

**OFFICIAL STATEMENT**  
**March 22, 2022**

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

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

**\$1,980,000**

**CITY OF COCKRELL HILL, TEXAS**

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

**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022**

**Dated Date: March 15, 2022**

**Due: February 1, as shown on inside cover**

The \$1,980,000 City of Cockrell Hill, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Council of the City of Cockrell Hill, Texas (the "City" or the "Issuer") on March 22, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

Interest on the Certificates will accrue from March 15, 2022 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2023, 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 Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)



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

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

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The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.) It is expected that the Certificates will be available for initial delivery through DTC on or about April 13, 2022.

**\$1,980,000**  
**CITY OF COCKRELL HILL, TEXAS**  
(A political subdivision of the State of Texas located in Dallas County, Texas)  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022**

**MATURITY SCHEDULE**

CUSIP Prefix No. 191630 <sup>(1)</sup>

**\$615,000 Serial Certificates**

Stated Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix <sup>(1)</sup>
<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix <sup>(1)</sup></u>
2024	\$ 45,000	5.000%	1.800%	DD1
2025	50,000	5.000%	1.900%	DE9
2026	65,000	5.000%	2.000%	DF6
2027	85,000	5.000%	2.100%	DG4
2028	85,000	5.000%	2.200%	DH2
2029	90,000	5.000%	2.250%	DJ8
2030	95,000	5.000%	2.300%	DK5
2031	100,000	5.000%	2.350%	DL3

**\$1,365,000 Term Certificates**

**\$215,000 3.250% Term Certificates due February 1, 2033 and priced to yield 2.550%<sup>(2)</sup> CUSIP Suffix DN9**  
**\$345,000 3.250% Term Certificates due February 1, 2036 and priced to yield 2.750%<sup>(2)</sup> CUSIP Suffix DR0**  
**\$385,000 3.250% Term Certificates due February 1, 2039 and priced to yield 3.000%<sup>(2)</sup> CUSIP Suffix DU3**  
**\$420,000 3.250% Term Certificates due February 1, 2042 and priced to yield 3.250%<sup>(2)</sup> CUSIP Suffix DX7**

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

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Certificates maturing February 1, 2033, February 1, 2036, February 1, 2039 and February 1, 2042 (the "Term Certificates") will be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

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

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

<sup>(2)</sup> Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2031 the first optional call date for the Certificates, at a redemption of par plus accrued interest to the date of redemption.

**CITY OF COCKRELL HILL TEXAS**  
**4125 W Clarendon**  
**Cockrell Hill, Texas 75211**  
**Telephone: (214) 330-6333**

**ELECTED OFFICIALS**

Name	Years On Council	Term Expires (May)	Occupation
Luis Carrera Mayor	14	2022	Civil Engineer
Roberto Arredondo Mayor Pro-Tem	6	2023	Business Owner
Miriam Rodriguez Councilmember, Place 1	12	2022	Retired
Vacant Councilmember, Place 2			
Alejandra Arriaga Councilmember, Place 3	1	2023	IT Analysis
Anna Zayas Rodriguez Councilmember, Place 5	1	2023	Real Estate

**ADMINISTRATION**

Name	Position	Length of Service With the City (years)
Bret Haney	City Administrator	15 years
Robert F. Brown	City Attorney	19 years

**CONSULTANTS AND ADVISORS**

**Bond Counsel**..... Cantu Harden LLP  
San Antonio, Texas

**Certified Public Accountants** ..... Marlow C. Hunter, P.C.  
Evanston, Illinois

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

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

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## USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

None of the City, the Financial Advisor or the Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its Book-Entry-Only System or the Bond Insurer and its municipal bond insurance policy described herein under the heading “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” as such information is provided by DTC and the Bond Insurer respectively.

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

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

## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

<b>The Issuer</b>	The City of Cockrell Hill, Texas (the "City" or "Issuer") is a political subdivision of the State of Texas located off of Interstate 30 in southwest Dallas County. The City consists of the Mayor and five Council Members all elected at large for two year terms. The City's 2021 estimated population is 4,443. (See "APPENDIX C - General Information Regarding the City of Cockrell Hill and Dallas County, Texas" herein.)
<b>The Certificates</b>	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code and an, ordinance (the "Ordinance") adopted by the City Council of the City, on March 22, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
<b>Security</b>	The Certificates constitute direct and general obligations of the City payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are additionally secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise (See "THE CERTIFICATES – Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein).
<b>Qualified Tax-Exempt Obligations</b>	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
<b>Redemption Provisions of the Certificates</b>	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing February 1, 2033, February 1, 2036, February 1, 2039 and February 1, 2042 (the "Term Certificates") will be subject to mandatory sinking fund redemption. See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
<b>Tax Matters</b>	In the opinion of Cantu Harden LLP, San Antonio, Texas, as Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof. (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein).
<b>Use of Certificate Proceeds</b>	Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

<b>Bond Insurance</b>	The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company (“BAM”) (See “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” herein.)
<b>Rating</b>	The Certificates are rated “AA” (stable outlook) by S&P Global Ratings, a division of S&P Global (“S&P”), by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. S&P has assigned an underlying, unenhanced rating of “A” to the Certificates without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P (See "OTHER PERTINENT INFORMATION - Rating" herein.)
<b>Payment Record</b>	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
<b>Future Debt Issues</b>	The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2022, except potentially issuing refunding bonds for debt service savings.
<b>Delivery</b>	When issued, anticipated on or about April 13, 2022.
<b>Legality</b>	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden LLP, San Antonio, Texas, Bond Counsel.

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**OFFICIAL STATEMENT**

relating to

**\$1,980,000**

**CITY OF COCKRELL HILL, TEXAS**

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

**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022**

**INTRODUCTORY STATEMENT**

This Official Statement provides certain information in connection with the issuance by the City of Cockrell Hill, Texas (the “City” or the “Issuer”) of its \$1,980,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the “Certificates”) identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the “State”) and a municipal corporation organized and existing under the Constitution and laws of the State of Texas. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined below). Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances.

**ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 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 Certificates will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the City’s undertaking to provide certain information on a continuing basis.

**INFECTIOUS DISEASE OUTBREAK – COVID-19**

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

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic which has been subsequently extended and remains 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 since issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on March 2, 2021 (but effective as of March 10, 2021), the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, the Governor issued Executive Order GA-36, which rescinds certain provisions of GA-34 and provides that no governmental entity, including the City, may require any person to wear a face covering or to mandate that another person wear a face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance, subject to certain exceptions. Certain public entities and officials in the State have filed lawsuits challenging the enforcement of Executive Order GA-36. Many of those lawsuits are in various stages of litigation and have not been fully resolved at this time. 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.

**Convening of the Texas Legislature**

The Governor has called three special sessions of the 87th Texas Legislature. The third special session adjourned on October 19, 2021, and the Governor may call additional special sessions that could materially affect the City and/or its finances. 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.

## THE CERTIFICATES

### General Description of the Certificates

The Certificates are dated March 15, 2022 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2023, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

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

### Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on March 22, 2022.

### Security for Payment

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

### Redemption Provisions of the Certificates

#### Optional Redemption

The Certificates maturing on or after February 1, 2032 are subject to optional redemption, in whole or in part, on February 1, 2031, or any date thereafter, in principal amounts of \$5,000 or any integral multiple thereof at the price of par plus accrued interest thereon to such date of redemption.

#### Mandatory Sinking Fund Redemption

The Certificates stated to mature on February 1, 2033, February 1, 2036, February 1, 2039 and February 1, 2042 are referred to herein as the "Term Certificates". The Term Certificates are also subject to mandatory redemption prior to maturity in part and by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on February 1, in the years and principal amounts shown below:

Term Certificates Maturing on February 1, 2033		Term Certificates Maturing on February 1, 2036		Term Certificates Maturing on February 1, 2039		Term Certificates Maturing on February 1, 2042	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2032	\$ 105,000	2034	\$ 110,000	2037	\$ 125,000	2040	\$135,000
2033*	110,000	2035	115,000	2038	130,000	2041	140,000
		2036*	120,000	2039*	130,000	2042*	145,000

\*Payable at Stated Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable Stated Maturity to be redeemed on the next following February 1 from money set aside for that purpose in the Certificate Fund. Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.



The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

#### **Notice of Redemption**

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

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

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

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

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

#### **Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

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

## Sources and Uses

Sources	
Par Amount of the Certificates	\$ 1,980,000.00
Accrued Interest on the Certificates	5,842.08
Reoffering Premium	<u>125,183.25</u>
Total Sources of Funds	<u>\$ 2,111,025.33</u>
Uses	
Construction Fund Deposit	\$ 2,000,000.00
Purchaser's Discount (including bond insurance premium)	41,109.75
Certificate Fund Deposit	5,842.08
Costs of Issuance	<u>64,073.50</u>
Total Uses	<u>\$ 2,111,025.33</u>

## Payment Record

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

## Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

## Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. City officials are authorized to restrict such eligible securities as deemed appropriate in connection with the sale of the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

### **Default and Remedies**

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

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

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

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

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

## REGISTRATION, TRANSFER AND EXCHANGE

### **Paying Agent/Registrar**

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

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

### **Record Date**

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

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

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

### **Future Registration**

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

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

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

## Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

## BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

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

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

#### **Use of Certain Terms in Other Sections of this Official Statement**

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

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

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

### **BOND INSURANCE**

#### **BOND INSURANCE POLICY**

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

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

#### **BUILD AMERICA MUTUAL ASSURANCE COMPANY**

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

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

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

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

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$481.5 million, \$183.4 million and \$298.1 million, respectively.

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

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

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

#### *Additional Information Available from BAM*

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

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

## **BOND INSURANCE GENERAL RISKS**

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

Payment of principal and interest is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. See "THE CERTIFICATES – Default and Remedies". The Bond Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercises and the Bond Insurer's consent may be required in connection with amendments to any applicable Certificate documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the security provided pursuant to the applicable Certificate documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

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

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies.

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

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

In the past, Moody's Investors Service, Inc., S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business, and Fitch Ratings, Inc. have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible.

In addition, past events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

## **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.

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

**TABLE 1**

As of December 31, 2021, the City held investments as follows (unaudited):

<u>Type of Security</u>	<u>Market Value</u>	<u>Percentage of Total</u>
Tex Pool	\$ 274,901.00	97.01%
CD-60 Month	8,466.32	2.99%
	<u>\$ 283,367.32</u>	<u>100.00%</u>

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

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

**AD VALOREM PROPERTY TAXATION**

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

**Valuation of Taxable Property**

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

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

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see “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 presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

### **Local Option Freeze for the Elderly and Disabled**

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

### **Personal Property**

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

### **Freeport and Goods-In-Transit Exemptions**

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

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

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

### **Other Exempt Property**

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

### **Tax Increment Reinvestment Zones**

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase

in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

### **Tax Abatement Agreements – Chapter 380 Economic Development Agreement**

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.

During the year ended September 30, 2020, the City approved an economic development agreement between the City and the Hwy 90 Cockrell Hill Partners, LTD (the “Developer”). The agreement allows the City to reimburse the Developer in the form of ad valorem tax grants an amount not to exceed \$23,596,331 upon the Developer’s performing certain obligations as defined in the agreement. The ad valorem tax grants represent 100% of City ad valorem property taxes levied for purposed other than payment of debt service and up to 100% of City sales and hotel occupancy taxes as imposed and collected within a proposed development. As the agreement was signed on September 24, 2019 and there have been no taxes paid yet, the City has made no payments during the previous or current fiscal year.

### **Temporary Exemption for Qualified Property Damaged by a Disaster**

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

### **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 was set at \$50 million for the 2020 tax year and \$50.6 million for the 2021 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 Certificates.**

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

#### **Debt Tax Rate Limitations**

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

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

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

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

The City has not adopted the tax freeze for citizens who are disabled or 65 years of age or older.

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

The City does not tax nonbusiness personal property; and Dallas Central Appraisal District does collect taxes for the City.

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

The City does not tax freeport property.

The City does not collect an additional one-quarter of one percent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy and does not have any existing tax abatement agreements.

The City does participate in a tax increment financing zone. Since its inception there have been no contracts.

## TAX MATTERS

### Tax Exemption

The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (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. A form of Bond Counsel's opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the City pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the 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 Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

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

### Tax Changes

Existing law may change to reduce or eliminate the benefit to Certificate holders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

### Ancillary Tax Consequences

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

### Tax Accounting Treatment of Discount Certificates

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

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

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

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

The initial public offering price to be paid for certain Certificates (the "Premium Certificates") may be greater than the stated redemption price on such Certificates 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 Certificates 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 Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable Certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Certificate premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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

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

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

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

### **CONTINUING DISCLOSURE OF INFORMATION**

The City is exempt from certain of the continuing disclosure obligations set forth in the United States Securities and Exchange Commission Rule 15c2-12 (the "Rule"), pursuant to the exemption under subsection (d)(2), which applies to certain small issuers such as the City who are not an "obligated person" (as defined in the Rule) responsible for the repayment of municipal securities outstanding (including the Certificates) in an aggregate principal amount exceeding \$10,000,000. Pursuant to this exemption, the City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org), as further described below under "Availability of Information".

### **Annual Reports**

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

The Issuer will provide certain updated financial information and operating data, which is customarily prepared by the City and is publicly available, with the MSRB annually. Such information to be provided consists of the quantitative and financial information and operating data with respect to the City of the general type included in Appendix D. The Issuer will update and provide this information within six months after the end of each

fiscal year of the City beginning in the year 2021. The Issuer 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 Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

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

#### **Notice of Certain Events**

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City 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 Certificates nor the Ordinance make provision for liquidity enhancement or debt service reserves.

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

#### **Availability of Information**

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

#### **Limitations and Amendments**

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

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond



counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Certificates. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

### **Compliance with Prior Undertakings**

Except as disclosed below, 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.

Due to an administrative oversight, the City did not file its financial audit for the fiscal year ended 2017. The City filed this audit and a notice of failure to timely file with EMMA on March 18, 2022. The City has since put procedures in place to ensure that it meets its continuing disclosure obligations moving forward.

## **LEGAL MATTERS**

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

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

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

### **Litigation**

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

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

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

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

subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

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

#### **FORWARD LOOKING STATEMENTS**

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

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

#### **OTHER PERTINENT INFORMATION**

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

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

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

##### **Rating**

S&P has assigned a rating of "AA" to the Certificates based solely upon the municipal bond insurance policy to be issued by the Bond Insurer on the date of initial delivery of the Certificates and an underlying rating of "A". (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.) An explanation of the significance of such rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of 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 revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

##### **Authenticity of Financial Information**

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

##### **Financial Advisor**

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

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

### **Winning Bidder**

After requesting competitive bids for the Certificates, the City accepted the bid of BOK Financial Securities, Inc. (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of \$125,183.25, less a Purchaser's discount of \$41,109.75, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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

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

### **Information from External Sources**

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

### **Concluding Statement**

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

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

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

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

**CITY OF COCKRELL HILL, TEXAS**

/s/ Luis Carrera

Mayor  
City of Cockrell Hill, Texas

ATTEST:

/s/ Bret Haney

City Secretary  
City of Cockrell Hill, Texas

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**APPENDIX A**

**FINANCIAL INFORMATION RELATING TO  
THE CITY OF COCKRELL HILL, TEXAS**

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

2021 Certified Market Value of Taxable Property (100% of Market Value).....	\$	174,017,100
Less Exemptions:		
Optional Over 65 or Disabled.....	\$	1,703,400
Veterans' Exemptions.....		286,790
Totally Exempt.....		8,189,140
Loss to 10% HO Cap.....		15,128,913
<b>TOTAL EXEMPTIONS</b> .....	\$	25,308,243
2021 Certified Assessed Value of Taxable Property.....	\$	148,708,857

Source: Dallas Central Appraisal District.

**GENERAL OBLIGATION BONDED DEBT**

(as of January 15, 2022)

**General Obligation Debt Principal Outstanding**

General Obligation Bonds, Series 2015	\$	2,790,000
Tax Notes, Series 2019		315,000
General Obligation Refunding Bonds, Series 2019		1,160,000
The Certificates		1,980,000
Total Gross General Obligation Debt	\$	6,245,000
Less: Self Supporting Debt		
General Obligation Bonds, Series 2015 (100% W&S)	\$	2,790,000
Total Self-Supporting Debt	\$	2,790,000
Total Net General Obligation Debt Outstanding	\$	3,455,000

2021 Net Assessed Valuation	\$	148,708,857
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		4.20%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		2.32%

Population: 1990 - 3,746; 2000 - 4,443; 2010 - 4,193; est. 2021 - 4443  
Per Capita Certified Net Taxable Assessed Valuation - \$33,470.37  
Per Capita Gross General Obligation Debt Principal - \$1,405.58  
Per Capita Net General Obligation Debt Principal - \$777.63

**CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE**

**TABLE 2**

(As of September 30, 2021)

The City is purchasing various pieces of equipment as detailed in the table above under capital lease purchase agreements. The interest rates range from 2.61% to 5.10%.

