever is greater, with a \$5 million limit. Property coverage also includes Boiler and Machinery which has a deductible of \$5,000 and Mobile Equipment (loaders, backhoes, etc.) which has a deductible of \$5,000.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claims settlement trends, including frequency and amount of payouts and other economic and social factors. The liabilities are due within one year of the date of the statement of net position. Changes in the claims liability for fiscal year 2020 and 2019 are listed as follows:

	<u>2020</u>	<u>2019</u>
Claims payable, beginning of year	\$ 727,185	\$ 578,717
Current year claims and changes in estimates	577,415	285,064
Payments on claims	<u>499,234</u>	<u>136,596</u>
Claims payable, end of year	<u>\$ 805,366</u>	<u>\$ 727,185</u>

XIII. COMMITMENTS AND CONTINGENT LIABILITIES

In 2010, the City entered into a twenty-year contract with the City of Fort Worth for the purchase of water. Under the terms of the contract, the City is obligated to make a minimum annual payment, subject to adjustment under certain conditions as provided in the contract, of approximately \$50,000. Payments under this contract were approximately \$4,169,950 in 2020 and are included as operating expenses of the Water and Sewer Fund.

In 2018, the City entered into a twenty-year contract with the City of Fort Worth for the treatment and transportation of sanitary sewage. Payments under this contract are on a per connection basis and were approximately \$3,465,472 in 2020 and are also included as operating expenses of the Water and Sewer Fund.

At September 30, 2020, the City was committed to several long-term construction contracts. The governmental funds were contractually committed to approximately \$7,495,961; the business-type funds were committed to \$8,528,042.

The City is a defendant in several legal actions involving various claims incident to the conduct of the City's operations. Management does not expect the City to suffer any material liability by reason of such actions.

The City has participated in a number of state and federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

XIV. PROPERTY TAX ABATEMENTS

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The abatement agreements authorize the appraisal district to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement.

XV. 380 AGREEMENTS

At times when alternate incentives may be preferable to a tax abatement, the City Council has the authority under Chapter 380 of the Texas Local Government Code to create a custom incentive in order to accomplish specific economic development goals. These incentives are considered on a case-by-case basis and may be considered based on: a certain number of net new jobs with wages above the City's median household; the relocation of a company promoting growth of targeted industry clusters such as high-tech companies; aviation/aerospace industry, or supply chain clusters supporting the City's existing primary employers; incentives for businesses causing infill redevelopment or other desirable development objectives; and/or any other activity which the City Council determines meets a specific public purpose for economic development.

- Lasiter and Lasiter Plumbing – The Company can purchase plumbing supplies through a Texas Direct Payment Permit which generates local sales tax revenue for the City that would otherwise no be available to the City. The original agreement was dated March 2007. The agreement was extended in 2017 for another ten-year period. This agreement will expire on March 31, 2027. The tax rebate amount for the current fiscal year was \$19,307.

XVI. SUBSEQUENT EVENTS

In January 2021, the City issued General Obligation Refunding Bonds, Series 2020 in the amount of \$6,340,000, for the purpose of refunding a portion of existing bonds at a present value savings. The bonds carry an interest rate of 1-4% and mature on February 1, 2032.

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