The capital assets acquired through capital leases are as follows:

Machinery and Equipment	\$	173,307
Less: Accumulated Depreciation		(94,065)
Net	\$	79,242

Source: Draft 2021 Audit

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt <sup>(a)</sup>	The Certificates			Combined Debt Service <sup>(a)</sup>	Less: Self- Supporting Debt	Total Net Debt Service
		Principal	Interest	Total			
2022	\$ 501,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	496,218	-	103,488	103,488	599,706	134,435	465,271
2024	500,803	45,000	73,988	118,988	619,791	136,505	483,286
2025	495,025	50,000	71,613	121,613	616,638	133,436	483,202
2026	493,172	65,000	68,738	133,738	626,910	135,367	491,543
2027	411,172	85,000	64,988	149,988	561,160	132,159	429,001
2028	414,706	85,000	60,738	145,738	560,444	133,950	426,494
2029	412,540	90,000	56,363	146,363	558,903	135,602	423,301
2030	409,915	95,000	51,738	146,738	556,653	132,115	424,538
2031	411,865	100,000	46,863	146,863	558,728	133,627	425,101
2032	278,250	105,000	42,656	147,656	425,906	-	425,906
2033	277,838	110,000	39,163	149,163	427,001	-	427,001
2034	277,000	110,000	35,588	145,588	422,588	-	422,588
2035	275,738	115,000	31,931	146,931	422,669	-	422,669
2036	-	120,000	28,113	148,113	148,113	-	148,113
2037	-	125,000	24,131	149,131	149,131	-	149,131
2038	-	130,000	19,988	149,988	149,988	-	149,988
2039	-	130,000	15,763	145,763	145,763	-	145,763
2040	-	135,000	11,456	146,456	146,456	-	146,456
2041	-	140,000	6,988	146,988	146,988	-	146,988
2042	-	145,000	2,356	147,356	147,356	-	147,356
Total	<u>\$ 5,154,242</u>	<u>\$ 1,980,000</u>	<u>\$ 856,645</u>	<u>\$ 2,836,645</u>	<u>\$ 7,990,887</u>	<u>\$ 1,207,196</u>	<u>\$ 6,783,691</u>

<sup>(a)</sup> Includes self-supporting debt.

**TAX ADEQUACY (Includes Self-Supporting Debt)**

2021 Certified Net Taxable Assessed Valuation	\$ 148,708,857
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2026)	626,909.50 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.4302 *

\* Includes the Certificates.

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	\$ 148,708,857
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2026)	491,542.50 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.33729 *

\* Includes the Certificates.

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



**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding <sup>(a)</sup>	The Certificates	Total		
2022	\$ 105,000	\$ -	\$ 105,000	\$ 6,140,000	1.68%
2023	350,000	-	350,000	5,790,000	7.29%
2024	365,000	45,000	410,000	5,380,000	13.85%
2025	370,000	50,000	420,000	4,960,000	20.58%
2026	380,000	65,000	445,000	4,515,000	27.70%
2027	310,000	85,000	395,000	4,120,000	34.03%
2028	325,000	85,000	410,000	3,710,000	40.59%
2029	335,000	90,000	425,000	3,285,000	47.40%
2030	345,000	95,000	440,000	2,845,000	54.44%
2031	360,000	100,000	460,000	2,385,000	61.81%
2032	240,000	105,000	345,000	2,040,000	67.33%
2033	250,000	110,000	360,000	1,680,000	73.10%
2034	260,000	110,000	370,000	1,310,000	79.02%
2035	270,000	115,000	385,000	925,000	85.19%
2036	-	120,000	120,000	805,000	87.11%
2037	-	125,000	125,000	680,000	89.11%
2038	-	130,000	130,000	550,000	91.19%
2039	-	130,000	130,000	420,000	93.27%
2040	-	135,000	135,000	285,000	95.44%
2041	-	140,000	140,000	145,000	97.68%
2042	-	145,000	145,000	-	100.00%
<b>Total</b>	<b>\$ 4,265,000</b>	<b>\$ 1,980,000</b>	<b>\$ 6,245,000</b>		

<sup>(a)</sup> Includes self-supporting debt.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2010-2020** **TABLE 3**

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2012	\$ 86,249,254	\$ -	0.00%
2013	87,919,119	1,669,865	1.94%
2014	88,823,271	904,152	1.03%
2015	89,172,592	349,321	0.39%
2016	94,146,119	4,973,527	5.58%
2017	105,970,376	11,824,257	12.56%
2018	120,138,789	14,168,413	13.37%
2019	124,415,658	4,276,869	3.56%
2020	134,824,939	10,409,281	8.37%
2021	148,675,638	13,850,699	10.27%

Source: Dallas Central Appraisal District.

**PRINCIPAL TAXPAYERS 2020-2021** **TABLE 4**

Name	Type of Business/Property	2021 Net Taxable Assessed Valuation	% of Total 2021 Assessed Valuation
LRF1 PLAZA DE ORO LLC	Shopping Center	\$ 7,500,000	5.04%
CF CVH 2020 PROPCO LLC	Apartments	3,650,560	2.46%
LRF1 PLAZA DE ORO LLC	Shopping Center	3,215,000	2.16%
404 ANDREWS LLC	Shopping Center	2,895,280	1.95%
404 ANDREWS LLC	Shopping Center	2,895,280	1.95%
404 ANDREWS LLC	Shopping Center	1,842,450	1.24%
KASHISH CORP	Industrial Light Manufacturing	1,534,500	1.03%
LRF1 PLAZA DE ORO LLC	Shopping Center	1,285,000	0.86%
COLE FD PORTFOLIO IV LLC	Retail	1,260,000	0.85%
DURANGO FOODS LLC	Food Purveyor	1,211,070	0.81%
		<u>\$ 27,289,140</u>	<u>18.35%*</u>

Source: Dallas Central Appraisal District.

\* As shown in the table above, the top ten taxpayers in the City account for in excess of 18% 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. 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.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 5**

	2021	% of Total	2020	% of Total	2019	% of Total
Real, Residential, Single-Family	\$ 104,100,770	59.82%	\$ 100,603,500	61.32%	\$ 80,384,960	56.32%
Real, Residential, Multi-Family	16,344,380	9.39%	13,572,750	8.27%	11,778,160	8.25%
Real, Vacant Lots/Tracts	3,692,800	2.12%	4,018,180	2.45%	3,718,490	2.61%
Real, Commercial and Industrial	39,132,880	22.49%	34,781,310	21.20%	36,564,060	25.62%
Real & Tangible, Personal Utilities	1,761,820	1.01%	1,657,020	1.01%	1,810,680	1.27%
Tangible Personal, Commercial & Industrial	8,769,830	5.04%	9,219,610	5.62%	8,184,130	5.73%
Special Inventory	214,620	0.12%	211,960	0.13%	280,370	0.20%
<b>Total Appraised Value</b>	<b>\$ 174,017,100</b>	<b>100.00%</b>	<b>\$ 164,064,330</b>	<b>100.00%</b>	<b>\$ 142,720,850</b>	<b>100.00%</b>
<b>Less:</b>						
Optional Over 65 or Disabled	\$ 1,703,400		\$ 1,620,000		\$ 1,653,400	
Veterans' Exemptions	286,790		279,655		261,897	
Pollution Control	33,219		35,412		38,284	
Totally Exempt	8,189,140		8,058,800		8,020,770	
Loss to 10% HO Cap	15,128,913		19,245,524		8,330,841	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 148,675,638</b>		<b>\$ 134,824,939</b>		<b>\$ 124,415,658</b>	

Source: Dallas Central Appraisal District.

**TAX DATA**

**TABLE 6**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Total	Year Ended
2012	\$ 86,249,254	0.823100	\$ 709,918	94.07%	9/30/2013
2013	87,919,119	0.811900	713,815	94.77%	9/30/2014
2014	88,823,271	0.811900	721,156	95.11%	9/30/2015
2015	89,172,592	1.132400	1,009,790	93.56%	9/30/2016
2016	94,146,119	1.119400	1,053,872	93.31%	9/30/2017
2017	105,970,376	1.058833	1,122,049	91.36%	9/30/2018
2018	120,138,789	0.988947	1,188,109	96.45%	9/30/2019
2019	124,415,658	0.947126	1,178,373	99.90%	9/30/2020
2020	134,824,939	0.850573	1,146,785	94.95%	9/30/2021
2021	148,675,638	0.823016	1,223,624	34.19%	9/30/2022 *

Source: The Municipal Advisory Council of Texas.

\* As of December 1, 2021.

**TAX RATE DISTRIBUTION**

**TABLE 7**

	2021	2020	2019	2018	2017
General Fund	\$ 0.648945	\$ 0.657522	\$ 0.781241	\$ 0.755800	\$ 0.795494
I & S Fund	0.174071	0.193051	0.165885	0.233147	0.263339
<b>Total Tax Rate</b>	<b>\$ 0.823016</b>	<b>\$ 0.850573</b>	<b>\$ 0.947126</b>	<b>\$ 0.988947</b>	<b>\$ 1.058833</b>

Source: The Municipal Advisory Council of Texas, the Dallas Central Appraisal District.

**MUNICIPAL SALES TAX COLLECTIONS**

**TABLE 8**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code, authorizing the City to levy a 1% sales tax. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. The City's total sales tax rate is 1%. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2012	260,968	36.76%	0.303
2013	268,216	37.57%	0.305
2014	334,197	46.34%	0.376
2015	103,103	10.21%	0.116
2016	344,322	32.67%	0.366
2017	375,676	33.48%	0.355
2018	467,546	39.35%	0.389
2019	418,601	35.52%	0.336
2020	477,281	41.62%	0.354
2021	537,634	43.94%	0.362
2022	112,021	(as of February 2022)	

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

**OVERLAPPING DEBT INFORMATION**

(As of February 1, 2022)

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 1/31/2022)	% Overlapping	Amount Overlapping
Dallas County	\$ 116,665,000	0.04%	\$ 46,666
Dallas County CCD	166,750,000	0.04%	66,700
Dallas County Hospital District	575,330,000	0.04%	230,132
Dallas County Schools	16,679,652	0.04%	6,672
Dallas Independent School District	3,259,600,000	0.09%	2,933,640
Total Gross Overlapping Debt			<u>\$ 3,283,810</u>
City of Cockrell Hill			\$ 6,245,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 9,528,810 *</u>
Ratio of Gross Direct and Overlapping Debt to 2021 Net Assessed Valuation			6.41% *
Per Capita Gross Direct and Overlapping Debt			\$ 2,145 *

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is \$3,455,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	\$ 6,738,810 *
Ratio of Direct and Overlapping Debt to 2021 Net Assessed Valuation	4.53% *
Per Capita Net Direct and Overlapping Debt	\$1,516.73 *

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

\* Includes the Certificates.

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

Governmental Subdivision	2021 Assessed Valuation	% of Actual	2021 Tax Rate
Dallas County	\$ 263,171,536,372	100%	\$ 0.240000
Dallas County CCD	299,480,856,454	100%	0.124000
Dallas County Hospital District	292,697,934,340	100%	0.255000
Dallas County Schools	261,927,801,917	100%	0.010000
Dallas Independent School District	141,905,281,463	100%	1.248000

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	Issued To-Date	Unissued
Dallas County	None				
Dallas County CCD	5/4/2019	College Facility	1,102,000,000	-	1,102,000,000
Dallas County Hospital District	None				-
Dallas County Schools	None				-
Dallas Independent School District	11/6/2018	Buses	75,000,000	30,000,000	45,000,000
	11/3/2020	School Building	3,271,600,000	471,225,000	2,800,375,000
		Technology	270,000,000	-	270,000,000
		Athletic Improvements	53,300,000	-	-
		Performing Arts	66,100,000	-	-
		Natatorium	33,500,000	-	-
			<u>3,694,500,000</u>	<u>471,225,000</u>	<u>3,115,375,000</u>
Cockrell Hill, City of	11/4/2014	Street Improvements	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ -</u>

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

**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				
	9/30/2021 <sup>(1)</sup>	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Fund Balance - Beginning of Year	\$ 804,883	\$ 871,139	\$ 651,370	\$ 3,245,331	\$ 3,741,267
Revenues	\$ 3,077,273	\$ 2,937,536	\$ 3,464,945	\$ 3,345,221	\$ 3,094,440
Expenditures	<u>2,458,649</u>	<u>2,702,444</u>	<u>3,021,694</u>	<u>3,113,364</u>	<u>3,750,703</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 618,624	\$ 235,092	\$ 443,251	\$ 231,857	\$ (656,263)
Other Financing Sources (Uses):					
Sale of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 110,327
Lease Proceeds	-	-	56,980	(65,814)	-
Operating Transfers In	(278,413)	(277,362)	(280,462)	-	50,000
Operating Transfers Out	<u>-</u>	<u>13,265</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses):	\$ (278,413)	\$ (264,097)	\$ (223,482)	\$ (65,814)	\$ 160,327
Fund Balance - End of Year	<u>\$ 1,145,094</u>	<u>\$ 842,134</u>	<u>\$ 871,139</u>	<u>\$ 3,411,374</u>	<u>\$ 3,245,331</u>

\* The City estimates the General Fund balance will be \$1,145,094 for the fiscal year ending 2021.

(1) Draft Audit.

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

Information regarding the City's Pension Plan can be found in the 2021 Audit\* under Note L. Employee Retirement Pension Plan

*\*Draft Audit.*

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF COCKRELL HILL  
AND DALLAS COUNTY, TEXAS**

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## GENERAL INFORMATION

### City of Cockrell Hill

The City of Cockrell Hill (the “City”) is located in southwest Dallas County a mile south of Interstate Highway 30. The City has a total area of 0.6 square miles. In 1937 the City became incorporated with a population of 459. The City is located in Dallas, County. Most residents who reside in Cockrell Hill work in surrounding areas of City of Dallas. In 2010 the City’s population was 4,193 and the 2021 estimated population was 4,443.

### Education

Dallas Independent School District serves the students that reside in Cockrell Hill.

### Higher Education

The Dallas County Community College District operates Mountain View College which is located near Cockrell Hill near Dallas.

### The County

Dallas County, Texas is 900 square miles and is in the center of four interstate highways. It is home to thirty cities, and has a population of almost 2.5 million. The county seat is the City of Dallas. The County is located in north central Texas, and is strategically central to economic region of Texas, Louisiana, Arkansas, Oklahoma, and New Mexico.

### Labor Force Statistics <sup>(1)</sup>

	<u>2021 <sup>(2)</sup></u>	<u>2020 <sup>(3)</sup></u>	<u>2019 <sup>(3)</sup></u>	<u>2018 <sup>(3)</sup></u>
Civilian Labor Force	1,421,015	1,355,033	1,344,316	1,336,429
Total Employed	1,364,493	1,251,191	1,297,239	1,285,401
Total Unemployed	56,522	103,841	47,077	51,028
% Unemployment	4.0%	7.7%	3.5%	3.8%
Texas Unemployment	4.3%	7.6%	3.5%	3.9%

(1) Source: Texas Workforce Commission.

(2) As of December 2021.

(3) Average Annual Statistics.

### Top 10 Principal Employers In Dallas County

<u>Company</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Wal-Mart	Retail	25,534
American Airlines Group	Airline	25,000
Baylor Scott & White Health	Health Care Provider	22,000
Dallas ISD	Public ISD	20,000
Texas Health Resources	Non-profit Health Care	19,131
Bank of America	Financial Services	14,465
Lockheed Martin	National Defense	13,700
City of Dallas	Government	13,000
Texas Instruments	Semiconductors	13,000
JPMorgan Chase	Financial Services	12,600

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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1020 NE Loop 410  
San Antonio, TX 78209  
210-890-2860

**APRIL 13, 2022**

IN REGARD to the authorization and issuance of the “City of Cockrell Hill, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022” (the *Certificates*), dated March 15, 2022 in the aggregate principal amount of \$1,980,000, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Cockrell Hill, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2024 through 2031 and February 1 in each of the years 2033, 2036, 2039, and 2042, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

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

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

**Legal Opinion of Cantu Harden LLP, San Antonio, Texas, in connection with the authorization and issuance of City of Cockrell Hill, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022**

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

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

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

**Legal Opinion of Cantu Harden LLP, San Antonio, Texas, in connection with the authorization and issuance of City of Cockrell Hill, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022**

law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,

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**APPENDIX D**

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

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements  
not intended to be a complete statement of the Issuer's financial condition.)

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
The City of Cockrell Hill, Texas

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the CITY OF COCKRELL HILL, TEXAS, as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the CITY's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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*, issues by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my 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 and each major fund of the CITY OF COCKRELL HILL, TEXAS, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis found on pages 4 through 11, the Texas Municipal Retirement System pension and OPEB schedules found on pages 54-59, and the and the schedule of General Fund revenues, expenditures and changes in net position – budget vs. actual, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the CITY OF COCKRELL HILL, TEXAS. The supplementary schedule of revenues, expenses, and changes in net position – budget vs. actual – Water & Sewer fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and 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 my opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Reporting Required by Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 9, 2021 on my consideration of The City's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City's internal control over financial reporting and compliance.

*Marlow C. Hunter, P.C.*

February 9, 2021  
Evanston, Illinois

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**City of Cockrell Hill**  
4125 W. Clarendon Drive  
Cockrell Hill, Texas 75211  
Telephone: (214) 330-6333 Fax: (214) 330-5483

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – 2019 vs. 2020**

Management of the City of Cockrell Hill offers readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

### **FINANCIAL HIGHLIGHTS**

- At year end, the resources (assets) of the City total \$21.5 million, of which \$17 million (79%) were capital assets and \$3.4 million (16%) was cash in financial institutions. Our resources increased by \$9.4 million over the prior year primarily due to Dallas County completing the Cockrell Hill Road / Jefferson Street roundabout at a cost of \$8.9 million and transferring ownership to the City.
- The City has obligations (liabilities) totaling \$6.1 million which represents a decrease of \$0.1 million from fiscal year 2019, which reflects repayments of our outstanding indebtedness.
- As of the close of the current fiscal year, the City's Net Position (resources less obligations) was \$15.3 million, which represents an increase of \$9.4 million over the prior fiscal year, which is the result of the recording of our equity in the newly completed roundabout discussed above.
- Total revenues were \$13.2 million which represents an increase of \$8 million over the prior year. This increase is attributable to \$9 million intergovernmental revenue recognized for the roundabout discussed above, offset by not \$0.7 million decline in fines (COVID-19 shelter-at-home resulted in fewer traffic citations). Total expenses were \$3.8 million which represents a decrease of \$0.6 million, primarily due to reduction of police and municipal court expenditures caused by COVID-19.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund-level financial statements and 3) notes to the financial statements. This reporting package also contains required supplementary information and other supplementary information, in addition to the basic financial statements themselves. In addition, there are the independent auditor's opinions on the financial statements, required supplementary information, other supplementary information, and on our internal control over financial reporting and compliance.

#### **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 the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the overall net position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, cultural and recreational, municipal court, and capital projects funds. Our proprietary fund represents the water & sewer utility which operates as a business-type activity. The government-wide financial statements can be found on pages 9 and 10 of this report.

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

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

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

The City maintains two major governmental funds – the General Fund which captures all activities operated by the City; and the Capital Projects Fund which tracks the activities associated with various capital expenditures to enhance the City, such as streets, curbs & gutters renovation.

The City adopts appropriated budgets for its general fund and proprietary fund. Budget-to-actual comparative income statements are presented for the General Fund on page 51 while the proprietary fund budget-to-actual comparison is presented as other supplementary information on page 57. The basic fund-level financial statements can be found on pages 12 – 13 of this report.

- **Proprietary Funds** – The City maintains one proprietary / business-type activity fund which presents the results of operations and financial resources of the City's water / sewer utility operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water & Sewer fund since it is deemed to be a major fund of the City. The proprietary fund financial statements can be found on pages 14-16 of this report.

**Notes to the Financial Statements** – The Notes to Financial Statements provide additional information essential to obtain a more complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 – 50 of this report.

**Other Information** – In addition to Financial Statements and Footnotes, this report also presents Required Supplementary Information, which is comprised of the [1] Schedule of Investment Return – Employee Pension Plan; [2] Schedule of Changes in Net Pension Asset and Related Ratios; [3] Schedule of Contributions to the Pension Plan; [4] Schedule of Changes in OPEB Liability, and [5] Schedule of OPEB Contributions. Required Supplementary Information can be found beginning on page 51 of this report. This reporting package also includes the Schedule of Revenues, Expenses and Changes in Net Position – Budget vs. Actual for the Water & Sewer Fund which presents a comparison of actual results of operations to the budgeted amount adopted by the City Council, which can be found on page 57 below.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$15.3 million as of September 2020. A significant portion of the City's net position (79%) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, capital projects, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 summarizes the City's government-wide position (assets plus deferred outflows less liabilities and deferred inflows).

**TABLE 1 NET POSITION**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Government Wide Totals</i>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current and other assets	2,802,460	3,365,838	953,855	848,251	3,756,315	4,213,792
Net capital assets	14,157,679	4,407,177	2,968,164	2,911,174	17,125,843	7,318,351
Net pension asset	346,530	112,207	26,083	5,906	372,613	118,113
Total assets	17,306,669	7,885,222	3,948,102	3,765,034	21,254,771	11,650,256
Deferred outflows	210,505	427,755	14,993	22,514	225,498	450,269
Current liabilities	984,429	805,959	306,927	291,952	1,291,356	1,097,911
Long term liabilities	3,350,491	3,692,330	1,160,000	1,260,000	4,510,491	4,952,330
Total liabilities	4,334,920	4,498,289	1,466,927	1,551,952	6,158,847	6,050,241
Deferred inflows	307,438	102,779	22,738	5,252	330,176	105,034
Net Position						
Net investment in capital assets	10,464,948	2,587,018	1,708,164	1,546,174	12,173,112	4,133,192
Restricted	191,619	209,375	141,043	117,800	332,662	327,175
Committed	1,511,545	0	0	0	1,511,545	0
Unrestricted	706,704	915,516	624,223	566,212	1,330,927	1,481,728
Total net position	12,874,816	3,711,909	2,473,430	2,230,186	15,348,246	5,942,095

- Analysis of the City's Financial Position**

The City's current assets reflect a decrease of \$458,000 in cash resulting primarily from the expenditure of funds in the capital projects funds continuing the streets, curbs, and gutters project begun in 2015, which on September 30, 2020 was approximately 60% complete. The City's capital assets reflect an increase of \$9,808,000 which is due to additions to infrastructure (roundabout discussed above, plus the addition of \$600,00 added to the streets project accompanied by intergovernmental improvements (\$255,000) to the water and sewer distribution system provided by Dallas County. Depreciation was \$465,000. The \$191,000 increase in our current liabilities reflects having \$220,000 of unspent CARES Act funding received in late September. The net change in deferred outflow and outflows of \$450,000 reflects the strong market performance in Q4 of 2019. Long term liabilities reflect repayments of \$440,000. Net position increased because of the intergovernmental capital grants of \$9,406,000.



Table 2 provides a comparative summary of the changes in net position for the fiscal years ended September 30, 2020 and 2019.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total City</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Revenues						
Program revenues –						
Charges for services	1,073,515	1,764,803	1,004,606	984,123	2,078,121	2,748,926
Operating grants & donations	18,482	0	0	0	0	0
Capital grants & contributions	8,962,464	0	254,992	509,223	9,217,456	509,223
General revenues –						
Property tax	1,194,413	1,187,840	0	1,194,413	1,194,413	1,187,840
Sales tax	496,495	427,260	0	496,495	496,495	427,260
Franchise fees	120,638	135,583	0	120,638	120,638	135,583
Investment earnings	49,533	82,017	2,531	52,064	52,064	88,273
Miscellaneous	1,482	41,868	0	1,482	1,482	41,868
<b>Total revenues</b>	<b>11,917,022</b>	<b>3,639,371</b>	<b>1,262,129</b>	<b>13,179,151</b>	<b>13,179,151</b>	<b>5,138,973</b>
Expenses						
General government	973,802	1,062,805	0	0	973,802	1,062,805
Public safety	1,371,759	1,583,393	0	0	1,371,759	1,583,393
Public works	369,263	486,271	0	0	369,263	486,271
Cultural and recreational	52,556	220,312	0	0	52,556	220,312
Water and sewer	0	0	1,005,620	1,005,798	1,005,620	1,005,798
<b>Total expenses</b>	<b>2,767,380</b>	<b>3,352,781</b>	<b>1,005,620</b>	<b>1,005,798</b>	<b>3,773,178</b>	<b>4,358,579</b>
Change in net position before transfers	9,149,642	286,590	256,509	493,804	9,405,973	271,171
Transfers	13,265	0	(13,625)	0	0	0
<b>Change in net position</b>	<b>9,162,907</b>	<b>286,590</b>	<b>243,244</b>	<b>493,804</b>	<b>9,405,973</b>	<b>780,394</b>
Net position – beginning	3,711,909	3,425,319	2,230,186	1,736,382	5,942,095	5,161,701
<b>Net position – ending</b>	<b>\$ 12,874,816</b>	<b>\$ 3,711,909</b>	<b>\$ 2,473,430</b>	<b>\$ 2,230,186</b>	<b>\$ 15,348,294</b>	<b>\$ 5,942,095</b>

- **Analysis of the City's Operations**

Revenues increased by \$8,000,000 which is attributable to the receipt of capital grants from Dallas County in the form of intergovernmental revenues. Expenses were down reflecting a reduction of expenditures for police and municipal court activities associated with residents and drivers passing through the City were sheltering at home due to COVID-19,

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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. For instance, unrestricted fund balances (unassigned, assigned, and committed) may serve as a useful measure of a government's net resources available for spending during the next fiscal year.

As of the end of fiscal 2020, the City's governmental funds reported combined ending net position of \$12,874,816 which reflects an increase of \$9,162,907 over fiscal 2019 which is the result of the capital grant received from Dallas County. Of that balance, \$1,511,545 is committed to complete the streets, curbs, and gutters project.

**Proprietary Funds** – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer fund at the end of fiscal year 2020 amounted to \$2,473,430 which represents an decrease of \$243,244 over fiscal 2019 and is due primarily to the intergovernmental revenues arising from capital grants received from Dallas County.

**General Fund Budgetary Highlights** – Actual General Fund revenues on a budget basis were \$2,937,536 and were less than budgeted revenues by \$299,752. This was due a decline in fines and court fees since residents sheltered at home and were not driving around getting traffic citations for 6 months. Actual General Fund expenditures on a budget basis amounted to \$2,934,452 and were less than budgeted expenditures by \$319,428 which is primarily due to expenditure reductions for the police department and the municipal court.

**Proprietary Fund Budgetary Highlights** – Actual Water & Sewer Fund revenues of \$1,004,606 exceeded budgeted revenues by \$138,806 which is the result of conservatively budgeting revenues. Historically, whenever the City raises water and sewer rates, consumption decreases. This budgeted phenomenon did not occur in fiscal 2020. Actual expenditures were \$756,902 in the Water & Sewer Fund and were less than budgeted expenditures by \$86,306 which arose because the City purchased less water and wastewater from the City of Dallas.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$17,125,843 (net of accumulated depreciation). Investment in capital assets includes land, construction in progress, buildings, improvements, machinery, equipment, and infrastructure (streets). Currently the City is in the process of two major capital projects – [1] Streets and Gutters which is being financed by the proceeds of General Obligation bonds and a tax note; and [2] water main replacement on Cockrell Hill Road, Dempster and Burns streets, financed primarily by Community Block Development grants from Dallas County in the amount of \$4.0 million, of which \$2.8 million has been expended through September 30, 2020.

**TABLE 3 – CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION**

	<i>Governmental</i>		<i>Business Activities</i>		<i>Total</i>	
	<i>2020</i>		<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Land	\$ 867,686	\$	\$ 0	\$ 0	\$ 867,686	\$ 741,470
Capital projects in progress	696,905		0	0	696,905	1,070,925
Buildings and improvements	181,919		0	0	181,919	201,844
Water & Sewer system	0		2,954,038	2,911,174	2,954,038	2,911,174
Machinery & equipment	499,422		14,097	0	513,519	462,751
Infrastructure	11,911,347		0	0	11,911,347	1,930,187
<b>Total</b>	<b>\$14,157,679</b>	<b>\$4,407,</b>	<b>\$ 2,968,135</b>	<b>\$ 2,911,174</b>	<b>\$ 17,258,814</b>	<b>\$ 7,318,351</b>

The major outlay additions for government capital projects included \$9,000,000 for the Cockrell Hill Road / Jefferson Avenue Roundabout and connecting streets. \$1,000,000 was transferred from construction in progress to infrastructure for street, curbs, and gutters that were completed. \$255,000 of capital grants to the Water and Sewer distribution system were offset by \$212,000 of depreciation. Depreciation of Governmental Capital assets was \$254,000.

**DEBT**

Table 4 displays the activity related to our long-term indebtedness. The decline of \$475,000 reflects payments of principal per amortization schedules.

**Table 4 – Outstanding Indebtedness at Year End**

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>TOTAL</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General Obligation Bonds	3,115,000	3,270,000	0	0	3,115,000	3,270,000
Tax Note / Certificate	460,000	525,000	1,260,000	1,365,000	1,720,000	1,890,000
Capital Lease Obligations	45,570	122,807	0	0	45,570	122,807
Seller-financed Mortgage	71,780	143,430	0	0	71,780	143,430
Compensated Absences	87,165	87,795		0	87,165	87,795
<b>TOTAL</b>	<b>3,779,55</b>	<b>4,419,212</b>	<b>1,260,000</b>	<b>1,365,000</b>	<b>5,039,515</b>	<b>5,514,212</b>

## **ECsONOMIC FACTORS AND THE NEXT FISCALYEAR'S BUDGET AND TAX RATES**

In addition to the condition of the COVID – 19 economy, the City Council and City Administrator addressed a variety of factors, departmental requests, and public input when setting budget and tax rates for the fiscal year 2021. Within our strategic goal to deliver outstanding operational analysis and effectiveness, the City is committed to providing exceptional services at the greatest possible value. This is reinforced by consistently offering one of the lowest tax rates in Dallas County, which includes a tax rate reduction of \$1.50 cents to \$1.45 cents per \$100 of assessed property valuations. The fiscal year 2021 combined budget was developed with a focus on sustaining The City's excellence includes enhancements to current services in response to the expectations of our residents and corporate members, which in turn places higher demands on performance levels. No new programs were adopted for fiscal 2021. The projected revenues to be available in fiscal year 2021 will enable the City to maintain fiscal stability, satisfy the debt obligations, and to be flexible should COVID-19 present unexpected problems.

For the fiscal 2020-2021 budget year, General Fund revenues are budgeted to reflect a 6% decrease from the 2019-2020 fiscal year budget which represents approximately \$244,000. This decrease is primarily the expected impact of COVID-19 on revenues. Expenditures have been reduced in all departments; accordingly, leaving a zero-net excess of revenues and expenditures. The Certified Appraised Values provided by Dallas County Appraisal District for taxable properties within our City limits rose by 3.2%. The additional revenue will be used to make the annual principal and interest payments on the \$4 million dollar bond project to re-mill, resurface and the installation of curb and gutter most of our residential streets. The project is more than half finished, with an expected completion date of June 2022.

The largest single revenue source in the fiscal year budget is property tax which accounts for 42.5% of total revenues. Assessed property tax values in Cockrell Hill increased by 3.22% from the prior year. Revenues from water & sewer operations account for 23% of total budgeted revenues; while fines and forfeitures remain the third largest revenue source, making up 15% off budgeted revenues, with sales and beverage tax revenues accounting for 11.4% of budgeted revenues. Water and sewer rates were raised in fiscal 2020 and no increases are budgeted for fiscal 2021.

The Government Accounting Standards Board has delayed by one year (in most cases) the implementation date of various accounting and financial reporting pronouncements which it has recently adopted. The City is currently assessing the effect that these standards will have on the City's financial statements and related footnote disclosures.

Although the COVID – 19 Pandemic has brought many challenges, the City's operations and financial resources have not been significantly impacted.

The economic indicators for the City of Cockrell Hill reflect very modest growth (not more than 4%) in real estate values and sales tax revenue for fiscal 2021 and beyond.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Bret Haney, City Administrator, City of Cockrell Hill, 4125 W. Clarendon Dr., Cockrell Hill, Texas 75211.

**CITY OF COCKRELL HILL, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

<b><u>ASSETS</u></b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
Cash in financial institutions -- operations	\$ 1,069,274	\$ 428,683	\$ 1,497,957
Cash in Texas Local Government Investment Pool	-	273,899	273,899
Cash in financial institution -- restricted	-	141,043	141,043
Cash in financial institution -- streets, curbs, & gutters	1,511,545	-	1,511,545
Receivables (net of \$10,545 allowance for uncollectibles)	221,641	110,230	331,871
Net pension asset	346,530	26,083	372,613
Capital assets, net of accumulated depreciation	14,157,679	2,968,164	17,125,843
<b>Total Assets</b>	<b>17,306,669</b>	<b>3,948,102</b>	<b>21,254,771</b>
<b>Deferred Outflows of Resources -- Pension &amp; OPEB</b>	<b>210,505</b>	<b>14,993</b>	<b>225,498</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued expenses	474,359	65,305	539,664
Customer deposits for water meters	-	135,550	135,550
OPEB Liability	80,665	6,072	86,737
Long-term indebtedness			
Due within one year	429,405	100,000	529,405
Due in more than one year	3,350,110	1,160,000	4,510,110
<b>Total Liabilities</b>	<b>4,334,920</b>	<b>1,466,927</b>	<b>5,801,847</b>
<b>Deferred Inflows of Resources -- Pension &amp; OPEB</b>	<b>307,438</b>	<b>22,738</b>	<b>330,176</b>
<b><u>NET POSITION</u></b>			
Investment in capital assets, net of debt	10,464,948	1,708,164	12,173,112
Restricted for			
Debt service	-	141,043	141,043
Court technology and security programs	191,619	-	191,619
Committed for streets improvement project	1,511,545	-	1,511,545
Unrestricted	706,704	624,223	1,330,927
<b>Total Net Position</b>	<b>\$ 12,874,816</b>	<b>\$ 2,473,430</b>	<b>\$ 15,348,246</b>

**CITY OF COCKRELL HILL, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

<u>Function/Program Activities</u>	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>							
General government	\$ 973,802	\$ 145,230	\$ 18,482	\$ 8,962,464	\$ 8,152,374	\$ -	\$ 8,152,374
Public safety	1,371,759	622,014	-	-	(749,745)	-	(749,745)
Public works	369,263	306,271	-	-	(62,992)	-	(62,992)
Parks, recreation and culture	52,556	-	-	-	(52,556)	-	(52,556)
Total governmental activities	2,767,380	1,073,515	18,482	8,962,464	7,287,081	-	7,287,081
<b>Business-type activities</b>							
Water and sewer	1,005,620	1,004,606	-	254,992	-	253,978	253,978
<b>Total Government</b>	<b>\$ 3,773,000</b>	<b>\$ 2,078,121</b>	<b>\$ 18,482</b>	<b>\$ 9,217,456</b>	<b>\$ 7,287,081</b>	<b>\$ 253,978</b>	<b>\$ 7,541,059</b>
<b>General revenues</b>							
Property tax					1,194,413	-	1,194,413
Sales and mixed beverage tax					496,495	-	496,495
Franchise tax					120,638	-	120,638
Interest income					49,533	2,531	52,064
Other					1,482	-	1,482
Total General Revenues and Transfers					1,862,561	2,531	1,865,092
<b>Change in net position</b>					<b>9,149,642</b>	<b>256,509</b>	<b>9,406,151</b>
Transfers					13,265	(13,265)	-
Net position, beginning of fiscal year					3,711,909	2,230,186	5,942,095
Net position, end of fiscal year					<u>\$ 12,874,816</u>	<u>\$ 2,473,430</u>	<u>\$ 15,348,294</u>

See accompanying notes to financial statements.

**CITY OF COCKRELL HILL, TEXAS  
BALANCE SHEET -- GOVERNMENT FUNDS  
SEPTEMBER 30, 2020**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Government Funds</b>
<b>ASSETS</b>			
Cash for operations	\$ 1,069,274	\$ 1,511,545	\$ 2,580,819
Property taxes receivable	95,540	-	95,540
Accounts receivable (net of \$4,625 allowance for uncollectible fees)	126,101	-	126,101
<b>Total Assets</b>	<b>\$ 1,290,915</b>	<b>\$ 1,511,545</b>	<b>\$ 2,802,460</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 46,610	\$ 25,578	72,188
Unexpended CARES Act funding	219,975	-	219,975
Accrued expenses	182,196	-	182,196
<b>Total Liabilities</b>	<b>448,781</b>	<b>25,578</b>	<b>474,359</b>
<b>FUND BALANCES</b>			
Restricted for court technology and security programs	191,619	-	191,619
Committed for streets, curbs, and gutters project	-	1,485,967	1,485,967
Unassigned	650,515	-	650,515
<b>Total Fund Balances</b>	<b>842,134</b>	<b>1,485,967</b>	<b>2,328,101</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,290,915</b>	<b>\$ 1,511,545</b>	<b>\$ 2,802,460</b>

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENT FUNDS TO THE STATEMENT OF NET POSITION**

<b>Fund Balance</b>		<b>\$ 2,328,101</b>
Amounts reported in net position are different because:		
Capital assets used in governmental activities are not financial resources; therefore, are not reported in the governmental funds balance sheet.		14,157,679
Pension inflows / outflows / net asset / net OPEB liability		168,932
Other		
Current portion of indebtedness	\$ (429,405)	
Long term portion of indebtedness	(3,350,491)	(3,779,896)
<b>Fund Balance of Government Funds</b>		<b>\$ 12,874,816</b>

**CITY OF COCKRELL HILL, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENT FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

<b>REVENUES</b>	<b>General Funds</b>	<b>Capital Projects Funds</b>	<b>Total Government Funds</b>
Property tax	\$ 1,194,413	\$ -	\$ 1,194,413
Sales and mixed beverage taxes	496,495	-	496,495
Franchise tax	120,638	-	120,638
Permits	67,875	-	67,875
Fines and forfeitures	622,014	-	622,014
Charges for general city services	306,271	-	306,271
Other	77,355	-	77,355
Capital and operating grants	18,482	-	18,482
Interest earned	33,993	15,540	49,533
<b>Total Revenues</b>	<u>2,937,536</u>	<u>15,540</u>	<u>2,953,076</u>
 <b>EXPENDITURES</b>			
General government	881,266	-	881,266
Public safety	1,069,309	-	1,069,309
Public works	351,654	-	351,654
Cultural and recreational	51,957	-	51,957
Expenditures for capital assets	106,266	276,012	382,278
Expenditures for construction in process	-	494,438	494,438
Debt service	241,992	277,563	519,555
<b>Total Expenditures</b>	<u>2,702,444</u>	<u>1,048,013</u>	<u>3,750,457</u>
Revenues Greater (Less) Than Expenditures	<u>235,092</u>	<u>(1,032,473)</u>	<u>(797,381)</u>
 <b>OTHER FINANCING SOURCES</b>			
Intergovernmental revenues	-	-	-
Intrafund transfers	(277,362)	277,362	-
<b>Total Other Financing Sources</b>	<u>(277,362)</u>	<u>277,362</u>	<u>-</u>
 <b>CHANGE IN FUND BALANCES</b>	 (42,270)	 (755,111)	 (797,381)
Transfers from Water & Sewer Fund	13,265	-	13,265
Fund Balances, beginning of fiscal year	<u>871,139</u>	<u>2,241,078</u>	<u>3,112,217</u>
Fund Balances, end of fiscal year	<u>\$ 842,134</u>	<u>\$ 1,485,967</u>	<u>\$ 2,328,101</u>

See accompanying notes to financial statements.

**CITY OF COCKRELL HILL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**Amounts reported for government funds in the statement of activities are different because:**

Change in Fund Balances -- Government Funds		\$ (797,381)
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		923,285
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(253,389)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from issuance of long-term debt	\$ -	
Principal payments on long-term debt	<u>368,997</u>	368,997
Payments for compensated absences and pension expenses are reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of activities pension and compensated absences are expensed as they are accrued.		(23,959)
Intergovernmental revenues reported on government wide statement of activities		8,962,464
Change in deferred outflows and inflows arising from current year actuarial calculations of total pension liability less total pension assets held at Texas Municipal Retirement System based on the December 31, 2019 valuation		<u>(30,375)</u>
<b>Change in Net Position of Government Activities</b>		<b><u>\$ 9,149,642</u></b>



**CITY OF COCKRELL HILL, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES & NET CHANGE IN FUND BALANCE - BUDGET VS. ACTUAL**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Original and Final Budget	Actual on the GAAP Basis	Adjustments to Convert to Budget Basis	Actual on the Budget Basis	Favorable (Unfavorable) Variance
<b><u>REVENUES</u></b>					
Property tax	\$1,177,632	\$1,194,413	\$ -	\$1,194,413	\$ 16,781
Sales and mixed beverage taxes	425,000	496,495	-	496,495	71,495
Franchise tax	135,500	120,638	-	120,638	(14,862)
Permits	57,896	67,875	-	67,875	9,979
Fines and forfeitures	750,000	492,031	-	492,031	(257,969)
Charges for governmental services	300,000	306,271	-	306,271	6,271
Miscellaneous	91,260	151,161	-	151,161	59,901
Impound and towing fees	300,000	108,652	-	108,652	(191,348)
<b>Total Revenues</b>	<b>3,237,288</b>	<b>2,937,536</b>	<b>-</b>	<b>2,937,536</b>	<b>(299,752)</b>
<b><u>EXPENDITURES</u></b>					
Administration and non-departmental	663,647	641,699	-	641,699	21,948
Public safety					
Police	1,257,287	1,030,450	-	1,030,450	226,837
Fire	63,716	39,537	-	39,537	24,179
Municipal court	267,492	174,196	-	174,196	93,296
Code enforcement	72,962	64,693	-	64,693	8,269
Public works	373,764	351,654	-	351,654	22,110
Cultural and recreational	58,027	51,957	-	51,957	6,070
Capital expenditures	100,000	106,266	-	106,266	(6,266)
Debt service	396,985	241,992	232,008	474,000	(77,015)
<b>Total Expenditures</b>	<b>3,253,880</b>	<b>2,702,444</b>	<b>232,008</b>	<b>2,934,452</b>	<b>319,428</b>
Excess (deficiency) of revenues over (under) expenditures	(16,592)	235,092	(232,008)	3,084	19,676
<b><u>OTHER FINANCING SOURCES</u></b>					
Transfer to other funds	-	(277,362)	277,362	-	-
Transfer in from Water & Sewer Fund	16,592	13,265	-	13,265	(3,327)
<b>Total other financing sources</b>	<b>16,592</b>	<b>(264,097)</b>	<b>277,362</b>	<b>13,265</b>	<b>(3,327)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ (29,005)</b>	<b>\$ 45,354</b>	<b>\$ 16,349</b>	<b>\$ 16,349</b>

**CITY OF COCKRELL HILL, TEXAS**  
**STATEMENT OF NET POSITION -- WATER & SEWER FUND**  
**SEPTEMBER 30, 2020**

<b>ASSETS</b>	<b>Water &amp; Sewer Fund</b>
<b>Current Assets</b>	
Cash	\$ 428,683
Cash in Texas Local Government Investment Pool	273,899
Receivables (net of \$5,920 allowance for uncollectibles)	110,230
Total Current Assets	812,812
 <b>Non-Current Assets</b>	
Net Pension Asset	26,083
Restricted cash -- interest and sinking fund	141,043
Capital assets (net of accumulated depreciation)	2,968,164
Total Non-Current Assets	3,135,290
Total Assets	3,948,102
 Deferred Outflows of Resources -- Pension and OPEB	14,993
 <b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	65,305
Net OPEB liability	6,072
Customer deposits	135,550
Current portion of indebtedness	100,000
Total Current Liabilities	306,927
Long-term indebtedness	1,160,000
Total liabilities and Deferred Inflows	1,466,927
 Deferred Inflow of Resources -- Pension and OPEB	22,738
 <b>NET POSITION</b>	
Net investment in capital assets	1,708,164
Restricted for debt service	141,043
Unrestricted	624,223
Total Net Position	\$ 2,473,430

**CITY OF COCKRELL HILL, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**WATER & SEWER FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	<b>Water &amp; Sewer Proprietary Fund</b>
<b><i>Operating Revenues</i></b>	
Water and sewer fees	\$ 1,004,606
<b><i>Operating Expenses</i></b>	
Water purchases	542,310
Salaries and benefits	135,897
Office supplies	20,267
Operating supplies for water and sewer system	40,988
Uniforms	600
Maintenance of equipment	9,859
Miscellaneous	6,981
Depreciation	212,098
Total Operating Expenses	969,000
<b><i>Operating Income</i></b>	35,606
<b><i>Non-operating Revenue (Expense)</i></b>	
Interest income	2,531
Interest expense	(36,619)
Other	-
Total Non-Operating Revenue (Expense)	(34,088)
<b><i>Income Before Intergovernment Revenues and Transfers</i></b>	1,518
Intergovernment Revenues	254,992
<b><i>Change in Net Position</i></b>	256,510
Transfers to General Fund	(13,265)
Net Position, beginning of fiscal year	2,230,186
<b>Net Position, beginning of fiscal year</b>	<b>\$ 2,473,430</b>

**CITY OF COCKRELL HILL, TEXAS  
STATEMENT OF CASH FLOWS  
WATER & SEWER FUND  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	<b>Water &amp; Sewer Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers	\$ 1,009,723
Payments to suppliers and vendors	(624,962)
Expenditures related to personnel	(128,616)
	256,145
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition of capital assets	(14,097)
Principal paid on Refunding Bonds	(105,000)
Interest paid on Refunding Bonds	(19,042)
	(138,139)
<b>Cash flows from Investing Activities</b>	
Interest income	2,531
	2,531
<b>Net Increase in Cash and Cash Equivalents</b>	120,537
<b>Cash and Cash Equivalents, beginning of fiscal year</b>	723,088
<b>Cash and Cash Equivalents, end of fiscal year</b>	\$ 843,625
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Income before intergovernmental revenue and transfers	\$ 1,518
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	212,098
Net changes in deferred outflow and inflows for pension and OPEB	7,281
Other changes	3,244
(Increase) decrease in accounts receivable	14,633
Increase (decrease) in accounts payable and accrued expenses	16,218
Increase (decrease) in customer deposits	1,153
	254,627
<b>Net Cash Provided by Operating Activities</b>	\$ 256,145
<b>Non-Cash Investing and Financing Transactions</b>	
Intergovernment Revenues (improvements to water & sewer system)	\$ 254,992
Retirement of capital assets	\$ (69,708)

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**CITY OF COCKRELL HILL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The City of Cockrell Hill, Texas (the "City") was organized as a "General Law A" municipality in 1937 and operates with a Council / Mayor form of government. The City Council is the policy-making body and is made up of six (6) elected members, five at-large Council members and an at-large Mayor. The Mayor is elected for a two-year term and is the head of the executive and administrative branches of City government. Basic city services are provided by the following departments – Administration, Municipal Court, Police, Fire, Public Works (streets), Culture (Library) and Recreation (Parks), Code Enforcement and Building Inspection. The City also owns and operates a business-type activity – a water and sewer utility system. Water is purchased from the City of Dallas. Wastewater is processed by the City of Dallas.

The accounting and financial reporting policies described below are included in the accompanying financial statements to conform to the accounting principles generally accepted in the United States of America that are applicable to state and local governments. Generally accepted accounting and financial reporting principles for state and local governments are prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements of the City include the primary governmental organizations for which the primary government is financially accountable, and other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of a reporting entity is based principally on the concept of financial accountability. A primary government, such as the City, is deemed to be financially accountable for entities which make up its legal entity. The City is also financially accountable for separate entities if [1] its officials appoint a voting majority of the organization's governing body, or [2] it is able to impose its will on that organizations, or [3] it there is a potential for the separate entity to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for other governmental entities which are financially dependent on it. A primary government has ability to impose its will on another entity if it can significantly influence programs, projects, or activities of, or the level of services performed or provided by the separate entity. A financial benefit or burden relations exists if the primary government [a] is entitled to the organization's resources; [b] is legally obligated or has otherwise assumed the obligation to finance the deficits of or to provide financial support to the organization; or [c] is obligated in some manner (i.e., guarantor) for the debt of the organization. The City has no such relationships with another governmental entity.

The City reports related organizations under the guidance of GASB Statement No. 61, as amended, which defines a primary government, and establishes criteria for which potential component units are to be included in the financial statements of a reporting entity. GASB Statement No. 61 defines financial accountability of a primary government as being determined on [a] the basis of fiscal dependency, [b] appointment of a voting majority of a governing board, [c] ability to impose its will, or [d] the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based on these criteria, the City has determined that it does not have any component units, nor is the City a component unit of another governmental entity.

**B. 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 and any component units, as discussed above. The effect of inter-fund activity, transfers, and balances has been removed from these statements. Government activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

**CITY OF COCKRELL HILL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

In the government-wide Statement of Net Assets, government funds are presented on a combined basis and reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term obligations. The City's net assets are reported in three categories [1] invested in capital assets, net of related debt; [2] restricted net assets; and [3] unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Government-wide Statement of Activities demonstrates the degree to which the direct expenditures of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include -- [1] charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity; and [2] grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not classified with program revenues are reported as general revenues.

The Government-wide Statement of Activity reports both the gross and net costs of each of the City's Functions (general government, public safety, and public works). The functions are also supported by general government revenues (property, sales, and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants. Developer contributions for public works infrastructure are included in capital grants. The City does not allocate indirect costs. The government-wide focus is on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

C. FUND-LEVEL FINANCIAL STATEMENTS

Separate financial statements are displayed for government type funds and proprietary fund (defined below). The City does not have any fiduciary funds.

- The General Fund is the main operating fund of the City and is used to account for governmental services (police, fire, public works, culture & recreation, streets, capital projects) rendered to its citizenry.
- The Capital Projects Fund is used to account for funds received and expended for the construction and renovation of thoroughfares, arterial street, and drainage improvements within City limits. In addition, this fund is utilized also to account for the construction, renovation, expansion, or major improvements of various City facilities, the acquisition of land, and any other large nonrecurring capital projects.
- The Water and Sewer Fund (business-type activity) is used to account for the provision of water and sewer services to the residents and commercial businesses within the City limits. Activities of this fund include administration, operation, and maintenance of the water and sewer system, and billing and collection activities. This fund also accounts for the accumulation of resources for and the payment of principal and interest on long-term debt instruments issued to finance the development and expansion of the water and sewer delivery system. All costs are financed through charges to utility customers with rates that are reviewed regularly and adjusted as warranted to ensure integrity and sustainability of the fund. Being a propriety fund, the water and sewer fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses are the result of delivering water / sewer services in connection with a proprietary funds' principal ongoing operations. Operating expenses include personnel costs, contractual services, supplies, and depreciation of the water / sewer system assets. All revenues and expenses not meeting this criterion are reported as non-operating items.

Both the General Fund and the Water / Sewer Fund have a legally adopted annual budgets measured on the cash-basis. See Required Supplementary Information for the General Fund budget, and Other Supplementary Information for the Water / Sewer Fund budget.

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*D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION*

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized, recorded in the City's books of account, and presented in the financial statements. Basis of accounting also relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements and the fund-level financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means that all assets and liabilities (whether current – meaning due within 12 months) or non-current are included on the statement of net position, while the operating statements present increases (revenues) and decreases (expenses) along with other items which have an effect on net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the resource providers have been satisfied.

Governmental fund-level financial statements are presented using the current financial resources measurement focus and are reported using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when they susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means knowing or being able to reasonably estimate the amount. "Available" means collectible within the current period or within 60 days after year end thus being available to pay liabilities of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, which is similar to the accrual basis of accounting. The exception to this general rule is that principal and interest on long-term debt obligations, compensated absences, claims, and judgments, if any, are recognized only when payment is due. The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses.

The City's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The City applies all Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions applicable to its business-type activities that were issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements.

*E. NEWLY IMPLEMENTED AND FUTURE ACCOUNTING & FINANCIAL REPORTING PRONOUNCEMENTS*

During fiscal year 2020, The City adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowings, and Direct Placements*, is expected to improve disclosures included in notes to financial statements related to debt by requiring additional essential information. The City has updated and amended the applicable footnotes related to debt in the accompanying financial statements.

The GASB has issued the following pronouncements which will become effective in future fiscal years as described below:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for reporting periods beginning after June 15, 2022, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A state or local government that has legal obligations to perform future asset retirement activities related to its tangible capital assets will recognize a liability based on guidance in this Statement. An example of an ARO would be obligation to satisfy EPA requirements associated with closing a landfill. The City is currently evaluating the possible impact of implementing this pronouncement.



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- GASB Statement No. 84, *Fiduciary Activities*, established criteria for identifying fiduciary activities of state and local governments and for identifying fiduciary component units, and postemployment benefit arrangements that are fiduciary activities. This Statement will become effective for reporting periods beginning after December 15, 2020. This statement will have no impact on the City.
- GASB Statement No. 87, *Leases*, is designed to increase the usefulness of financial statements prepared by state and local governments by requiring recognition of certain leased assets and the related obligations that were previously reported as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contractual agreement. The requirements associated with this Statement will become effective for reporting periods beginning after June 15, 2022. The City is currently assessing the effect of adopting this Statement.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period* – has the objective of [1] enhancing the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and [2] to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will become effective for reporting periods beginning after December 15, 2021. The City is currently assessing the effect of adopting this statement.
- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 & 61*, improves the consistency and comparability of reporting a state or local government’s majority interest in a legally separate organization and improves the relevance of information presented for certain component units. The requirements of this Statement will become effective for reporting periods beginning after December 15, 2020. The City is currently evaluating this potential effect of this Statement on its financial statements.
- GASB Statement No. 91, *Conduit Debt Obligations* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on guidance in Statement No. 87, *Leases*, as amended, and will become effective for years beginning after June 15, 2022.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates* – Due to the expected termination of the London Interbank Offered Rate (LIBOR) at the end of 2021, governments having outstanding financial instruments at that date will have to either change the reference rate or adding or revising fallback provisions related to the reference rate. This pronouncement will provide guidance as to the appropriate accounting adjustments that will be necessary when LIBOR is replaced with another generally available interbank reference rate. The pronouncement become effective starting with reporting periods beginning after June 15, 2021 and will have no effect on the City.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement becomes effective for fiscal years beginning after June 15, 2023 and is not expected to have any effect on the City.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* –This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The effective date of this Standard is for fiscal years beginning after June 15, 2023 and will not have an effect on the City.

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- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* Insofar as this pronouncement affects the City’s OPEB plan (discussed below), the standard is effective immediately, meaning date of issuance which was June 2020. All other provisions of the pronouncement will be effective June 15, 2022. The City is evaluating the potential effect of this standard.

**F. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles applicable to local governments in the United States requires management and those charged with governance to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ significantly from those estimates.

**G. REAL PROPERTY AND SALES TAXES**

The City operates under the general laws of the State of Texas as authorized by Article XI, Section 4 of the Texas Constitution, which limits the maximum tax rate to \$2.50 per \$100 Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas permits allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation indebtedness, based on a 90% collection factor. Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1 (the levy date), attach as an enforceable lien on property as of January 1, and become delinquent if not paid by March 1. At the fund level, uncollected property taxes are recorded as receivables and revenues at the time the taxes are assessed. Appraised values are established by the Dallas Central Appraisal District and the certified tax rolls are delivered to the City on July 26 of each year. The Dallas County Tax Assessor/Collector bills and collects the ad valorem taxes for the City. Collections are remitted electronically to the City’s bank every month. Revenues are then recognized as the taxes are collected. For the tax year ended December 31, 2019, the City’s total tax rate was \$0.850573 per \$100 Assessed Valuation. The City’s average collection factor over the last five (5) years is 97%. Property tax levies attach to the property and any delinquent amounts are collected whenever the underlying property is sold or transferred. Therefore, no allowance for unpaid delinquent taxes has been established by the City. The ten largest property tax remitters are, as reported by the Dallas County Appraisal District –

<b><u>Taxpayer</u></b>	<b><u>Nature of Operations</u></b>	<b><u>Assessed Valuation</u></b>	<b><u>% of Total Taxable Valuation</u></b>
LRF1 Plaza De Oro, LLC	Shopping center	\$13,000,000	11.64%
Cedar Square MF LLC	Multi-family housing	5,600,000	5.01%
Kashish Corp	Retail beverage sales	1,534,500	1.37%
Penske Truck Leasing	Leasing over-the-road trucks	1,352,860	1.21%
Durango Foods, LLC	Grocery store	1,319,740	1.18%
Century 9711 LLC	Auto Zone Auto Parts retail store	1,060,000	0.95%
Cockrell Hill Texas 2017 LLC	Advance Auto Parts retail store	1,050,000	0.94%
McCoy Family Trust	Laundromat, restaurant, car wash	1,093,920	0.92%
ATMOS Energy	Residential & Commercial gas utility	850,570	0.76%
PORNIC Investment Management LLC	Multi-family housing	790,000	.071%

Retail merchants within the City limits of Cockrell Hill collect and remit sales and beverage tax to the State Comptroller of Texas. The current rate is 8.25%. The State of Texas electronically remits amounts collected to the City each month.

**CITY OF COCKRELL HILL, TEXAS**  
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H. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE

- Cash Deposits and Cash Equivalents

The Texas Local Government Code (Sections 105.071 and 105.072) governs the City's deposit and investment policies. The City is authorized to deposit funds in banks or trust companies located and authorized to do business in the State of Texas. City Council ordinance authorizes the specific banks or trust companies that may be used as depositories. Funds can generally be invested in demand deposits, certificates of deposit, or TEXPOOL, discussed below. Cash and cash equivalents for eight (8) of the City's funds are pooled to maximize investment return and for ease of processing the payment of vendor invoices. The City has defined cash and cash equivalents to include cash on hand, demand deposits, and time deposits with an original maturity of 90 days or less. Restricted cash accounts are included in cash equivalents.

- Restricted Deposits and Investments

Certain cash balances have been classified as restricted in the accompanying Statement of Net Position and the governmental fund-level balance sheet because their use is limited. The proceeds of bonds sales are used for the purpose of financing capital projects, e.g., construction / renovation of the water/ sewer distribution system. A portion of revenues collected by the water & sewer fund are legally restricted to retire the refunding certificates of obligation.

- Receivables and Allowances for Uncollectible Amounts

The City has five types of receivables – unpaid property taxes; unpaid fees for garbage disposal services; unpaid charges for providing water / sewer utilities, sales tax, and franchise fees from the phone company, gas company, and electric company. Allowances for uncollectible accounts are based upon historical experience of collection efforts. State statutes prohibit writing off unpaid real property taxes without specific authority from the Texas legislature since they attach and become liens on the real estate and are paid when the property changes hands. Over the past 22 years, the cumulative amount of unremitted property taxes is \$95,540. The allowance for unpaid fees for garbage disposal services is \$4,625. The allowance for unpaid water / sewer bills is \$5,920. Unpaid amounts are periodically reviewed and written off when deemed uncollectible. No reserve for sales and franchise taxes are necessary as amounts are remitted monthly from the Texas Comptroller's office.

- Transactions Between Funds and Interfund Balances

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both fund-level governmental and proprietary funds. Interfund transactions are eliminated upon consolidation in the government-wide financial statements unless the transaction is deemed to be at market or near market value and is reported as revenue, expenditure, or expense. Inter-fund activity may also result from loans, services provided, or reimbursements. Loans are reported as inter-fund receivables due from and payables due to as appropriate. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. Any residual due to/from balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. Activity between funds which reflect lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (the current portions of inter-fund transfers) or "advances to/from other funds" (the non-current portion of inter-fund transfers). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund-level financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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- Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) and are reported in the government-wide Statement of Net Assets, net of accumulated depreciation. Infrastructure assets acquired or constructed prior to 1980 have not been reported. The City defines a capital asset as outlays for items purchased, acquired, or constructed with an original cost of more than \$5,000 and an estimated useful life of more than two years. Donated assets are reported at estimated fair value as of the date received. Additions, renewals, betterments, or improvements and other major capital outlays which significantly extend the useful lives of an asset are capitalized. The cost for normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are charged to expense as incurred. Major outlays for capital assets projects are recorded as “construction in progress” until they are placed into service. Interest incurred during the construction phase of capital expenditure projects applicable to business-type activities is added to the capitalized historical costs of the assets constructed, net of any interest earned on the invested proceeds of any funds raised to pay for the construction, if any. Depreciation is provided on the straight-line basis over the following estimated useful lives –

Buildings	10 - 60 years
Improvements	25 years
Equipment	3 - 15 years
Water & Sewer Distribution System	25 years
Infrastructure (streets, curbs, and gutters)	25 - 50 years

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Indicators of impairment include — evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner or duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment write-offs during fiscal 2020.

- Deferred Outflows / Deferred Inflows

The government-wide and proprietary fund statements of net position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the government-wide and proprietary fund statements of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and 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.

Difference in expected and actual experience for the employee benefit plans provided by TMRS – this difference is deferred and recognized over the estimated average remaining service lives of all plan participants determined as of the measurement date.

Changes in actuarial assumptions used to determine the net pension asset for the TMRS retirement plan, and a net pension liability for the TMRS Supplemental Death Benefit plan – this difference is deferred and amortized over the estimated average service lives of all plan participants determined as of the measurement date.

Retirement pension and OPEB plans’ employer contributions after the measurement date – these contributions are deferred and recognized in the following fiscal year.

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In addition to liabilities, the statement of financial position and/or balance sheet may sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in that category.

Difference in expected and actual experience for the retirement pension and OPEB plans – this difference is deferred and recognized over the estimated average remaining service lives of all plan participants determined as of the measurement date.

Changes in the actuarial assumptions used to determine liabilities for the TMRS retirement pension and OPEB plans – this difference is deferred and amortized over the estimated average remaining service lives of all plan participants determined as of the measurement date.

Difference in projected and actual investment earnings on the assets held by the retirement pension and OPEB plans. This difference is deferred and amortized over a closed five-year period as required by GASB pronouncements No. 68 and 75, as amended.

Unavailable revenues – these deferred inflows are reported on the governmental fund level balance sheet as such funds are not received soon enough after year end to pay liabilities of the current period. These deferred inflows are shown as revenues on the government-wide statement of activities.

- Compensated Absences

City employees earn vacation time and sick leave. Employees are required to utilize a minimum of 40 hours of vacation per year. Upon termination, an employee is paid for any unused accumulated vacation. Vacation leave is capped at 360 hours. All full-time City employees are not reimbursed for unused sick leave upon termination. Accumulated vacation and sick leave have been accrued in the government-wide and business-type financial statements.

- Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. The federal grant for safe drinking water renovations to the wastewater system are being accounted for in the business-type fund, while the CARES Act funding and Community Block Development grant have been accounted for in the general fund. Expenditures of federal grant funds during fiscal 2020 were \$151,000 and do not exceed the \$750,000 for the provisions of Uniform Guidance to apply.

- Employee Benefit Plans

The City has a retirement plan for its full-time employees administered by the Texas Municipal Retirement System (TMRS). In addition, the City offers a Supplemental Death Benefits Plan (an OPEB plan) also administered by TMRS. It is the City's policy to record pension and OPEB cost on the accrual basis. (See Notes 5 and 6 below).

- Long-Term Obligations

General Obligation bonds issued for general government capital projects which are being repaid from property tax revenues of the City are recorded in the government-wide statement of net position. A Tax anticipation note was issued in fiscal 2019 to finance improvements surrounding the Jefferson St. / Cockrell Hill Road roundabout. This note will be repaid from property tax revenues of the City and is recorded in the government-wide statement of net position. Refunding bonds associated with renovations to the water / sewer system distribution system were issued in fiscal 2019 and will be retired by a portion of the fees charged to residential and commercial customers. Bond issuance costs are recorded as an asset and amortized to expense on a straight-line basis over the life of the bond either in the General or Proprietary Funds. In the fund-level financial statements, the face amount of debt issued is reported as "other financing resources" while repayments are shown as "expenditures" of current resources.

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- Net Position and Fund Balance

In the government-wide financial statements, equity is classified as “Net Position” and displayed in three components:

Invested in capital assets, net of related debt — Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.

Restricted net assets — Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or by (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets — All other net assets that do not meet the criteria of “restricted” or “invested in capital assets, net of related debt.”

In fund-level financial statements, the difference between assets and liabilities is known as “Fund Balance” and is reported based on a hierarchy which shows, from highest to lowest, the level or form of constraints on net position and, accordingly, the extent to which the City is bound to honor them. The classifications are as follows—

- Non-spendable Fund Balance — represents permanently non-spendable balances and, in general, other resources that are not expected to be convertible into cash or cannot be expended either because [1] they are not in spendable form or [2] of the existence of legal or contractual requirements.
- Restricted Fund Balance — represents amounts where constraints have been established by parties outside the City or through enabling legislation and therefore, can only be expended for the specific purposes imposed by law, creditors, grantors, donors, or the laws and regulations of other governmental entities. The City has three (3) restricted fund balances, as follows—
  - The aggregate fund balance of debt service is legally restricted for payment of bonded indebtedness and is not available for other purposes until all bonded indebtedness is liquidated.
  - The fund balance attributed to the Capital Projects Fund reflects amounts restricted for construction and major renovation projects. It usually consists of unexpended proceed from the issuance of bonds which are restricted to fund a capital project.
  - The proceed of specific revenues sources which are restricted to expenditures for specified purposes as designed by grantors, donors, by vote of citizens, or governmental entities which exercise control over state and local program grants.
- Committed — represents balances where constraints have been established by the highest level of the government’s decision-making authority, namely the City Council. They include amounts that can be used only for the specific purposes as determined by the governing body (City Council) by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. Examples include, but are not specifically limited to, council action items, retirement of loans/notes payable, and capital expenditures. The City Council must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year. During the current fiscal year, the City Council took action to commit governmental funds for capital projects and purchases in the capital improvement fund and capital asset purchase fund.

**CITY OF COCKRELL HILL, TEXAS**  
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- Assigned — represents balances where constraints have been established by the intent expressed by the governing body or designated by the governing body. Includes amounts intended to be used by the City for specific purposes. This intent can be expressed by an official or body to which the governing body delegates that authority. The City has delegated to the City Administrator the ability to determine and define the amounts of those components of fund balance that are classified as assigned. Examples take on the similar appearance as those enumerated for committed fund balance, including the appropriation of existing fund balance to eliminate a deficit in next year's budget.
- Unassigned — represents amounts without any constraint, thus the residual balance in general fund.

- Encumbrances and Commitments

The City does not use encumbrance accounting to account for purchase commitments. In November 2020, the City expended the remaining balance of funds (\$220,000) received under the CARES Act for COVID safe first responder vehicles, technology and computers to enable certain administrative employees to work remotely from home, and sanitizing products purchased in bulk quantities.

- Operating Revenues & Expenses

The Proprietary Fund distinguishes between operating and non-operating transactions. Operating revenues and expenses of the water and sewer fund consist of charges for services, connection fees and the costs of providing those services, including depreciation. All other revenues and expenses are reported as non-operating.

- Capitalized Interest

The City does not capitalize construction period interest costs.

- Pension Plan and OPEB

The measurement of our net pension asset, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the retirement pension and supplemental death benefit (OPEB) plans, and pension expense, information about Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position has 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.

Information regarding the City's Total Pension Asset and the Total OPEB Liability was obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

- Intergovernmental Revenues

In prior years, the City and Dallas County agreed to split the costs of constructing a roundabout at the intersection of Jefferson and Cockrell Hill Road to alleviate traffic congestion and flow issues. In fiscal 2020, that project was completed at an estimated cost of \$8,962,000. Dallas County transferred the rights to the completed intersection to the City in fiscal 2020. In addition, Dallas County funded a community development block grant (CDBG) in the amount of \$140,000 representing the cost of upgrading a portion of the water and sewer distribution system.

**CITY OF COCKRELL HILL, TEXAS  
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**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY CONTROL AND PROCEDURES**

The City Council adopts annual operating budgets on the cash basis, which provides for a high-level of management control. Budget allocations among the various departments are reported in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for the General and Proprietary Funds. The City’s annual operating budget includes estimated revenues and expenditures for the General Fund, including the eight (8) departments which provide services to City residents, and for the Water & Sewer Department of the Proprietary Fund. In accordance with provisions of Texas municipality statutes, budget compliance and monitoring is on a departmental basis rather than at the fund level. In compliance with GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, budget-to-actual schedules are presented as Required Supplementary Information (General Fund) and as Other Supplementary Information (Water & Sewer Fund) in the section following the Notes to Financial Statements. Appropriations for all budgets lapse at year-end. The combined General, Special Revenue, and Proprietary Fund budgets are adopted on a departmental basis where expenditures may not legally exceed expenditures on a departmental level. Only current year encumbrances are included with expenditures. The City Council follows these procedures in establishing the budgetary data reflected in the Required Supplemental Information –

- Prior to the beginning of each fiscal year, the City Administrator submits proposed operating budgets to the Mayor and City Council for the fiscal year commencing October 1. These operating budgets include estimated expenditures for the general, special revenue, and proprietary funds, including 8 departments, and the means for financing them.
- Required public hearings are conducted in August to review the budget with the Mayor and City Council.
- The budgets, both for the General Fund and the Water/Sewer Department, are legally enacted in September through the passage of a City ordinance.
- The Mayor and City Administrator have the authority to transfer budgeted amounts between accounts within any department; however, any increases to departmental totals must be approved by the City Council.

During the fiscal year ended September 30, 2020, the City Council did not adopt any amendments to the original budgets.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The Mayor and City Administrator have been delegated authority to establish uniform cash management policies and procedures which apply to the City and its component units. The following discussion of risk assessment applies to cash, cash equivalents, and certificates of deposit, and funds held by the Texas Local Government Investment Pool (TEXPOOL).

- **Interest rate risk** – As a means of limiting its exposure to market value losses arising from rising interest rates, it is the City’s policy generally to limit investments to one year or less. Therefore, certain cash accounts and certificates of deposit are classified as cash equivalents. 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 changes 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 short-term investments with an average maturity of less than 60 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. The City has no formal policy related to interest rate risk.



**CITY OF COCKRELL HILL, TEXAS  
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- 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 assignment of a rating by a nationally recognized statistical rating organization. Presented below (see Deposits) 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. In accordance with Texas State law, investments are limited to obligations of the Federal government where the payment of principal and interest are guaranteed, obligations of the State of Texas, certificates of deposit, and the CFR Fund managed by TEXPOOL.
  
- Concentration of Credit Risk – To promote competition in rates and services, and to limit the risk of institutional failure, the City deposits are placed with multiple institutions. Therefore, the City Council designates certain financial institutions as depositories and establishes maximum deposit levels for each. Investments are restricted to TEXPOOL, as described below. The City did not have 5% or more of its investments with one issuer.
  
- Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In compliance with Texas state law, City deposits in excess of FDIC limits (see Deposits) are protected by secure and highly liquid government securities. 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 recover 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 counterparty 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 or exceed bank balances less FDIC insurance. The City requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the City’s depository in the City’s name and held by the depository’s agent.

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturities at the date of purchase of three months or less to be cash equivalents.

Cash and cash equivalents for the water and sewer fund statement of cash flows are presented below:

Operating cash	\$428,683
Funds in TEXPOOL	273,899
Interest and Sinking bank account	<u>141,043</u>
Total per Statement of Cash Flows	<u>\$843,625</u>

- Deposits

On September 30, 2020, the “funds on deposit” at Bank of America amounted to \$1,596,010. \$250,000 of such funds held at Bank of America are insured by the FDIC with the balance being covered by collateral pledged in the City’s name under the terms of a tri-party collateral management agreement between the City, Bank of America, and the Bank of New York. The collateral, consisting of gold participation certificates, Federal Home Loan adjustable-rate mortgages, and Fannie Mae mortgage-backed securities had a fair value of \$1,256,496. These financial instruments in the tri-party collateral management agreement are highly liquid as well as essentially risk-free.

**CITY OF COCKRELL HILL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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- Deposits, cont.

On September 30, 2020, the “funds on deposit” at Wells Fargo amounted to \$1,564,803. \$250,000 of such funds held at Wells Fargo are insured by the FDIC. Funds on deposit in excess of the FDIC limit are swept into a SEC 2a-7 money fund under the Investment Company Act of 1940. This financial investment fund is made up of the same types of securities that are used as collateral for the City’s account, except, these securities are a much shorter term than those that Wells Fargo uses as collateral, but they are still investments in government agencies. The investments in such funds are no more than 13 months to maturity, with a weighted average maturity of 60 days or less. In this manner, the unit value of the fund remains stable, and provides a secure investment which meets all Public Fund requirements.

- Funds on deposit with the Texas Local Government Investment Pool (TEXPOOL)

The City is a voluntary participant in TEXPOOL. 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 operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940.

TEXPOOL uses amortized cost rather than the fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TEXPOOL is the same as the value of TEXPOOL shares. State statutes authorize the City to invest in the following investment securities: [1] obligations of or guaranteed by governmental entities, [2] certificates of deposit, [3] repurchase agreements, [4] banker’s acceptances, [5] commercial paper, [6] mutual funds, [7] guaranteed investment contracts, and [8] investment pools, meeting the criteria established by the Public Funds Investment Act, as amended. 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 assignment of a rating by a nationally recognized statistical rating organization. Presented in the table below is the minimum rating required by the Public Funds Investment Act and the actual rating as of the end of the year.

	Fair Value	Legal Rating	Rating 9/30/20
TEXPOOL (Water / Sewer Fund)	\$273,399	N/A	AAAm
TEXPOOL (General Fund)	869	N/A	AAAm

TEXPOOL is deemed to be a cash equivalent on the government-wide Statement of Net Position and the Balance Sheet of the fund-level financial statements. The State Comptroller of Public Accounts oversees TEXPOOL. Federated Investors is the full-service provider/advisor to the pools managing the assets, providing participant services, and arranging for all custodian and other functions in support of pool operations under a contract with the Comptroller. TEXPOOL is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas municipal governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TEXPOOL investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TEXPOOL is rated AAAM by Standard & Poor’s, the highest rating a local government investment pool can achieve. The weighted average maturities cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TEXPOOL, like its participants, is governed by the Texas Public Funds Investment Act, and are in full compliance with the Act.

**CITY OF COCKRELL HILL, TEXAS  
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**B. RECEIVABLES**

Receivables are summarized in the table below –

	<b><u>General Fund</u></b>	<b><u>Water &amp; Sewer Fund</u></b>
Property taxes	\$ 95,540	\$ -0-
Franchise taxes	58,559	-0-
Garbage / Refuse collection fees –billed	26,712	-0-
Garbage / Refuse collection fees – unbilled	9,098	-0-
Sales taxes	36,322	-0-
Water & sewer fees – billed	-0-	85,968
Water & Sewer fees – unbilled	-0-	30,172
Allowance for uncollectible garbage / refuse collection fees	(4,590)	(5,920)
	-----	-----
<b>TOTAL</b>	<b><u>\$221,641</u></b>	<b><u>\$110,230</u></b>

Interfund receivables and payables are the result of activity between funds, if any, which are representative of lending or borrowing not recorded as transfers between funds. Balances were eliminated in the accompanying financial statements.

**C. CAPITAL ASSETS**

Capital asset activity during the fiscal year ended September 30, 2020, is shown below. During the 2020 fiscal year the City capitalized \$-0- of interest arising from the bonds issued to fund the curbs and gutters improvements project. Property, plant, and equipment purchased or acquired are carried at historical cost, estimated historical cost, or at fair value in the case of donated capital assets which are recorded at the time received. Public domain (infrastructure) capital assets consisting of streets, roads, curbs, gutters, bridges, sidewalks, drainage culverts, and lighting systems have been recorded at estimated historical cost except for those assets constructed in the last 5 years. These are recorded at the cost of construction. Capital assets are defined to be expenditures with an initial, individual cost of more than \$5,000 and an estimated useful life of more than 2 years. Major outlays for capital assets and improvements are capitalized as projected are constructed and completed.

**CITY OF COCKRELL HILL, TEXAS  
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	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DISPOSE or TRANSFER</u>	<u>ENDING BALANCE</u>
<b><u>GOVERNMENT ACTIVITIES</u></b>				
Land	\$ 741,470	\$ 126,216	\$ 0	\$ 867,686
Buildings and Improvements	309,828	0	0	309,828
Machinery and Equipment	1,445,820	101,257	(118,142)	1,428,935
Construction in Progress	1,070,925	670,780	(1,044,800)	696,905
Infrastructure	2,109,974	10,150,438	0	12,260,412
<b>TOTAL AT HISTORICAL COST</b>	<u>5,678,017</u>	<u>11,048,691</u>	<u>(1,162,942)</u>	<u>15,563,766</u>
<b>LESS ACCUMULATED DEPRECIATION</b>				
Buildings and Improvements	107,984	19,925	0	127,909
Machinery and Equipment	983,069	64,186	(118,142)	929,113
Infrastructure	179,787	169,278	0	349,065
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>1,270,840</u>	<u>253,389</u>	<u>(118,142)</u>	<u>1,406,087</u>
<b>NET GOVERNMENTAL CAPITAL ASSETS</b>	<u>\$ 4,407,177</u>	<u>\$ 10,795,302</u>	<u>\$ (1,044,800)</u>	<u>\$ 14,157,679</u>
<b><u>BUSINESS ACTIVITIES</u></b>				
Machinery and Equipment	\$ 169,167	\$ 14,097	\$ 69,708	\$ 113,556
Buildings and Improvements	467,224	0	0	467,224
Construction in Progress	0	0	0	0
Water and Sewer System	4,821,219	254,962	0	5,076,181
<b>TOTAL AT HISTORICAL COST</b>	<u>5,457,610</u>	<u>269,059</u>	<u>69,708</u>	<u>5,656,961</u>
<b>ACCUMULATED DEPRECIATION</b>				
Machinery and Equipment	169,167	0	69,708	99,459
Water and Sewer System	1,910,045	212,098	0	2,122,143
Buildings and Improvements	467,224	0	0	467,224
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>2,546,436</u>	<u>212,098</u>	<u>69,708</u>	<u>2,688,826</u>
<b>NET BUSINESS-TYPE CAPITAL ASSETS</b>	<u>\$ 2,911,174</u>	<u>\$ 56,961</u>	<u>\$ 0</u>	<u>\$ 2,968,135</u>

**DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:**

Administration	\$ 19,925
Public Safety	48,146
Public Works	16,040
Infrastructure (Non-departmental)	169,278
<b>TOTAL DEPRECIATION EXPENSE</b>	<u>\$ 253,389</u>

**DEPRECIATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES AS FOLLOWS:**

Water & Sewer	\$ <u>212,098</u>
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**CITY OF COCKRELL HILL, TEXAS  
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SEPTEMBER 30, 2020**

**D. LONG-TERM DEBT OBLIGATIONS**

The following presents activity related to the City's long-term debt obligations for the current fiscal year.

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	NEW DEBT	REPAYMENTS	ENDING BALANCE	CURRENT PORTION
<i>Capital Lease Obligations</i>					
Government Capital Corporation	\$ 38,853	\$ 0	\$ 38,853	\$ 0	\$ 0
Community First National Bank	50,980	0	9,259	41,721	41,721
Kansas State Bank of Manhattan	32,974	0	29,125	3,849	3,849
	-----	-----	-----	-----	-----
Total Capital Lease Obligations	122,807	0	77,237	45,570	45,570
<i>Other Long-Term Obligations</i>					
Seller-financed mortgage	143,430	0	71,760	71,770	71,670
Tax anticipation notes	525,000	0	65,000	460,000	70,000
Compensated absences	87,975	52,508	53,117	87,165	87,165
General obligation bonds	3,270,000	0	155,000	3,115,000	160,000
	-----	-----	-----	-----	-----
Total General Fund Indebtedness	\$ <u>4,149,212</u>	\$ <u>52,508</u>	\$ <u>422,114</u>	\$ <u>3,779,515</u>	\$ <u>429,405</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Refunding bonds	\$ 1,365,000	\$ 0	\$ 105,000	\$ 1,260,000	\$ 110,000
Capital lease obligations	0	0	0	0	0
	-----	-----	-----	-----	-----
Total Business-type Indebtedness	\$ <u>1,365,000</u>	\$ <u>0</u>	\$ <u>105,000</u>	\$ <u>1,260,000</u>	\$ <u>110,000</u>

Future debt maturities are as follows —

Fiscal Year	Tax Anticipation Notes		General Obligation Bonds		Refunding Principal	Bonds		Capital Leases
	Principal	Interest	Principal	Interest		Interest		
2021	70,000	12,665	160,000	118,412	100,000	35,154	11,392	
2022	75,000	10,505	165,000	113,537	105,000	32,364	11,392	
2023	75,000	8,270	170,000	108,512	105,000	29,435	11,392	
2024	80,000	5,960	175,000	103,337	110,000	26,505	11,394	
2025	80,000	4,768	180,000	98,012	110,000	26,505	0	
2026 -- 2030	80,000	2,384	1,015,000	376,118	600,000	52,931	0	
2031 -- 2035	0	0	<u>1,250,000</u>	<u>137,063</u>	<u>130,000</u>	<u>16,819</u>	0	
Total	<u>460,000</u>	<u>44,552</u>	<u>3,115,000</u>	<u>1,054,991</u>	<u>1,260,000</u>	<u>219,713</u>	<u>45,570</u>	

The City is purchasing various pieces of equipment as shown above under capital lease purchase agreements. Interest rates range from 2.61% to 5.10%. Capital assets acquired through capital leases are as follows:

Equipment under capital lease obligations	\$173,307
Less: accumulated depreciation	94,065
Net	<u>\$ 79,242</u>

**CITY OF COCKRELL HILL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**D. LONG-TERM DEBT OBLIGATIONS, continued**

- Debt Capacity

2020 Taxable Assessed Valuation	\$111,689,422
Maximum Levy Rate for General Obligation Debt	\$5.61 per \$100 assessed valuation
Total General Obligation Debt Capacity	\$ 6,265,777
Funded Debt Payable from Ad Valorem Taxes	\$ 4,952,330
Less – Self Supporting Debt – Water & Sewer Revenue Bonds	1,260,000
Net General Purpose Funded Debt Payable From Ad Valorem Taxes	\$ 3,692,330
Ratio of Total Funded Debt to Taxable Assessed Valuation	4.434%
Ratio of Net General Purpose Funded Debt to Taxable Assessed Valuation	3.306%
Per Capita (est. population 4,750) Total Funded Debt	\$ 1,042.60
Per Capita (est. population 4,750) Net Funded Debt	\$ 777.33
Per Capita (est. population 4,750) Debt Service for fiscal 2020	\$ 116.05

- Estimated Overlapping Debt

Expenditures of various taxing authorities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in *Texas Municipal Reports* published by the Municipal Advisory Council of Texas.

Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table (unaudited) reflects the estimated share of overlapping general obligation debt that is serviced by ad valorem taxes.

<u>Taxing Jurisdiction</u>	<u>2020 Taxable Value</u>	<u>2020 Tax Rate</u>	<u>Total Funded Debt</u>	<u>Estimated % Applicable</u>	<u>City of Cockrell Hill Overlapping Funded Debt</u>	<u>Authorized But Unissued Debt</u>
City of Cockrell Hill	\$ 111,689,422	\$0.828600	\$ 4,952,000	100.00%	\$ 4,952,000	n/a
Dallas County	263,171,536,372	\$0.008310	21,869,555	5.00%	1,093,500	n/a
Dallas ISD	128,056,436,790	\$0.242035	309,941,400	9.00%	27,894,725	n/a
<b>Total Overlapping Debt</b>					<b>\$33,940,225</b>	<b>n/a</b>
<b>Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation</b>					<b>30.388%</b>	<b>n/a</b>
<b>Per Capita Overlapping Funded Debt (Population estimate = 4,750)</b>					<b>\$ 7,145</b>	<b>n/a</b>

**CITY OF COCKRELL HILL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**D. LONG-TERM DEBT OBLIGATIONS, continued**

- *Proprietary Fund Debt Obligations*

The City issued bonds to fund the construction of improvements to its water & sewer distribution system. On November 25, 2008, the City Council approved the issuance of \$1,875,000 of Combination Tax and Revenue Bonds Series 2008, dated November 1, 2008. Certificates bore interest at variable rates ranging from 2.55% to 4.95% per annum. During 2019, the City refinanced the Combination Tax and Revenue Bonds Series 2008 by paying them off and issuing General Obligation Refunding Bonds which mature in April 2031 with interest at 2.79%. The following table summarizes activity with respect to the Certificates of Obligation issued by the Water & Sewer Fund.

	<b>Borrow</b>	<b>Repay</b>	<b>Balance</b>
Activity prior to fiscal year 2012	\$230,000	\$ -0-	\$230,000
Activity during fiscal 2012	725,000	60,000	895,000
Activity during fiscal 2013	55,000	65,000	885,000
Activity during fiscal 2014	120,000	65,000	940,000
Activity during fiscal 2015	10,000	70,000	880,000
Activity during fiscal 2016	535,000	70,000	1,345,000
Activity during fiscal 2017	145,000	75,000	1,415,000
Activity during fiscal 2018	0	80,000	1,335,000
Activity during fiscal 2019	1,335,000	1,365,000	1,365,000
Activity during fiscal 2020	0	105,000	1,260,000

- *The following table summarizes the City's debt issuances.*

<b>Year of Issuance</b>	<b>Amount of Original Issuance</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Weighted Ave Rate</b>	<b>Interest Expense</b>	<b>Interest Capitalized</b>
2008	\$1,875,000	2031	2.55 – 4.95%	3.363%	279,704	-0-
2015	3,855,000	2035	2.00 -- 4.25%	3.970%	416,838	416,838
2015	430,000	2020	3.00%	3.000%	6,450	-0-
2019	1,365,000	2031	2.79%	2.790%	38,084	-0-
2020	-0-	n/a	n/a	n/a	-0-	-0-

**E. INTER-FUND ACTIVITY, BALANCES, AND TRANSFERS**

Transfer to General Fund from Water & Sewer Fund	\$ 13,265	Acquire truck and payment on capital lease
Transfer from General Fund to Water & Sewer Fund	\$ 0	Not applicable

**F. COMPENSATED ABSENCES**

As of September 30, 2019, the City had a liability for paid time off (which consists of untaken vacation & comp time) in the amount of \$87,975. During the fiscal year 2020, \$52,508 paid time off was earned while \$53,117 was taken as time off or paid in cash, leaving a liability of \$87,165 as of September 30, 2020. Employees are paid for sick time, but there is no carryover accumulation. A maximum of 320 PTO hours is permitted to be accumulated and carried over from year to year.

**CITY OF COCKRELL HILL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**G. RESTRICTED ASSETS (all cash)**

<b>General Fund</b>	
CARES Act Funds	\$ 219,975
Construction Funds for streets, curbs, and gutters project	1,495,582
I & S Account for General Obligation Bonds	0
Police Asset Seizure / Forfeitures Funds	0
Police Donations Funds	0
Law Enforcement Officer Special Education (LEOSE) Account	0
Total GENERAL FUND	<u>\$ 1,715,557</u>
<b>Proprietary Fund</b>	
Construction projects – infrastructure	\$ 713,036
P & I on Refunding Bonds	141,043
TOTAL PROPRIETARY FUND	<u>\$ 854,079</u>

**H. TAX ABATEMENT**

At times, the City may enter into economic agreements designed to promote development and re-development within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax, and enhance / increase the property tax base and economic vitality of the City. Such programs could involve abatement or rebates of sales and ad valorem taxes. Any agreements would be authorized under Chapter 380 of the Texas Local Government Code, Chapter 311 (Tax Increment Financing Act) and Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax Code. The economic agreements are intended to support the creation of new businesses, the expansion and retention of existing businesses within the City, and the attraction of companies that offer high impact jobs and share the community's values. Parties to the agreements may be eligible to receive economic incentives in the form of tax abatements or reductions. On September 30, 2020, there are no such agreements in force.

**I. RISK MANAGEMENT**

- Property, Liability, and Workers' Compensation Insurance

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") which is a public entity insurance risk pool. TMLIRP provides property, liability and workers' compensation coverage for municipalities, housing authorities, councils of governments, hospital districts, fire districts, water districts, tax appraisal districts, and other special districts and authorities.

As of September 30, 2019 (the most recent audited financial statement available) the pool consisted of more than 2,800 member entities. Annual contributions to TML are reported in the general fund and proprietary funds. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years. Annual and quarterly financial statements for the Inter-Governmental Risk Pool are available at their offices or may be downloaded from TMLIRP's website.

Texas Municipal League Intergovernmental Risk Pool  
1821 Rutherford Lane, Suite 100, Austin, Texas 78714-9194  
(512) 491-2300 or (800) 537-6655 or @ [www.tmlirp.org](http://www.tmlirp.org)



**CITY OF COCKRELL HILL, TEXAS**  
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**I. RISK MANAGEMENT, continued**

- Texas Work Force Unemployment Compensation Insurance

The City has elected to fund its Texas Work Force Unemployment Compensation Insurance under the “Contributory Method.” Under this method, the City is required to remit premiums quarterly to the State of Texas based on the first \$9,000 of wages paid to each employee. Any claims would be paid by the State of Texas.

**J. COMMITMENTS**

In 2014, the City executed a contract with the City of Dallas, Texas, to purchase treated water for a term of thirty (30) years which expires February 22, 2044. Among other provisions, the City pays for water based on the volume processed and pumped into the City’s water distribution system. If, within the terms of the contract, the City ceases to take water from the City of Dallas because other sources of water supplies have been developed or acquired, the City would be obligated for five years or the remaining term of the contract (whichever is less) for charges at the billing level in effect at such cessation.

In 2014, the City contracted with the City of Dallas, Texas, to receive wastewater treatment services for a term of thirty (30) years which expires February 22, 2044. Among other provisions, the City pays for treatment based on the average “winter month” water consumption for those connections discharging into the Dallas wastewater system. The billing months are December, January, February, and March which constitute the “winter months.” If, within the terms of the contract, the City decides to either partially or totally discontinue using the wastewater treatment facilities/services, the City would be obligated for five years or the remaining term of the contract (whichever is less) for charges at the billing level in effect at such cessation. Expenditures for water/wastewater for the 2020 fiscal year totaled \$542,310.

**K. CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims or reimbursements including amounts already collected may constitute a liability of the applicable program funds. The amount of any expenditure which may be disallowed by the grantor agency cannot be determined at the balance sheet date. Such amounts, if any, are deemed to be immaterial. The City is the recipient of Federal funds from the Department of Housing and Urban Development (HUD) passed through Dallas County in the form of a Community Development Block Grant. During fiscal year 2020, the City expended \$140,347. The City operates in a regulated environment. Operations of the City are subject to administrative directives, rules, and regulations of federal and state regulatory bodies. Such administrative directives, rules and regulations are subject to change by act of Congress, the Texas State Legislature or an administrative order issued by the EPA, HUD or TWDB. Such changes may occur with little notice or inadequate funding to pay for the related costs of compliance.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused economic disruption through mandated and voluntary closings and sheltering in place for all but essential services. While the disruption is currently expected to be temporary, there remains considerable uncertainty about the duration of the closings and shelter in place orders. As a result, the outbreak has also created uncertainty in the financial markets. Although many of the City’s services are deemed to be essential, City Hall was closed to the public. Certain other services transitioned to online-only. The City’s major revenue sources were not adversely affected. However, the ultimate financial impact and duration of COVID-19 cannot be estimated at the date of the accompanying auditor’s report. Therefore, the City has not included any contingencies reserves in the accompanying financial statements specific to the pandemic.

**CITY OF COCKRELL HILL, TEXAS  
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**L. EMPLOYEE RETIREMENT PENSION PLAN**

- *Plan Description*

The City provides pension benefits for all eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. Plan provisions adopted by the City are within the options available in the governing state statutes of TMRS. The TMRS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information (RSI) for TMRS; this report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used in by the system. The annual report may be obtained by writing to TRMS, P.O. Box 149153, Austin, Texas 78714-9153, or by calling 800-924-8677. That report is available at [www.tmrs.com](http://www.tmrs.com).

The City participates as one of 878 plans in a non-traditional, 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. 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 City Council, within the options available in the state statutes governing TMRS. The plan provisions selected by the City are summarized below.

<b>Plan Provisions</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Employee Deposit Rate	7.00%	7.00%	7.00%
Matching Ratio (City to Employee)	2 to 1	2 to 1	2 to 1
Years Required for Vesting	5 years	5 years	5 years
Service Retirement Eligibility (age/years of service)	60 / 5 or 0 / 20	60 / 5 or 0 / 20	60 / 5 or 0 / 20
Updated Service Credit	100% repeating	100% repeating	100% repeating
Annuity Increase (to Retirees)	70% of CPI Repeating	70% of CPI Repeating	70% of CPI Repeating

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. On December 31, 2019, the most recent valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	37
Active employees	<u>32</u>
<b>TOTAL</b>	<b><u>83</u></b>

**CITY OF COCKRELL HILL, TEXAS  
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**L. EMPLOYEE RETIREMENT PENSION BENEFIT PLAN, continued**

- Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentage are either 100%, 150%, or 200%, both as adopted by the City Council. Under state law governing TRMS, the contribution rate for each municipality 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, together with an additional amount to finance any unfunded accrued liability. Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.29% and 8.35%, respectively for 2019 and 2020. The City's contributions to TMRS for the fiscal year ended September 30, 2020, totaled \$124,975, and were equal to the required contributions.

- Net Pension Asset or Net Pension Liability

The City's Net Pension Asset [NPA] was measured by TRMS as of December 31, 2019, and the Total Pension Liability [TPL] used to calculate the Net Pension Asset was determined by the actuarial valuation as of that date.

- Actuarial Assumptions

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

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% per year including inflation.
Investment rate of return	6.75% per year (real rate of return, net of all investing and administrative costs)

Salary increases are based on a service-related table. Mortality rates for active members, retirees, and beneficiaries are based on the gender distinct 2019 Municipal Retirees of Texas Mortality Tables. These rates are projected on a fully generational basis scale UMP to account for future mortality estimates. For disabled annuitants, the gender distinct 2019 Municipal Retirees of Texas Mortality Tables are used, with slight adjustments. Actuarial assumptions used in the December 31, 2019 valuation assessment was based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2014 through December 31, 2018, which was first used in the December 31, 2019 valuation. Health post-retirement mortality rates and Annuity Purchase Rates (APR's) were based on the Mortality Experience Investigation Study covering 2013 through 2017 and are dated December 31, 2018. In conjunction with these changes first used in the December 31, 2018 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

*Investment Return and Asset Allocation*

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, nets 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, Gabriel Roeder Smith & Company, Consultant & Actuaries, 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).

**CITY OF COCKRELL HILL, TEXAS**  
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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below.

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.5%
<b>TOTAL</b>	<b>100.0%</b>	

- Discount Rate

The discount rate used to measure the TPA 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 [FNP] 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 net TPA.

*Changes in the Net Pension Asset – Increase (Decrease)*

	<b>Total Pension Liability [a]</b>	<b>Plan Fiduciary Net Position [b]</b>	<b>Net Pension Asset (Liability) [b] – [a]</b>
<b>Balance, December 31, 2018</b>	<b>\$ 4,542,247</b>	<b>\$ 4,660,360</b>	<b>\$ 118,113</b>
Activity during calendar year 2019			
Service cost	253,615	0	(253,615)
Interest on the total pension liability	310,785	0	(310,785)
Difference between expected and actual experience	107,834	0	(107,834)
Contributions – employer	0	124,975	124,975
Contributions – employees	0	106,946	106,946
Net investment income (13% return on average assets)	0	720,604	720,604
Benefit payments, including refunds of employee contributions	(129,652)	(129,652)	0
Administrative expense	0	(4,071)	(4,071)
Other changes	21,597	(122)	(21,719)
	-----	-----	-----
<b>Balance, December 31, 2019</b>	<b><u>\$ 5,106,426</u></b>	<b><u>\$ 5,479,039</u></b>	<b><u>\$ 372,613</u></b>

*Sensitivity of the Net Pension Asset (NPA) to Changes in the Discount Rate*

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

	<b>1% Decrease in the Discount Rate 5.75%</b>	<b>Discount Rate 6.75%</b>	<b>1% Increase in the Discount Rate 7.75%</b>
City's Net Pension Asset (Liability)	\$ (529,200)	\$ 372,613	\$ 1,089,527

**CITY OF COCKRELL HILL, TEXAS  
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**L. EMPLOYEE RETIREMENT PENSION BENEFIT PLAN, continued**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

- Pension Expense & Deferred Outflows and Inflows of Resources Related to TMRS Pension Plan

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$140,184 which is comprised of –

**SCHEDULE OF PENSION EXPENSE**

Total Service Cost		\$ 253,615
Interest on the Total Pension Liability		310,785
Current Period Benefit Changes		0
Employee Contributions (reduction of expense)		(106,946)
Projected Earnings on Plan Investments (reduction of expense)		(314,574)
Administrative Expense		4,071
Other Changes in Fiduciary Net Position		122
Recognition of Current Year Outflows (Inflows) of Resources – Liabilities		43,726
Recognition of Current Year Outflows (Inflows) of Resources – Assets		(81,206)
Amortization of Prior Year Outflows (Inflows) of Resources – Liabilities		(53,281)
Amortization of Prior Year Outflows (Inflows) of Resources – Assets		83,872
<b>TOTAL PENSION EXPENSE</b>		<b>\$140,184</b>

On September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension and OPEB plans which arise from the following sources –

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 0	\$ -0-
Changes in actuarial assumptions	14,301	-0-
Difference between projected and actual investment earnings	82,710	(330,176)
Contributions subsequent to the measurement date (employee & employer)	<u>128,486</u>	<u>-0-</u>
TOTAL	<b>\$225,498</b>	<b>\$ (330,176)</b>

\$128,486 reported as deferred outflows of resources are the result of employer contributions made subsequent to the measurement date (Dec 31, 2019), have been recognized as an increase of the Net Pension Asset for the year ending September 30, 2020. The net amount of \$104,678 (225,498 – 329,936) reported as deferred outflows of resources & deferred inflows of resources to pensions will be recognized annually in pension expense as shown:

Year Ended September 30	
2021	\$ (20,936)
2022	(20,935)
2023	(20,936)
2024	(20,935)
2025	(20,936)
<b>TOTAL</b>	<b>\$ (104,678)</b>

CITY OF COCKRELL HILL, TEXAS  
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**L. EMPLOYEE RETIREMENT PENSION BENEFIT PLAN, continued**

**SCHEDULE OF DEFERRED OUTFLOWS AND INFLOW – CURRENT AND FUTURE EXPENSE**

	Recognition Period Amortization Years	Total (Inflow) or Outflow of Resources	Recognized in Current Year Pension Expense	Deferred (Inflows) / Outflows in Future Expense
<b>Due to Assets (Liabilities)</b>				
Difference in expected and actual experience	2.96	\$ 107,834	\$ (36,430)	\$ 71,404
Changes in actuarial assumptions	2.96	21,597	(7,296)	14,301
Differences in projected and actual earnings on plan investments	5.00	(406,030)	81,206	(324,824)
<b>TOTAL</b>		<b>\$ (276,599)</b>	<b>\$ 37,480</b>	<b>\$(239,119)</b>

• **Executive Summary of Key Data**

Net Pension Asset		
Plan Fiduciary Position		\$5,479,039
Total Pension Liability		<u>5,106,426</u>
Net Pension Asset		<u>\$ 372,613</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		107.30%
Covered Payroll		\$1,527,803
Net Pension Asset as a Percentage of Covered Payroll		24.39%
Development of the Single Discount Rate		
Single Discount Rate		6.75%
Long-Term Expected Rate of Return		6.75%
Long-Term Municipal Bond Rate**		2.75%

\*\*Based on the Fidelity 20-Year Municipal GO AA Index daily rate closest to but not later than the Measurement Date.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects [1] a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and [2] the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

Based on stated assumptions and projected cash flows, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance any unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals, (i.e., the employer normal cost).

**CITY OF COCKRELL HILL, TEXAS  
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**L. EMPLOYEE RETIREMENT PENSION BENEFIT PLAN, continued**

- Ad Hoc Benefit Increases

Paragraph 62 of GASB Statement No. 68 requires that the projected benefit payments used in the calculation of the Total Pension Liability [TPL] should include future ad hoc benefit changes if they are deemed to be substantially automatic. For purposes of determining the TPL for the City, the default method for determining whether or not ad hoc benefit enhancements are substantively automatic is if they have been granted in [a] 1 of the last 2 years AND [b] 2 of the last 5 years. The default criteria was applied January 1, 2015.

**SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS – CURRENT YEAR**

<b>A. Plan Fiduciary Net Position</b>	
1. Contributions – employer	\$ 124,975
2. Contributions – employees	106,946
3. Net investment income	720,604
4. Benefit payments, including refunds of employee contributions	(129,652)
5. Administrative expenses	(4,071)
6. Other	(122)
7. Net change in plan fiduciary net position	818,679
8. Plan fiduciary net position – beginning of year	4,660,360
9. ,360Plan fiduciary net position – end of year	<b><u>\$5,479,039</u></b>
<b>B. Total Pension Liability</b>	
10. Service Cost	\$ 253,615
11. Interest on the Total Pension Liability	310,785
12. Changes of benefit terms	0
13. Difference between expected and actual experience	107,834
14. Changes of assumptions	21,597
15. Benefit payments, including refunds to employees	(129,652)
16. Net change in total pension liability	564,179
17. Total pension liability – beginning of year	4,542,247
18. Total pension liability – end of year	<b><u>\$5,106,426</u></b>
<b>C. Net Pension Asset [A.9 – B.18]</b>	<b><u>\$ 372,613</u></b>
<b>D. Plan Fiduciary Net Position as a percentage of the Total Pension Liability [A.9 / B.18]</b>	<b>107.30%</b>
<b>E. Covered Employee Payroll</b>	<b>1,527,803</b>
<b>F. Net Pension Asset as a percentage of covered employee payroll [ C/E]</b>	<b>24.39%</b>

**M. OTHER POSTEMPLOYEMENT EMPLOYEE BENEFIT PLAN (OPEB)**

The City also participates in the TMRS Supplemental Death Benefit Fund (an OPEB) which provides coverage for retirees. The City elected, by ordinance, to provide group-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. 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 compensation for the 12-month period prior to the month of death). Retired employees are insured for \$7,500.

**CITY OF COCKRELL HILL, TEXAS  
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**M. OTHER POSTEMPLOYMENT EMPLOYEE BENEFIT PLAN (OPEB), continued**

The Supplemental Death Benefit Fund (SBDF) covers both active and retiree benefits with no segregation of assets; therefore, this plan does not meet the definition of a trust under GASB Statement No. 75 (i.e., no assets are accumulated for SPDF) and as such this plan is deemed to be an unfunded OPEB plan. For purposes of reporting under GASB Statement No. 75, the retiree portion of the SBDF is also not considered a cost sharing plan, but instead is considered a single-employer plan, defined benefit OPEB plan. Actuarial calculations were prepared by TMRS for the purpose of complying with the requirements of Statement No. 75. Such calculations were made on a basis which is consistent with the actuary's understanding of the accounting and financial reporting principles. Benefit payments are treated as being equal to the employer's yearly contributions for retirees.

In accordance with paragraph 155 of the pronouncement, the applicable discount rate for an unfunded OPEB was based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. As of December 31, 2019 (the measurement date), the discount rate used in the development of the total OPEB liability was 2.75%.

The City offers supplemental death benefits to	Plan Year 2019	Plan Year 2020
Active employees	YES	YES
Retirees	YES	YES

• **Statistical Information -- OPEB**

Membership (a)

Number of

Inactive employees currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>32</u>
Total	<u>46</u>

Covered Payroll \$1,527,803

Changes in the Total OPEB Liability

Total OPEB Liability, December 31, 2018	\$ 69,257
Changes during 2019	
Service Cost	5,042
Interest on the TOL	2,654
Differences between expected and actual experience	(3,789)
Changes in assumptions or other inputs	14,031
Benefit payments (b)	<u>( 458)</u>
Net Changes	<u>17,480</u>
Total OPEB Liability, December 31, 2019	<u>\$ 86,737</u>

Total OPEB Liability as a Percentage of Covered Payroll 5.68%

- (a) Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB Statement No. 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc).
- (b) Due to the SDBF being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.



**CITY OF COCKRELL HILL, TEXAS  
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**M. OTHER POSTEMPLOYMENT EMPLOYEE BENEFIT PLAN, continued**

• **Summary of Actuarial Assumptions – OPEB**

Inflation	2.5%
Salary Increases	3.5% to 11.50%, including inflation
Discount rate (a)	2.75%
Retirees' share of benefit-related costs	\$ -0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and are accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate was applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

(a) The discount rate was based Fidelity's Index "20-year Municipal GO AA Index" rate as of December 31, 2019.

NOTE: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period from December 31, 2014 to December 31, 2018.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB Liability	\$105,223	\$86,737	\$72,486

**OPEB Expense**

Service cost	\$ 5,042
Interest on the TOL	2,654
Changes in benefit terms including TMRS plan participation	-0-
Employer administrative costs	-0-
Differences between expected and actual experience	(1,215)
Changes in assumptions or other inputs (1)	<u>2,589</u>
Total OPEB Expense	<u>\$ 9,070</u>

(1) Generally, this will only be the annual change in the municipal bond index rate. However, for this valuation, the changes in assumption also include the changes in the actuarial assumptions adopted in 2019.

**Deferred (Inflows) / Outflows of Resources – OPEB**

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (5,352)	\$ -0-
Changes in assumptions and other inputs	\$-0-	11,065
Contributions made subsequent to the measurement date	N/A	241
<b>Total</b>	<b>\$(5,352)</b>	<b>\$11,306</b>

These deferred inflows and outflows related to the OPEB are included in the amounts shown in the table of deferred inflows and outflows shown on page 41 above.

**CITY OF COCKRELL HILL, TEXAS  
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***M. OTHER POSTEMPLOYEMENT EMPLOYEE BENEFIT PLAN, continued***

***Schedule of Contributions – (Retiree-only portions of the rate, for OPEB)***

Plan Year	Total SDB Contribution Rate	Retiree Portion of DDB Contribution Rate
2017	0.14%	0.03%
2018	0.16%	0.03%
2019	0.17%	0.03%
2020	0.20%	0.04%

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the computation is to multiply the total covered payroll by the retiree portion of SDB contribution rate.

***Schedule of Outflows and Inflows – Current and Future Expense – OPEB***

	Recognitions Period for Amortization (Years) [a]	Total (Inflow) or Outflow of Resources	2019 Recognized in Current OPEB expense	Deferred (Inflow) Outflow in future expense
Due to Liabilities				
Difference in expected and actual experience	5.66	\$ (3,789)	\$ 669	\$ (3,120)
Change in Assumptions (Actuarial gains / losses)	5.66	\$14,031	\$(2,479)	\$11,552
Contributions made subsequent to measurement date	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>n/a</b>	<b>\$10,242</b>	<b>\$1,810</b>	<b>\$ 8,432</b>

[a] The recognition period for liability (gains) or losses may differ from GASB 68 reporting due to differences in the covered inactive populations.

***Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):***

	Net Deferred Outflows or Inflows of Resources
2021	\$1,686
2022	1,686
2023	1,687
2024	1,686
2025	1,687
Thereafter	-0-
<b>Total</b>	<b><u>\$8,432</u></b>

**CITY OF COCKRELL HILL, TEXAS  
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**M. OTHER POSTEMPLOYEMENT EMPLOYEE BENEFIT PLAN, continued**

**Benefit Plan Description – OPEB**

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is deemed to be an unfunded OPEB plan (i.e., no assets are accumulated). The member municipality contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee's entire careers.

**Actuarial Assumptions – OPEB**

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, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitant and Annuity Purchase Rates (APRs) were based on the Mortality Experience Investigation Study covering 2013 through 2017 and dated December 31, 2018.

- Economic assumptions
  - General Inflation – Assumed to be 2.50% per year.
  - Discount Rates – Because the Supplemental Death Benefit Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability was based on the Fidelity's Index's "20-Year Municipal GO AA Index" rate as of the measurement date.
  - Individual Salary Increases – Salary increases were assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by graduated service-based scale ranging from 1 year of service (11.5% increase) to 25+ years of service (3.5% increase).
- Demographic Assumptions
  - Termination Rates
    - For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For the City, the base table was multiplied by a factor of 115.0% based on the experience of the City in comparison to the group, as a whole. A further multiplier was applied depending on an employee's classification: (1) Fire – 68%, (2) Police – 86%, or (3) Other – 108%.
    - After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For the City, the base table was multiplied by a factor of 115.0% based on the experience of the City in comparison to the group, as a whole. A further multiplier was applied depending on an employee's classification: (1) Fire – 54%, (2) Police – 83%, or (3) Other – 113%.

**CITY OF COCKRELL HILL, TEXAS  
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**M. OTHER POSTEMPLOYEMENT EMPLOYEE BENEFIT PLAN (OPEB), continued**

- Forfeiture Rates
  - Withdrawal of member deposits from TRMS for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates discussed above. The withdrawal rates for cities with a 2-to-1 match range from 40.2% for employees at age 25 to 20.7% for employees at age 55. 4% is added to these rates for 1.5-to-1 cities, while 8% is added for 1-to-1 cities. Forfeiture rates end at the first eligibility for retirement.
  
- Service Retirees and Beneficiary Mortality Rates
  - For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas Mortality Tables were utilized. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the City, rates were multiplied by an additional factor of 100.0%
  
- Disabled Annuitant Mortality Rates
  - For calculating the OPEB liability and the OPEB contribution rates, the mortality tables for healthy retirees were used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate was applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates were projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
  
- Pre-Retirement Mortality
  - For calculating the OPEB liability and the OPEB contribution rates, the PUB (10) Mortality Tables, with the Public Safety table was used for males, and the General Employee Table was used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.
  
- Disability Rates
  - Rates vary by age and range from 0.000003 at age 20 to 0.002090 at age 65.
  
- Service Retirement Rates, applied to both Active and Inactive Members
  - The base table rates vary by age. For members under 62, these base rates are then multiplied by 2 factors based on (1) employee contribution rate and employer match, and (2) if the City has a recurring COLA. Factors vary from 0.05 for employees less than 50 years old to 1.00 for employees age 75 and over. For cities without a 20-year / any age retirement provision, the rates for are loaded by 50% for ages 60 and below with 25 or more years of service.
  - Plan design factors are applied to base retirement rates in accordance with the following table.

Employer Match	5%	6%	7%
1 - 1	0.75	0.80	0.84
1.5 - 1	0.81	0.86	0.92
2 - 1	0.86	0.93	1.00

Recurring COLA            100%  
No recurring COLA        95%

**CITY OF COCKRELL HILL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**M. OTHER POSTEMPLOYEMENT EMPLOYEE BENEFIT PLAN (OPEB), continued**

***Methods and Assumptions – OPEB***

- Valuation of Assets – For purposes of calculating the Total OPEB Liability, the plan is deemed to be unfunded, and therefore, no assets are accumulated for OPEB.
- Actuarial Cost Method – The actuarial cost method being used is the Entry Age Normal Actuarial Cost Method, which develops the annual cost of the Plan in two parts: (1) cost attributable to benefits accruing in the current year, known as the “normal cost;” and (2) cost due to service earned prior to the current year, known as the “amortization of unfunded actuarial accrued liability.” The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a participant’s compensation throughout their period of anticipated coverage service with the City, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the City. If a member has additional time-only vesting service through employment with other TRMS cities or public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.
- Supplemental Death Benefit – The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and was calculated separately for active employees and retirees. Due to the significant reserve in the SDB fund, the SDB rate for retiree coverage is currently only one-third of the total term cost. Beginning January 2021, the SDB rate for retirees will be based on the full-term cost.
- There are no recoveries once a participant becomes disabled.
- Decrement timing – Decrements of all types are assumed to occur mid-year.
- Inactive Population – All non-vested participants are assumed to take an immediate refund if they are not contributing employees in another city or agency. Vesting members not contributing through another city are assumed to have taken a deferred retirement benefit, except those who terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of the City who are contributing participants in another city are equal to the probability of termination multiplied by the forfeiture rates discussed above. These rates are applied each year until retirement eligibility. Once an employee becomes retirement eligible, they are assumed to commence benefits based on service retirement rates described above.
- Eligibility Testing – Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
- Decrement Relativity – Decrement rates are used directly from the experience study, without adjustment for multiple table decrement table effects.
- Incidence of Contributions – Contributions are assumed to be paid continuously throughout the year based on the computed percent of covered payroll reported, and actual payroll payable at the time the contributions are made.
- Benefit Service – All participants are assumed to accrue 1 year of eligibility service each year.
- The decrement rates for service-related decrements are based on total TRMS eligibility service.

**CITY OF COCKRELL HILL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**M. OTHER POSTEMPLOYMENT EMPLOYEE BENEFIT PLAN (OPEB), continued**

**Participant Data – OPEB**

Participant data is supplied via electronic text files. There are separate files for (1) active employees, (2) inactive participants, and (3) retirees and beneficiaries receiving benefits. The data for active members includes birthday, gender, service with the City, total vesting service, and salary. For retired members, the data includes date of birth, gender, and date of retirement. To the extent possible, efforts are made to utilize all available data fields in the calculation of liabilities stated in the actuarial valuation report. Adjustments are made for members who have service both in a city with “20 and out” retirement eligibility, and one that has not adopted it to calculate the earliest possible retirement date. Salary supplied for the current year is based on annualized earnings for the year preceding the valuation date. Assumptions are made to correct for missing, bad, or inconsistent data. Such assumptions have no material impact on the results calculated.

**N. SUBSEQUENT EVENTS**

Management has reviewed all material subsequent events and transactions which occurred after the balance sheet date through February 9, 2021 (the date that financial statements became available for release). The accompanying financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have also determined that there are no non-recognized Type II subsequent events which require additional disclosure, other than the expenditure of \$219,975 of CARES Act funding received in September 2020, and the approving of a 10-year lease option to purchase a 2020 Ford F-450 Chassis and refit the booster equipment by financing \$65,586 with Community Lease Partners.

**O. OPERATING LEASE COMMITMENTS**

The following table summarizes the outstanding operating lease obligations for equipment as of September 30, 2017.

		<u>2021</u>		<u>2022</u>		<u>2023</u>		<u>2024</u>		<u>2025</u>
Canon Copiers	\$	10,292	\$	10,292	\$	10,292	\$	5,146	\$	0
Digital Mailing System		5,300		5,300		5,300		0		0
<b>TOTAL</b>	<b>\$</b>	<b><u>15,592</u></b>	<b>\$</b>	<b><u>15,592</u></b>	<b>\$</b>	<b><u>15,592</u></b>	<b>\$</b>	<b><u>5,146</u></b>	<b>\$</b>	<b><u>0</u></b>

GASB Statement No. 87, *Leases*, which becomes effective in fiscal years beginning after December 15, 2022, would require the City to recognize the “right to use” the above-listed equipment along with a corresponding liability for the obligation to pay for that right. This accounting change for operating leases will have no effect of on revenues or expenditures.

**P. LEGAL DEBT MARGIN**

As a home rule city, the City of Cockrell Hill is not limited by the law as to the amount of debt it may issue. The City’s charter states:

The City Council shall have power under the provisions of state law to levy, assess and collect an annual tax upon real and personal property within the City to the maximum provided in the Constitution and general laws of the State of Texas. The City Council has the power to levy occupation taxes on such occupations as consistent with the general laws of the State of Texas.

Article II, Section 5 of the State of Texas Constitution states in part:

...but no tax for any purpose shall ever be lawful for any one year, which shall exceed 2.5% of the taxable property of such City.

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## **REQUIRED SUPPLEMENTAL INFORMATION**



**CITY OF COCKRELL HILL**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF INVESTMENT RETURN -- TMRS PENSION PLAN**  
**FOR THE MEASUREMENT PERIOD ENDED DECEMBER 31, 2019**

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	14.27%	-2.10%	13.78%	7.04%	0.34%	5.99%

**NOTE**

The City adopted GASB No. 68 in fiscal 2014; therefore no data prior to that date is presented. Eventually, this schedule will display 10 years of data.

**CITY OF COCKRELL HILL, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS**  
**FOR THE SIX YEARS ENDED DECEMBER 31, 2019 (see Note 1 below)**

	2019	2018	2017	2016	2015	2014*
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 124,975	\$ 115,248	\$ 109,712	\$ 107,600	\$ 102,033	\$ 74,243
Contributions - employees	106,946	98,024	93,767	94,623	85,434	84,322
Net investment loss	720,604	(140,346)	558,258	251,615	5,366	199,010
Benefit payments	(129,652)	(95,830)	(101,163)	(146,485)	(101,075)	(197,590)
Administrative expenses	(4,071)	(2,713)	(2,894)	(2,843)	(3,268)	(2,078)
Other	(123)	(141)	(686)	(153)	(161)	(171)
Net change in plan fiduciary net position	818,679	(25,758)	656,994	304,357	88,329	157,736
Plan fiduciary net position - beginning of year	4,660,360	4,686,118	4,029,124	3,724,767	3,636,438	3,478,702
Plan fiduciary net position - end of year	<u>\$ 5,479,039</u>	<u>\$ 4,660,360</u>	<u>\$ 4,686,118</u>	<u>\$ 4,029,124</u>	<u>\$ 3,724,767</u>	<u>\$ 3,636,438</u>
<b>Total pension liability</b>						
Service cost	\$ 253,615	\$ 228,116	\$ 216,200	\$ 215,606	\$ 192,960	\$ 204,509
Interest on total pension liability	310,785	290,785	266,749	247,662	234,907	219,433
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	107,834	(122,608)	(34,327)	(56,957)	(9,769)	(47,788)
Changes in assumptions	21,597	-	-	-	7,608	-
Benefit payments, including refunds to employees	(129,652)	(95,830)	(101,163)	(146,485)	(101,075)	(197,590)
Net change in total pension liability	564,179	300,463	347,459	259,826	324,631	178,564
Total pension liability - beginning of year	4,542,247	4,241,784	3,894,325	3,634,499	3,309,868	3,131,304
Total pension liability - end of year	<u>\$ 5,106,426</u>	<u>\$ 4,542,247</u>	<u>\$ 4,241,784</u>	<u>\$ 3,894,325</u>	<u>\$ 3,634,499</u>	<u>\$ 3,309,868</u>
<b>Net pension asset</b>	<u>\$ 372,613</u>	<u>\$ 118,113</u>	<u>\$ 444,334</u>	<u>\$ 134,799</u>	<u>\$ 90,268</u>	<u>\$ 326,570</u>
<b>Plan net position as a % of the net pension asset</b>	107.30%	102.60%	110.48%	103.46%	102.48%	109.87%
<b>Covered employee payroll</b>	1,527,803	1,400,345	1,339,529	1,351,761	1,220,493	1,220,493
<b>Net pension asset as a % of covered employee payroll</b>	24.39%	8.43%	33.17%	9.97%	7.40%	26.76%

**NOTE**

1. This schedule is intended to display information regarding the changes in net pension asset for 10 years. Additional years will be displayed as they become available. 2014 was the first year that this Required Supplementary Schedule was required to be presented.

City of Cockrell Hill  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN**  
**FOR THE SIX YEARS ENDED DECEMBER 31, 2019 (see NOTE 3 below)**

	2020	2019	2018	2017	2016	2015*
Actuarially determined contributions	\$ 125,075	\$ 114,548	\$ 115,988	\$ 110,312	\$ 85,434	\$ 95,689
Contributions in relation to the actuarially determined contributions.	125,075	114,548	115,988	110,312	85,434	95,689
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
City covered payroll	1,527,803	1,400,345	1,339,529	1,351,761	1,220,493	1,205,151
Ratio of actual contributions to covered payroll amount	8.19%	8.18%	8.66%	8.16%	7.00%	7.94%

**NOTES**

- 1 Valuation Date Actuarially determined contribution rates are calculated as of December 31 and become effective on January 1st, 13 months later.
- 2 Methods and Assumptions Used to Calculate the Contribution Rates
 

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset Valuation Method	10-year smoothed market: 12% soft corridor
Inflation Rate	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 -- 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP Pre-retirement: PUB(10) mortality tables; with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP
Other Information	There were no benefit changes during the current year.
- 3 This schedule is intended to display information for 10 years. Additional years will be shown as they become available. 2015 was the first year that this schedule was required to be displayed.

**CITY OF COCKRELL HILL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN OPEB LIABILITY  
FOR THE THREE YEARS ENDED DECEMBER 31, 2019 (see NOTES below)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>			
Service cost	\$ 5,042	\$ 5,041	\$ 4,286
Interest on total OPEB liability	2,654	2,413	2,992
Difference in expected and actual experience	(3,789)	(3,324)	-
Change in benefit terms including TMRS plan participation	-	-	-
Change in assumptions or other inputs	14,031	(5,044)	5,715
Benefit payments, including refunds of employee contributions	<u>(458)</u>	<u>(420)</u>	<u>(1,102)</u>
<b>Net change in total OPEB liability</b>	17,480	(1,334)	11,891
<b>Total OPEB liability, beginning</b>	<u>69,257</u>	<u>70,591</u>	<u>58,700</u>
<b>Total OPEB liability, ending</b>	<u>\$ 86,737</u>	<u>\$ 69,257</u>	<u>\$ 70,591</u>
Covered payroll	\$ 1,527,803	\$ 1,400,345	\$ 1,339,529
Total OPEB liability as a % of covered employee payroll	5.68%	4.95%	5.27%

**NOTES**

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available. 2017 was the first year this schedule was required by GASB Statement No. 75 to be presented.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB Plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

Benefit payments are treated as being equal to the City's yearly contribution for retirees, as per GASB Statement No. 75

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB Statement No. 58 as they include only those eligible for a SBDF benefit (i.e., excludes beneficiaries, non-vested terminations due a refund, etc.)

**CITY OF COCKRELL HILL**  
**Revised Supplementary Information --Schedule of OPEB Contributions**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**FOR THE THREE YEARS ENDED DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>	<u>2018*</u>
Actuarially determined contribution	\$ 3,055	\$ 2,597	\$ 2,241
Contributions in relation to actuarially determined contributions	3,055	2,597	2,241
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	1,527,803	1,400,345	1,339,529
Ratio of actual contributions to covered payroll amount	0.20%	0.19%	0.17%

**NOTES**

**1** GASB #5, paragraph 57 requires that the data in the schedule be presented as the City's fiscal year as opposed to the time period covered by the measurement date.

**2** Only one year of data is presented in accordance with GASB #75. Additional years information will be displayed as they become available.

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**APPENDIX E**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

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

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

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIAL MEMBER

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

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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Financial Advisory Services  
Provided By:

