

## OFFICIAL STATEMENT

April 19, 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 designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.**

**\$4,820,000****CITY OF BORGER, TEXAS****(A political subdivision of the State of Texas located in Hutchinson County, Texas)****COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022****Dated Date: April 1, 2022****Due: August 1, as shown on inside cover**

The \$4,820,000 City of Borger, 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, an ordinance (the "Ordinance") adopted by the City Council of the City of Borger, Texas (the "City" or the "Issuer") on April 19, 2022, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

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

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (2) acquiring fire-fighting and other public safety equipment and vehicles, including a fire truck; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY MUNICIPAL CORP. (See "AGM" or the "Insurer" herein.)



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

*The Certificates are offered for delivery, when, as and if issued and received by the initial purchasers named below (the "Underwriters") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). Certain matters will be passed upon for the Underwriters by their counsel, Cantu Harden LLP, San Antonio, Texas. It is expected that the Certificates will be available for initial delivery through DTC on or about May 11, 2022.*

**RAYMOND JAMES****ESTRADA HINOJOSA**

**\$4,820,000**  
**CITY OF BORGER, TEXAS**  
(A political subdivision of the State of Texas located in Hutchinson County, Texas)  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022**

**MATURITY SCHEDULE**  
(Due August 1)

**CUSIP Prefix No. 099743<sup>(a)</sup>**

**\$1,915,000 SERIAL CERTIFICATES**

Stated Maturity <u>August 1</u>	Principal <u>Amount</u>	Initial Rate <u>(%)</u>	Initial Yield <u>(%)</u>	CUSIP Suffix <sup>(a)</sup>
2023	\$120,000	4.000	2.100	KE5
2024	170,000	4.000	2.350	KF2
2025	175,000	4.000	2.470	KG0
2026	180,000	4.000	2.600	KH8
2027	195,000	4.000	2.650	KJ4
2028	200,000	4.000	2.700	KK1
2029	205,000	4.000	2.800	KL9
2030	215,000	4.000	2.850	KM7
2031	225,000	4.000	2.900	KN5
2032	230,000	4.000	2.950	KP0

**\$2,905,000 TERM CERTIFICATES**

\$495,000	4.000%	Term Certificates due August 1, 2034 and priced to yield 3.000% <sup>(b)</sup>	CUSIP Suffix <sup>(a)</sup> KQ8
\$535,000	4.000%	Term Certificates due August 1, 2036 and priced to yield 3.100% <sup>(b)</sup>	CUSIP Suffix <sup>(a)</sup> KR6
\$575,000	4.000%	Term Certificates due August 1, 2038 and priced to yield 3.200% <sup>(b)</sup>	CUSIP Suffix <sup>(a)</sup> KS4
\$625,000	4.000%	Term Certificates due August 1, 2040 and priced to yield 3.300% <sup>(b)</sup>	CUSIP Suffix <sup>(a)</sup> KT2
\$675,000	4.000%	Term Certificates due August 1, 2042 and priced to yield 3.350% <sup>(b)</sup>	CUSIP Suffix <sup>(a)</sup> KU9

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

The Issuer reserves the right to redeem the Certificates maturing on or after August 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2032, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Certificates maturing on August 1, 2034, August 1, 2036, August 1, 2038, August 1, 2040, and August 1, 2042 (collectively, the "Term Certificates") are also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

<sup>(a)</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 FactSet Research Systems, Inc. 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 Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(b)</sup>Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on August 1, 2032, the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption.

**CITY OF BORGER, TEXAS**  
**600 N. Main Street**  
**Borger, Texas 79008**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires (May)	Occupation
Karen Felker Mayor, Place 3	6 1/2	2023	Inside Sales/Pricing Analyst
Milton Ooley Mayor Pro-Tem Place 5	5 1/2	2022 <sup>(1)</sup>	Retired, Educator
Charles Loftis Councilmember, Place 1	15 1/2	2022	Retired, Coach
Marvin Dickson Councilmember, Place 4	13 1/2	2022 <sup>(2)</sup>	Retired, Maintenance Supervisor
Kim Perez Councilmember Place 2	1 1/2	2023	Business Owner

<sup>(1)</sup> The City Council election will occur on May 7, 2022. Councilmember Ooley is running for re-election in a contested race for the Place 5 Council seat.

<sup>(2)</sup> Councilmember Dickson is not running for re-election for the Place 4 Council seat. Two additional candidates are running for this Council seat in the May 7, 2022 City Council election.

**ADMINISTRATION**

Name	Position	Length of Service (Years)
Garrett Spradling	City Manager	12
Scott Radach	Director of Finance	12
Stella Sauls	City Secretary	29

**CONSULTANTS AND ADVISORS**

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

**Certified Public Accountants** ..... Anderson Hill, LLP  
Lubbock, Texas

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

*For Additional Information Please Contact:*

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Mr. Scott Radach, Director of Finance  
**City of Borger**  
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Mr. Mark M. McLiney  
Mr. Andrew T. Friedman  
**SAMCO Capital Markets, Inc.**  
1020 NE Loop 410, Suite 640  
San Antonio, Texas 78209  
Phone: (210) 832-9760  
mmcliney@samcocapital.com  
afriedman@samcocapital.com

**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

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

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

The Underwriters have provided the following statement for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and a part of, their responsibilities to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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.

Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM 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 AGM supplied by AGM and presented under the heading “**Bond Insurance**” and **Appendix E – Specimen Municipal Bond Insurance Policy**”.

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 Underwriters 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 Borger, Texas (the “City” or “Issuer”) is located in the north Texas Panhandle county of Hutchinson County. The City's economy is diversely based in the petrochemical industry and further diversified in the nitrogen fertilizer and carbon black industries. The Issuer is a governmental entity and political subdivision of the State of Texas (the “State”) governed by a City Council consisting of the Mayor and four Council Members. (See “Appendix B - General Information Regarding the City of Borger and Hutchinson County, Texas” herein.)
<b>The Certificates</b>	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City, on April 19, 2022 and the City’s Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
<b>Security</b>	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City’s combined utility system (the “System”), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Surplus Lien Obligations, and any Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations or Additional Surplus Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Surplus Lien Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of surplus Net Revenues of the System in the manner provided in the ordinance authorizing the issuance of such obligations, and the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.)
<b>Redemption Provisions of the Certificates</b>	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after August 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2032, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing on August 1, 2034, August 1, 2036, August 1, 2038, August 1, 2040, and August 1, 2042 (collectively, the “Term Certificates”) are also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and “APPENDIX C - Form of Opinion of Bond Counsel" herein.)
<b>Qualified Tax-Exempt Obligations</b>	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
<b>Use of Certificate Proceeds</b>	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (2) acquiring fire-fighting and other public safety equipment and vehicles, including a fire truck; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

<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 Assurance Guaranty Municipal Corp. ("AGM" or the "Insurer"). (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)
<b>Ratings</b>	S&P Global Ratings ("S&P") has assigned a rating of "AA" (stable outlook) to the Certificates with the understanding that, concurrently with the delivery of the Certificates, a municipal bond insurance policy will be issued by AGM. The City has received an underlying unenhanced rating of "A+" from S&P. (See "OTHER PERTINENT INFORMATION - Ratings" 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 refunding bonds for debt service savings.
<b>Delivery</b>	When issued, anticipated on or about May 11, 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 Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel.

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

## OFFICIAL STATEMENT

relating to

\$4,820,000

CITY OF BORGER, TEXAS

(A political subdivision of the State of Texas located in Hutchinson 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 Borger, Texas (the “City” or the “Issuer”) of its \$4,820,000 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 and its Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

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

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

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

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas in response to the Pandemic which has been subsequently extended and is still in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on July 29, 2021, the Governor issued Executive Order GA-38, which supersedes all pre-existing executive orders related to COVID-19 and rescinds them in their entirety, except for Executive Order GA-13 (relating to detention in county and municipal jails) and Executive Order GA-37 (related to Migrant transport). Executive order GA-38 combines several previous executive orders into one order and continues the prohibition against governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance. It also prohibits governmental entities from: (1) compelling any individual to receive a COVID-19 vaccine administered under emergency use authorization, and (2) enforcing any requirements to show proof of vaccination before receiving a service or entering any place (other than nursing homes, hospitals and similar facilities) if the public or private entity that has adopted such requirement receives public funds through any means. Executive Order GA-38 remains in effect until amended, rescinded, or superseded by the Governor. Executive Order GA-39, issued on August 25, 2021, further provides that government entities cannot require mask mandates, vaccine passports, or mandatory vaccinations. On October 11, 2021, the Governor issued Executive Order GA-40, prohibiting any entity from requiring COVID vaccinations. Various lawsuits have been filed throughout the State related to the foregoing. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the City. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency.

## THE CERTIFICATES

### General Description of the Certificates

The Certificates are dated April 1, 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 August 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, an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on April 19, 2022, and the City's Home Rule Charter.

### Security for Payment

*Limited Pledge of Ad Valorem Taxes.* The Certificates constitute direct general obligations of the Issuer payable from annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and, upon all taxable property within the City and additionally from a pledge of and lien on certain revenues derived from the operation of the City's combined utility system. (See "AD VALOREM TAX PROCEDURES" and "TAX RATE LIMITATIONS" herein.)

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



## Redemption Provisions of the Certificates

**Optional Redemption.** The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after August 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

**Mandatory Sinking Fund Redemption:** The Certificates maturing August 1, 2034, August 1, 2036, August 1, 2038, August 1, 2040, and August 1, 2042 (the “Term Certificates”) are also subject to mandatory redemption prior to their stated maturity in part and by lot, at the redemption prices equal to the principal amounts thereof, plus accrued interest thereon to the redemption dates, on August 1, in the years and principal amounts shown below:

### Term Certificates to Mature on August 1, 2034

<u>Year</u>	<u>Principal Amount</u>
2033	\$245,000
2034*	250,000

### Term Certificates to Mature on August 1, 2036

<u>Year</u>	<u>Principal Amount</u>
2035	\$260,000
2036*	275,000

### Term Certificates to Mature on August 1, 2038

<u>Year</u>	<u>Principal Amount</u>
2037	\$280,000
2038*	295,000

### Term Certificates to Mature on August 1, 2040

<u>Year</u>	<u>Principal Amount</u>
2039	\$305,000
2040*	320,000

### Term Certificates to Mature on August 1, 2042

<u>Year</u>	<u>Principal Amount</u>
2041	\$330,000
2042*	345,000

\*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 August 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 Issuer, 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 Issuer 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 Issuer, 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 or such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (2) acquiring fire-fighting and other public safety equipment and vehicles, including a fire truck; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

**Sources and Uses**

**Sources**

Par Amount of the Certificates	\$4,820,000.00
Accrued Interest on the Certificates	21,422.22
Reoffering Premium	<u>329,921.50</u>
<b>Total Sources of Funds</b>	<b><u>\$5,171,343.72</u></b>

**Uses**

Project Fund Deposit:	<u>\$5,000,000.00</u>
Underwriters' Discount	35,558.03
Certificate Fund Deposit (Accrued Interest and Additional Proceeds)	24,283.64
Costs of Issuance (including bond insurance premium)	<u>111,502.05</u>
<b>Total Uses</b>	<b><u>\$5,171,343.72</u></b>

**Payment Record**

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

**Amendments**

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

**Defeasance**

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government

Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that “Government Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates (“Defeasance Proceeds”), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

#### **Default and Remedies**

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

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

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson*”), the 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* for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship.

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

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on

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

### **Record Date**

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

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

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

### **Future Registration**

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust

office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

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

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

#### **Replacement Certificates**

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

### **BOND INSURANCE**

#### **Bond Insurance Policy**

Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. ("AGM" 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 as an appendix to this Official Statement.

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

#### **ASSURED GUARANTY MUNICIPAL CORP.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### **Current Financial Strength Ratings**

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

## *Capitalization of AGM*

At December 31, 2021:

- The policyholders' surplus of AGM was approximately \$3,053 million.
- The contingency reserve of AGM was approximately \$877 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,127 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

## *Incorporation of Certain Documents by Reference*

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "**BOND INSURANCE – Assured Guaranty Municipal Corp.**" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

## *Miscellaneous Matters*

AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM 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 AGM supplied by AGM and presented under the heading "**BOND INSURANCE**".

## **BOND INSURANCE GENERAL RISKS**

### **General**

The City has obtained a commitment from the Insurer to provide the Policy relating to the Certificates. The following are risk factors relating to the bond insurance.

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

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable from the ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City as further described under "THE CERTIFICATES – Security for Payment". In the event the Insurer becomes obligated to make payments with respect

to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

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

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

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

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

### **BOOK-ENTRY-ONLY SYSTEM**

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Underwriters 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 Underwriters believe to be reliable, but none of the City, the Financial Advisor, or the Underwriters take responsibility for the accuracy thereof.

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

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

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

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

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



## INVESTMENT POLICIES

The City invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the City 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.

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

**TABLE 1**

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

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Local Checking Accounts	\$2,881,346.76	12.62%
Texpool Accounts	<u>19,950,650.31</u>	<u>87.38%</u>
Total	<u>\$22,831,997.07</u>	<u>100.00%</u>

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

## PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS

### Plan Description

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

For more Information see 2020 Comprehensive Annual Financial Report, Note I on page 59.

## AD VALOREM PROPERTY TAXATION

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

### **Valuation of Taxable Property**

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

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

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

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

### **State Mandated Homestead Exemptions**

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

### **Local Option Homestead Exemptions**

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

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

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

### **Personal Property**

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

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

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation

unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

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

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

### **Other Exempt Property**

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

### **Tax Increment Reinvestment Zones**

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

### **Tax Abatement Agreements**

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

### **City and Taxpayer Remedies**

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

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount 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 referendum 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 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

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

The City has contracted with the Hutchinson County Tax Assessor/Collector for the collection of the City's property taxes.

The City grants an exemption of \$6,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled. See Appendix A – Table 7 for a listing of the amounts of these exemptions.

The City does not grant an additional exemption of up to 20% of the market value of residence homesteads, minimum exemption of \$5,000.

The Issuer does not permit split payments but does allow discounts.

The City does not tax non-business personal property.

The City does grant exemptions for "freeport property".

The City does not tax goods-in-transit.

On March 4, 2008, the City adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004, as described above under "AD VALOREM TAX PROCEDURES – Property Subject to Taxation by the Issuer - *Homestead Tax Limitation*" herein. The freeze was implemented beginning in Tax Year 2009 (base valuations for freeze calculations) and the first freeze loss realized for the City was in Tax Year 2010.

TIRZ – In 2018 the City created a TIRZ (Tax Increment Re-investment Zone) and an associated TIF Fund. TIRZ #1 – Central Corridor which consists of the southern approach and identified new development areas; south Main Street and the original industrial base areas of the City; the Central Business District representing the historic commercial and cultural center of the City; and the Coronado Addition representing declining residential and commercial areas. The City was also able to negotiate participation agreements with Hutchinson County and the Borger Independent School District both of which agreed to participate at 100% over the 30-year term of the Zone.

In 2019 the City established a new Transportation User Fee (TUF) and created an associated TUF Fund. Before the TUF, the City had been able to budget between \$150,000 and \$300,000 annually for roadway maintenance. The TUF is anticipated to increase the revenue for roadway maintenance to just over \$500,000 annually allowing for not only maintenance, but re-construction of prioritized roadways. In future years the TUF is also expected to support debt service for large road and transportation projects.

Economic Development Agreements – In 2018 the City entered into two economic development agreements pursuant to Texas Local Government Code, Chapter 380. These two agreements were utilized to promote an additional restaurant and the re-opening of a local entertainment center/restaurant. One agreement with TANJACO, LLC, provides a rebate of 50% of the sales tax generated over a 5-year period with a maximum rebate value of \$70,000. Actual sales tax rebates from December 2018 through March 2022 total \$41,228.88. The other agreement with RNN Hotels provides a 100% rebate of both sales and ad valorem taxes over a 5-year period with a maximum rebate value of \$140,000. Actual sales tax rebates from July 2018 through March 2022 total \$24,799.01; and the actual ad valorem rebate through tax year 2021 are \$22,001.80.

In 2021, the City entered into an economic development agreement pursuant to Texas Local Government Code, Chapter 380 with BeYouTeaFul Borger, LLC DBA: HTeaO Borger. The agreement provided a one-time grant to offset 50% of the cost associated with the extension of Roosevelt St with a maximum reimbursement of \$60,000. The payment will be made upon completion and acceptance of the public improvements by the City. As of March 2022, no payments have been made.

In 2022, the City entered into an economic development agreement pursuant to Texas Local Government Code, Chapter 380 with Borger WWF, LLC. The agreement provides a one-time grant to offset the cost for installing and constructing a package lift station in an amount not to exceed \$110,000. The funding will be provided through the Water/Sewer fund and will support the development of a Tractor Supply retail location and will serve future development in the area.

The City has no direct tax abatement agreements. <sup>(a)</sup>

<sup>(a)</sup> Pursuant to V.T.C.A. Local Government Code, Section 42.044, the City has designated five industrial districts, and has entered into written contracts with owners of land located, within its extraterritorial jurisdiction. Under each of the contracts, the City agrees that in consideration of an annual stated payment, it will not annex the industrial district during the term of the contract, and it will not levy an ad valorem tax against any real or personal property of the owner located within the industrial district. All of these contracts were renegotiated in 2017 with a new term of seven years expiring in 2023. The companies involved are WRB Refining (Phillips 66), Orion Engineered Carbons, Chevron/Phillips Chemical Company, Solvay Specialty Polymers USA LLC, Phillips 66 Pipeline, Tokai Carbon Company, Nutrien US (formally Agrium US) Inc., ICAX Energy LLC, and Magic Plains Industrial Park. The City currently receives approximately \$3,751,479 in contract payments annually increasing to \$4,015,500 in 2022 and \$4,290,500 in 2023.

## TAX MATTERS

### Tax Exemption

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

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

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

## **Tax Changes**

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

## **Ancillary Tax Consequences**

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

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

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

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

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

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

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

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

## **Qualified Tax-Exempt Obligations**

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by “financial institutions” described in such section and is allocable, as computed in such section, to tax-exempt interest

on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity Certificates that are not qualified 501(c)(3) bonds) which are designated by an issuer as “qualified tax-exempt obligations.” An issuer may designate obligations as “qualified tax-exempt obligations” only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

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

## **CONTINUING DISCLOSURE OF INFORMATION**

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org), as further described below under “Availability of Information”.

### **Annual Reports**

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

The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year of the City beginning in the year 2021, financial information and operating data with respect to the City of the general type included in the body of this Official Statement under “INVESTMENT POLICIES – Table 1 - Current Investments” and in Tables 1, 2, 3, 7, 8, 9, 10, 11, 12, 16, 17, 18, 19, 20, 21, 22 and 23 of “Appendix A - Financial Information of the Issuer” to this Official Statement (the “Annual Financial Information”), and (2) within six months after the end of each fiscal year of the City beginning in the year 2021, the audited financial statements of the City (the “Audited Financial Statements”). If the audit of such financial statements is not complete within six (6) months after any such fiscal year end, then the City shall file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report becomes available. Any financial statements to be provided shall be prepared in accordance with the accounting principles described in APPENDIX D to this Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and shall be in substantially the form included in this Official Statement as APPENDIX D.

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

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

### **Notice of Certain Events**

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the



consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrant or the change of name of a paying agent/registrant, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for credit enhancement (although the City is soliciting bids for bond insurance), 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 Underwriters from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

#### **Compliance with Prior Agreements**

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

### **LEGAL MATTERS**

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

The Issuer will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was

engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin and San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions “THE CERTIFICATES” (except under the subcaptions “Use of Certificate Proceeds”, “Sources and Uses” “Payment Record”, and “Default and Remedies”, as to which no opinion is expressed), “REGISTRATION, TRANSFER AND EXCHANGE”, “TAX MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Undertakings” as to which no opinion is expressed), “LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas”, and “OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale” in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Cantu Harden LLP, San Antonio, Texas. The legal fees of Underwriters’ counsel are contingent on the delivery of the Certificates.

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

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

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

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

## **FORWARD LOOKING STATEMENTS**

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

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

## OTHER PERTINENT INFORMATION

### Registration and Qualification of Certificates for Sale

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

It is the obligation of the Underwriters 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 Underwriters' written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

### Ratings

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

### Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at a price of \$5,114,363.47 (representing the par amount of the Certificates of \$4,820,000.00, plus a reoffering premium of \$329,921.50, and less an Underwriters' discount of \$35,558.03), plus accrued interest on the Certificates.

The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Certificates, if any of the Certificates are purchased. The Certificates may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging,

market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

**Certification of the Official Statement**

At the time of payment for and delivery of the Initial Certificates, the Underwriters 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, 2019, 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 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 Underwriters.

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 BORGER, TEXAS**

/s/ Marvin Dickson  
Mayor  
City of Borger, Texas

ATTEST:

/s/ Stella Sauls  
City Secretary  
City of Borger, Texas

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

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

2021 Actual Market Value of Taxable Property (100% of Actual)		\$ 610,283,470
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$ 7,187,460	
Disabled and Deceased Veterans' Exemptions	2,749,820	
Productivity Value Loss <sup>(a)</sup>	2,178,140	
Freeport Exemption	3,481,053	
10% Cap Loss	235,480	
Totally Exempt Property	92,250,062	<u>108,082,015</u>
2021 Net Taxable Assessed Valuation		<u>\$ 502,201,455</u>
Less Freeze Taxable Value	<u>75,244,035</u>	
2021 Freeze Adjusted Taxable Assessed Valuation <sup>(a)</sup>		<u>\$ 426,957,420</u>

<sup>(a)</sup> See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE PROPERTY TAX CODE " in the Official Statement for a description of the Issuer's taxation procedures.

Source: Hutchinson County Appraisal District

**GENERAL OBLIGATION BONDED DEBT**

**TABLE 2**

**General Obligation Debt Principal Outstanding: (As of March 1, 2022)**

Tax & Waterworks & Sewer System (Ltd Pldg) Revenue Certificates of Obligation, Series 2013	\$ 1,800,000
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Taxable Series 2013	3,590,000
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Taxable Series 2014	26,590,000
General Obligation Refunding Bonds, Series 2016	475,000
Tax & Waterworks & Sewer System (Ltd Pldg) Revenue Certificates of Obligation, Series 2016	2,820,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021	7,465,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates")	<u>4,820,000</u>
Total Gross General Obligation Debt Principal Outstanding:	<u>\$ 47,560,000</u>

**Less: Self-Supporting General Obligation Debt Principal:**

Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Taxable Series 2013 (100% UF)	\$ 3,590,000
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Taxable Series 2014 (100% UF)	26,590,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (79.9% Transportation UF)	<u>3,855,000</u>

Total Self-Supporting General Obligation Debt Principal Outstanding: 34,035,000

Total **Net** General Obligation Debt Principal Outstanding (Following the Issuance of the Bonds and the Certificates) \$ 13,525,000

General Obligation Interest and Sinking Fund Balance as of 12/31/2021 (Unaudited) \$ 262,107

Ratio of **Gross** General Obligation Debt Principal to 2021 Freeze Adjusted Net Taxable Assessed Valuation 11.14%

Ratio of **Net** General Obligation Debt Principal to 2021 Freeze Adjusted Net Taxable Assessed Valuation 3.17%

2021 Freeze Adjusted Net Taxable Assessed Valuation \$ 426,957,420

Population: 2000 - 14,302; 2010 - 13,251; 2020 - 12,278; Current (Estimate) 12,141	12,141
Per Capita 2021 Freeze Adjusted Taxable Assessed Valuation -	\$35,167
Per Capita <b>Gross</b> General Obligation Debt Principal -	\$3,917
Per Capita <b>Net</b> General Obligation Debt Principal -	\$1,114

**Operating Lease Obligations**

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2020 are as follows:

<b>Year Ended</b> <b>September 30</b>	<b>Amount</b>
2022	62,030
2023	57,611
2024	<u>12,716</u>
Total Minimum Rentals	<u>\$ 132,357</u>

*For additional information on these obligations, see note G on page 59 of the Issuer's 2020 General Purpose Unaudited Financial Statements for Fiscal Year Ending September 30, 2020.*

**Canadian River Municipal Water Authority Obligations (CRMWA)**

The City has contracts with the Canadian River Municipal Water Authority (CRMWA) dealing with various water issues. The City's contract payments to CRMWA are payable solely out of the City's water system revenues and constitute operating expenses of the waterworks system. The balances due to CRMWA on these contracts as of September 30, 2021 and the anticipated balances as of September 30, 2022 are summaries below and additional information are shown on page 10 "THE SYSTEM" of the Financial Statements.

	<b>As of 9-30-21</b>	<b>Anticipated</b> <b>As of 9-30-22*</b>
Contract Revenue Refunding 2009 CUG, Series 2017	472,150	411,944
Contract Revenue Refunding 2011 CUG, Series 2020	2,326,244	2,121,897
Subordinate Lien Series 2005, Series 2012	1,461,120	1,047,347
Contract Rev Refunding 2006 CUG, Series 2014	<u>913,365</u>	<u>759,565</u>
	<u>\$ 5,172,879</u>	<u>\$ 4,340,753</u>

*For additional information on these obligations, see note F on page 57 of the Issuer's 2020 General Purpose audited Financial Statements for Fiscal Year Ending September 30, 2020.*

\*Unaudited.

**Leases / Notes Payable\***

*There are no Leases or Notes payable as of September 30, 2021.*

*Source: The Issuer's General Purpose audited Financial Statements for Fiscal Year Ending September 30, 2020.*

\*Unaudited.



**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

**TABLE 4**

Fiscal Year	Currently Outstanding Debt Service <sup>(1)</sup>	The Certificates			Combined Total Debt Service	Less Self-Supporting Debt Service	Net Total Debt Service
		Principal	Interest	Total			
2022	\$ 3,846,997	\$ -	\$ -	\$ -	\$ 3,846,997	\$ 2,619,926	\$ 1,227,071
2023	3,558,826	120,000	257,067	377,067	3,935,892	2,920,726	1,015,167
2024	3,551,732	170,000	188,000	358,000	3,909,732	2,898,138	1,011,594
2025	3,558,938	175,000	181,200	356,200	3,915,138	2,900,838	1,014,300
2026	3,554,357	180,000	174,200	354,200	3,908,557	2,900,732	1,007,825
2027	3,531,888	195,000	167,000	362,000	3,893,888	2,907,820	986,069
2028	3,533,451	200,000	159,200	359,200	3,892,651	2,906,701	985,950
2029	3,531,563	205,000	151,200	356,200	3,887,763	2,897,576	990,187
2030	3,537,257	215,000	143,000	358,000	3,895,257	2,903,676	991,581
2031	3,535,395	225,000	134,400	359,400	3,894,795	2,902,982	991,813
2032	3,531,127	230,000	125,400	355,400	3,886,527	2,902,945	983,581
2033	3,536,995	245,000	116,200	361,200	3,898,195	2,908,307	989,888
2034	2,920,568	250,000	106,400	356,400	3,276,968	2,478,568	798,400
2035	2,917,427	260,000	96,400	356,400	3,273,827	2,484,427	789,400
2036	2,917,711	275,000	86,000	361,000	3,278,711	2,483,611	795,100
2037	2,668,616	280,000	75,000	355,000	3,023,616	2,478,616	545,000
2038	2,669,807	295,000	63,800	358,800	3,028,607	2,479,407	549,200
2039	2,671,547	305,000	52,000	357,000	3,028,547	2,480,547	548,000
2040	478,600	320,000	39,800	359,800	838,400	286,800	551,600
2041	479,400	330,000	27,000	357,000	836,400	286,600	549,800
2042	-	345,000	13,800	358,800	358,800	286,000	72,800
	<u>\$ 60,532,201</u>	<u>\$ 4,820,000</u>	<u>\$ 2,357,067</u>	<u>\$ 7,177,067</u>	<u>\$ 67,350,468</u>	<u>\$ 50,314,943</u>	<u>\$ 17,394,325</u>

<sup>(1)</sup> Includes self-supporting debt.

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

**TABLE 4A**

2021 Freeze Adjusted Taxable Assessed Valuation	\$ 426,957,420
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-23)	\$ 3,935,892
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 0.940660

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

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

**TABLE 4B**

2021 Freeze Adjusted Taxable Assessed Valuation	\$ 426,957,420
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-23)	\$ 1,227,071
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 0.293264

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

**INTEREST AND SINKING FUND MANAGEMENT INDEX****TABLE 5**

General Obligation Interest and Sinking Fund Balance as of 9/31/2021 (Unaudited)	\$ 262,107
2021-2022 Interest and Sinking (I&S) Fund Tax Levy of \$0.19341 at 98% Collections Produces	809,259 <sup>(a)</sup>
Other Revenues to pay Debt Service	<u>537,983</u>
Total Available for Debt Service	1,609,349
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-22	<u>1,227,071</u>
Estimated Surplus at Fiscal Year Ending 9-30-22	<u>\$ 382,278 <sup>(a)</sup></u>

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

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE****TABLE 6***(Includes the Certificates)*

Fiscal Year Ending 9/30	Principal Repayment Schedule				
	Outstanding Obligations <sup>(a)</sup>	The Certificates	Total	Unpaid at End of Year	Principal Retired (%)
2022	1,935,000	-	1,935,000	45,625,000	4.07%
2023	1,910,000	120,000	2,030,000	43,595,000	8.34%
2024	1,975,000	170,000	2,145,000	41,450,000	12.85%
2025	2,060,000	175,000	2,235,000	39,215,000	17.55%
2026	2,130,000	180,000	2,310,000	36,905,000	22.40%
2027	2,185,000	195,000	2,380,000	34,525,000	27.41%
2028	2,270,000	200,000	2,470,000	32,055,000	32.60%
2029	2,355,000	205,000	2,560,000	29,495,000	37.98%
2030	2,460,000	215,000	2,675,000	26,820,000	43.61%
2031	2,570,000	225,000	2,795,000	24,025,000	49.48%
2032	2,675,000	230,000	2,905,000	21,120,000	55.59%
2033	2,795,000	245,000	3,040,000	18,080,000	61.98%
2034	2,295,000	250,000	2,545,000	15,535,000	67.34%
2035	2,385,000	260,000	2,645,000	12,890,000	72.90%
2036	2,485,000	275,000	2,760,000	10,130,000	78.70%
2037	2,340,000	280,000	2,620,000	7,510,000	84.21%
2038	2,440,000	295,000	2,735,000	4,775,000	89.96%
2039	2,545,000	305,000	2,850,000	1,925,000	95.95%
2040	460,000	320,000	780,000	1,145,000	97.59%
2041	470,000	330,000	800,000	345,000	99.27%
2042	-	345,000	345,000	-	100.00%
	<u>\$ 42,740,000</u>	<u>\$ 4,820,000</u>	<u>\$ 47,560,000</u>		

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

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 7**

<u>Category</u>	<u>2021</u>	<u>% of Total</u>	<u>2020</u>	<u>% of Total</u>	<u>2019</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 314,830,600	51.59%	\$ 308,802,750	50.43%	\$ 306,787,240	51.11%
Real, Residential, Multi-Family	6,652,730	1.09%	6,855,050	1.12%	6,743,210	1.12%
Real, Vacant Lots/Tracts	3,609,220	0.59%	3,608,900	0.59%	3,497,270	0.58%
Real, Acreage (Land Only)	220,270	0.04%	210,720	0.03%	249,430	0.04%
Farm & Ranch Improvements	162,630	0.03%	371,940	0.06%	393,490	0.07%
Real, Commercial	87,378,530	14.32%	90,068,840	14.71%	88,121,080	14.68%
Real, Industrial	5,697,370	0.93%	6,785,950	1.11%	5,704,160	0.95%
Real, Minerals (Oil and Gas)	579,514	0.09%	719,693	0.12%	1,209,220	0.20%
Real & Tangible, Personal Utilities	21,833,840	3.58%	22,452,550	3.67%	21,411,684	3.57%
Tangible Personal, Business / Commercial	42,761,800	7.01%	43,613,589	7.12%	44,393,604	7.40%
Tangible Personal, Industrial	28,367,565	4.65%	30,300,278	4.95%	20,978,200	3.49%
Tangible Personal, Mobil Homes	396,470	0.06%	304,200	0.05%	297,680	0.05%
Real Property, Inventory (Residential/Special)	5,564,709	0.91%	5,228,100	0.85%	5,878,710	0.98%
Totally Exempt Property	<u>92,228,222</u>	<u>15.11%</u>	<u>92,984,069</u>	<u>15.19%</u>	<u>94,581,773</u>	<u>15.76%</u>
<b>Total Market Value</b>	<b>\$ 610,283,470</b>	<b>100.00%</b>	<b>\$ 612,306,629</b>	<b>100.00%</b>	<b>\$ 600,246,751</b>	<b>100.00%</b>
<b>Less Exemptions and Losses:</b>						
Local, Optional Over-65 and/or Disabled Homestead	\$ 7,187,460		\$ 7,193,660		\$ 7,081,490	
Disabled and Deceased Veterans'	2,749,820		2,490,940		2,435,170	
Productivity Value / Production Loss	2,178,140		2,064,510		1,847,540	
Freeport Property	3,481,053		4,582,026		341,790	
10% Cap Loss	235,480		136,930		323,660	
Totally / Partially Exempt Property	<u>92,250,062</u>		<u>92,873,889</u>		<u>94,641,543</u>	
Total Exemptions	<b>\$ 108,082,015</b>		<b>\$ 109,341,955</b>		<b>\$ 106,671,193</b>	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 502,201,455</b>		<b>\$ 502,964,674</b>		<b>\$ 493,575,558</b>	
Total Freeze Taxable Value	<u>75,244,035</u>		<u>74,782,050</u>		<u>73,390,250</u>	
<b>Freeze Adjusted Taxable Assessed Valuation</b>	<b>\$ 426,957,420</b>		<b>\$ 428,182,624</b>		<b>\$ 420,185,308</b>	

Source: Hutchinson County Appraisal District

Note: Assessed Valuations shown here are Certified Valuations and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

**PRINCIPAL TAXPAYERS 2021**

**TABLE 8**

<u>Name</u>	<u>Type of Business</u>	<u>2021 Net Taxable Assessed Valuation</u>	<u>% of Total 2021 Net Taxable Assessed Valuation</u>
Southwestern Public Service Co.	Electric Utility	\$ 12,515,300	2.93%
Walmart Real Estate Business Trust	Real Estate	7,380,760	1.73%
Walmart Stores Texas LLC	Retail Sales	6,196,250	1.45%
Amarillo National Bank	Financial Institution	5,049,160	1.18%
RS12 Hotels LLC	Hotel / Motel	4,255,240	1.00%
P & B Senior Living Group LLC	Senior Living Facility	4,195,670	0.98%
United Rentals	Rental Sales	4,153,968	0.97%
Panhandle Northern Railroad Co.	Railroad	4,037,650	0.95%
Golden Plains Community Hospital	Hospital	3,254,050	0.76%
Texas Gas Service Company	Utility	3,028,150	0.71%
<b>Total</b>		<u>\$ 54,066,198</u>	<u>12.66%</u>

Based on a 2021 Freeze Adjusted Taxable Assessed Valuation of \$ 426,957,420

Source: Texas Comptroller of Public Accounts

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

**TABLE 9**

<u>Tax Year</u>	<u>Freeze Adjusted Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Adjusted Tax Levy</u>	<u>% Collections</u>		<u>Year Ended</u>
				<u>Current</u>	<u>Total</u>	
2012	358,721,460 <sup>(b)</sup>	0.78000	3,298,393	95.48%	98.91%	9/30/2013
2013	379,315,640 <sup>(b)</sup>	0.81549	3,468,425	96.36%	99.46%	9/30/2014
2014	398,867,470 <sup>(b)</sup>	0.84207	3,768,196	96.81%	100.06%	9/30/2015
2015	402,010,800 <sup>(b)</sup>	0.86000	3,878,753	96.36%	99.12%	9/30/2016
2016	425,564,540 <sup>(b)</sup>	0.86000	4,088,279	96.84%	99.94%	9/30/2017
2017	412,900,110 <sup>(b)</sup>	0.86349	4,046,263	95.76%	97.95%	9/30/2018
2018	408,556,790 <sup>(b)</sup>	0.86349	4,033,286	95.65%	99.12%	9/30/2019
2019	420,185,308 <sup>(b)</sup>	0.86349	4,009,606	95.31%	98.05%	9/30/2020
2020	428,182,624 <sup>(b)</sup>	0.86349	4,122,248	94.80%	97.43%	9/30/2021
2021	426,957,420 <sup>(b)</sup>	0.83763	4,075,659	94.38%	98.84%	9/30/2022

<sup>(a)</sup> See "AD VALOREM TAX PROCEDURES - Levy and Collection of Taxes" in the body of the Official Statement for a complete discussion of the City's provisions.

<sup>(b)</sup> Represents Freeze Adjusted Taxable Assessed Valuation.

Note: Assessed Valuations may change during the year due to various supplements and protests. Valuations in other tables of this Official Statement may not match those shown in this table.

Source: Texas Comptroller of Public Accounts, Hutchinson County Appraisal District, Texas Municipal Report published by the Municipal Advisory Council of Texas and the Issuer's Audited Financial Statements and Supplemental Information.

**TAX RATE DISTRIBUTION**

**TABLE 10**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Fund	\$ 0.61370	\$ 0.64808	\$ 0.67345	\$ 0.66630	\$ 0.64758
I & S Fund	0.19341	0.18955	0.19004	0.19719	0.21592
TOTAL	\$ 0.80711	\$ 0.83763	\$ 0.86349	\$ 0.86349	\$ 0.86349

Source: Hutchinson County Appraisal District and the Issuer

**FUND BALANCES**

**TABLE 11**

	<u>As of 12-31-20</u>
General Operating Fund	\$ 4,038,525
General Obligation Debt Service Fund	737,576
Water and Sewer Operating Fund	8,864,101
TIF Fund	67,462
TUF Fund	65,867
Tourism Fund	1,033,629
<b>Total</b>	<u>\$ 14,807,160</u>

Source: The Issuer, 2020 Audit.

The table below shows total sales tax collection for the City. On May 5, 1990 voters of the City approved an additional sales tax of 1% (1/2% sales tax for property tax reduction and 1/2% sales tax for 4A economic development). Levy of the additional 1% sales tax began on October 1, 1990.

Fiscal Year	Total Collected	1.50% City	% of Ad Valorem Tax Levy	(\$ Equivalent of	
				Ad Valorem Tax Rate	0.50% EDC <sup>(a)</sup>
2012	\$ 3,811,402	\$ 2,858,551	86.67%	0.68	\$ 952,850
2013	3,989,106	2,991,829	86.26%	0.70	997,276
2014	4,135,812	3,101,859	82.32%	0.69	1,033,953
2015	4,430,109	3,322,582	85.66%	0.74	1,107,527
2016	4,583,962	3,437,972	84.09%	0.72	1,145,991
2017	4,160,932	3,120,699	77.13%	0.67	1,040,233
2018	4,116,475	3,087,356	61.33%	0.53	1,029,119
2019	4,470,910	3,353,183	83.63%	0.72	1,117,728
2020	4,656,671	3,492,503	85.13%	0.74	1,164,168
2021	4,975,082	3,731,312	108.28%	0.87	1,243,771

<sup>(a)</sup> The sales tax for economic development is collected solely for the benefit of the Borger Economic Development Corporation ("BEDC"), a non profit corporation established by the City under Section 4A of the Development Corporation Act of 1979 (the "Act") (art.5190.6, V.T.C.S., as amended), and may be pledged to secure payment of sales tax revenue bonds or other obligations of the BEDC.

Sources: Texas Comptroller of Public Accounts Website

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 13

(As of March 1, 2022)

Taxing Body	Gross Debt	%	Amount
	Principal	Overlapping	Overlapping
Borger Independent School District	\$ 62,241,811	51.38%	\$ 31,979,842
Hutchinson County	-	22.52%	-
Total Gross Overlapping Debt			\$ 31,979,842
City of Borger	47,560,000 <sup>(a)</sup>	100.00%	47,560,000 <sup>(a)</sup>
Total Gross Direct and Overlapping Debt Principal			\$ 79,539,842 <sup>(a)</sup>
Ratio of Direct and Overlapping Debt to 2021 Freeze Adjusted Taxable Assessed Valuation			18.63% <sup>(a)</sup>
Ratio of Direct and Overlapping Debt to 2021 Actual Market Value			13.03% <sup>(a)</sup>
Per Capita Direct and Overlapping Debt			\$6,551 <sup>(a)</sup>
<b>Note:</b> Figures above show Gross General Obligation Debt Principal for the City of Borger, Texas			
The Issuer's Net General Obligation Debt Principal			\$ 13,525,000 <sup>(a)</sup>
Calculations on Net General Obligation Debt Principal would change the above figures as follows:			
Total Net Direct and Overlapping Debt Principal			\$ 45,504,842 <sup>(a)</sup>
Ratio of Net Direct and Overlapping Debt Principal to 2021 Freeze Adjusted Net Taxable Assessed Valuation			10.66% <sup>(a)</sup>
Ratio of Net Direct and Overlapping Debt Principal to 2021 Actual Market Value			7.46% <sup>(a)</sup>
Per Capita Net Direct and Overlapping Debt Principal			\$3,748 <sup>(a)</sup>

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

Source: The most recent Texas Municipal Reports published by the Municipal Advisory Council of Texas

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES

TABLE 14

Governmental Entity	2021 Net Taxable	% of Actual	2021
	Assessed Valuation		Tax Rate
Borger Independent School District	982,200,055	100%	\$1.34930
Hutchinson County	2,221,122,267	100%	0.59500

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

TABLE 15

NONE

**GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**TABLE 16**

	Fiscal Year Ended September 30				
REVENUES:	2021*	2020	2019	2018	2017
Property Taxes	\$ 3,062,400	\$ 3,097,021	\$ 2,985,299	\$ 2,939,868	\$ 2,713,429
General Sales / Use Taxes	3,648,523	3,511,748	3,277,059	3,107,365	3,272,210
Franchise Taxes	860,204	783,206	834,424	925,750	913,539
Penalty and Interest on Taxes	65,264	73,269	62,694	64,873	57,520
Licenses, Fees and Permits	35,700	75,612	53,696	42,486	27,503
Intergovernmental Revenue and Grants	1,034,189	589,019	487,086	401,415	385,363
Charges for Services	6,790,688	6,282,687	6,406,030	5,909,710	6,367,936
Penalties, Fines and Forfeitures	167,981	149,653	203,022	189,516	228,720
Investment Income	4,349	47,318	119,058	63,080	25,653
Contributions from Private Sources	6,150	18,575	3,600	2,050	7,005
Other Revenues	138,140	81,836	118,848	109,792	113,550
<b>Total Revenues</b>	<b>\$ 15,813,587</b>	<b>\$ 14,709,945</b>	<b>\$ 14,550,815</b>	<b>\$ 13,755,904</b>	<b>\$ 14,112,427</b>
<b>EXPENDITURES:</b>					
General Government					
Information/Data Systems	\$ 84,699	\$ 85,177	\$ 92,109	\$ 78,922	\$ 78,825
Administration	512,287	472,172	526,586	433,896	323,830
Fleet Services	259,250	235,886	261,500	235,823	253,541
Facilities Maintenance	548,891	244,560	232,165	278,587	329,176
General Contingencies / Engineering	142,331	113,292	112,838	97,541	114,831
Public Safety					
Police	2,887,533	3,022,884	3,134,488	2,979,751	2,787,143
Fire and Fire Protection and Fire Mitigation	2,932,530	3,180,775	2,713,439	2,514,229	2,651,516
Animal Control	237,402	236,268	234,416	234,777	226,882
Central Dispatching	647,400	632,677	647,557	592,357	574,079
Code Enforcement	250,172	239,967	280,117	225,845	284,208
Vector Control	-	-	-	238	33
Municipal Court	454,291	521,958	568,956	520,405	515,413
Emergency Management	145,742	136,319	108,450	201,458	190,418
Public Works					
General	271,552	268,560	223,155	241,056	144,969
Street & Alley Maintenance	643,818	662,796	793,241	785,769	828,860
Sanitation - Refuse Collection	1,748,023	1,679,679	663,703	604,759	642,986
Recycling Center	4,427	5,643	5,787	909	3,778
Solid Waste Transfer Station	-	-	1,170,579	1,185,006	1,338,066
Culture and Recreation					
Youth, Community and Recreation Centers	444,331	438,657	468,350	426,220	402,160
Parks	691,121	712,593	718,427	723,815	781,637
Swimming Pools	140,132	101,422	142,050	98,687.57	125,998
Planning & Zoning	367,286	607,054	597,509	486,835	467,027
Capital Outlay	631,641	245,684	108,916	1,208	117,009
<b>Total Expenditures</b>	<b>\$ 14,044,859</b>	<b>\$ 13,844,024</b>	<b>\$ 13,804,337</b>	<b>\$ 12,948,096</b>	<b>\$ 13,182,385</b>
Excess (Deficit) of Revenues					
Over Expenditures	\$ 1,768,728	\$ 865,920	\$ 746,478	\$ 807,808	\$ 930,042
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -
Transfers Out (Use)	-	(1,682,129)	(771,096)	(756,815)	(816,127)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (682,129)</b>	<b>\$ (771,096)</b>	<b>\$ (756,815)</b>	<b>\$ (816,127)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,768,728</b>	<b>\$ 183,791</b>	<b>\$ (24,618)</b>	<b>\$ 50,993</b>	<b>\$ 113,915</b>
Fund Balance - October 1 (Beginning)	3,908,315	3,724,523	3,749,141	3,698,148	3,584,229
Prior Year Adjustment	-	-	-	-	-
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 5,677,043</b>	<b>\$ 3,908,315</b>	<b>\$ 3,724,523</b>	<b>\$ 3,749,141</b>	<b>\$ 3,698,144</b>

Source: The Issuer's Audited Annual Financial Reports  
\*2021 financial information is unaudited.

	<b>Fiscal Year Ended September 30</b>				
	<u><b>2021*</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Revenues <sup>(a)</sup>	\$ 12,909,824	\$ 13,065,817	\$ 11,626,056	\$ 11,170,177	\$ 10,163,411
Expenses <sup>(b)</sup>	<u>5,490,837</u>	<u>5,313,668</u>	<u>5,335,223</u>	<u>5,404,955</u>	<u>4,927,392</u>
Net Revenue Available for Debt Service	<u>\$ 7,418,987</u>	<u>\$ 7,752,149</u>	<u>\$ 6,290,833</u>	<u>\$ 5,765,222</u>	<u>\$ 5,236,019</u>
Annual Debt Service Requirements for Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage of Revenue Debt Service	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Annual Debt Service Requirements for General Obligation Debt Service Paid from System Revenues	<u>\$ 2,617,188</u>	<u>\$ 2,617,513</u>	<u>\$ 2,621,003</u>	<u>\$ 2,618,803</u>	<u>\$ 2,615,013</u>
Coverage of <u>All Debt</u> Paid From System Revenues <sup>(c)</sup>	<u>2.83X</u>	<u>2.96X</u>	<u>2.40X</u>	<u>2.20X</u>	<u>2.00X</u>
Customer Count:					
Water	5,542	5,472	5,525	5,361	5,532
Sewer	5,075	5,074	5,147	5,007	5,169

\*2021 financial information is unaudited.

<sup>(a)</sup> Revenues include operating revenues, interest income and other revenues of the Waterworks and Sewer System.

<sup>(b)</sup> Expenses include total expenses less depreciation and amortization of the Waterworks and Sewer System.

<sup>(c)</sup> Debt payable from System Revenues constitutes self-supporting general obligation debt which is paid from revenues derived from the Waterworks and Sewer System. The City does not have any utility system revenue bonds currently outstanding.

Sources: Information from the Issuer and the Issuer's Annual Audited Financial Reports

**WATER RATES**

**TABLE 18**

*(Based on Monthly Billing)*

Effective October 1, 2020		
Minimum Billing	\$16.50	
Plus	\$3.05	Per Thousand Gallons
Old Rates Effective October 1, 2019 thru September 30, 2020		
Minimum Billing	\$17.50	
Plus	\$3.15	Per Thousand Gallons

**PRINCIPAL WATER CUSTOMERS 2020-2021**

**TABLE 19**

*(As of September 30, 2021)*

<u>Name of Customer</u>		<u>Average Monthly Consumption (Gals.)</u>	<u>Average Monthly Bill</u>
WRB Refining	(a) (c)	146,285,250	\$ 353,066
Agrium U.S. Inc.	(b) (c)	79,706,167	159,781
Orion Engineered Carbons	(c)	25,020,250	61,386
Sid Richardson Carbon - Tokai	(c)	23,670,250	57,720
Borger Country Club Golf Course	(c)	2,104,500	1,459
Borger ISD		1,393,250	5,319
Borger Housing Authority		1,066,583	3,646
Frank Phillips College		1,057,917	3,874
Golden Plains Community Hospital		772,417	2,545
RS12 Hotels		393,583	1,633
<b>Total</b>		<u>\$ 281,470,167</u>	<u>\$ 650,427</u> (d)

(a) Consumes more than 10% of the City's total water consumption.

(b) Effluent water purchases included.

(c) Located outside the City limits.

(d) Principal Water Customers represent **74.3%** of total monthly water revenues.

**WATER SYSTEM STATISTICS**

**TABLE 20**

	Fiscal Year Ended September 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gallons Pumped Into System	4,220,859,000	4,393,248,000	4,001,641,800	3,914,802,000	3,787,715,000
Gallons Billed to Customers	3,985,539,000	4,023,496,000	3,561,599,000	3,892,192,000	3,767,063,000

Source: Information from the Issuer.



**SEWER RATES**

**TABLE 21**

*(Based on Monthly Billing)*

**FY 2021 WATER RATES (CLASS A&B)**

Monthly minimum rate:	
3/4" Meter	\$16.50
1" Meter	\$18.98
1 1/2" Meter	\$28.88
2" Meter	\$38.78
3" Meter	\$70.13
4" Meter	\$111.38
6" Meter	\$218.63
Volumetric Rate (per each 1,000 gallons) \$3.05	

**FY 2020 WATER RATES (CLASS A&B)**

Monthly minimum rate:	
3/4" Meter	\$16.50
1" Meter	\$18.98
1 1/2" Meter	\$28.88
2" Meter	\$38.78
3" Meter	\$70.13
4" Meter	\$111.38
6" Meter	\$218.63
Volumetric Rate (per each 1,000 gallons) \$3.15	

**PRINCIPAL SEWER CUSTOMERS 2020-2021**

**TABLE 22**

*(As of September 30, 2021)*

<b><u>Name of Customer</u></b>	<b><u>Average Monthly Bill</u></b>
Borger Housing Authority	\$ 2,844
Borger ISD	2,645
Frank Phillips College	2,162
Golden Plains Community Hospital	1,773
RS12 Hotels	1,154
Borger Bank	867
Tidlewave Investments	829
Pak A Sak / Car Wash	795
Caprock Nursing & Rehab	786
Senior Living Properties	544
<b>Total</b>	<b>\$ 14,399 <sup>(a)</sup></b>

<sup>(a)</sup> *Principal Sewer Customers represent **8.1%** of total monthly sewer revenues.*

**SEWER SYSTEM PRODUCTION**

**TABLE 23**

Volumes, average daily and peak daily flow for the Sewer System for the past five years are shown below.

<b><u>Fiscal Year</u></b>	<b><u>Annual Sewage Flow (000s Gallons)</u></b>	<b><u>Average Daily Flow (000s GPD)</u></b>	<b><u>Peak Daily Flow (MGD)</u></b>	<b><u>Peak Daily Flow Date</u></b>
2021	358,617	983	1,501	7-1-21
2020	342,770	936	3,100	6-19-20
2019	353,428	969	1,407	10-8-18
2018	371,881	1,093	3,750	05-23-18
2017	411,540	1,126	1,919	08-13-17

*Source: Information from the Issuer.*

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF BORGER  
AND HUTCHINSON COUNTY, TEXAS**

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**GENERAL INFORMATION REGARDING THE CITY OF BORGER  
AND HUTCHINSON COUNTY, TEXAS**

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

**General**

The City of Borger (the "City") is located at the intersection of State Highways 136, 152 and 207, approximately 50 miles northeast of the City of Amarillo. Borger is the largest city in Hutchinson County (the "County"). With an economy based on chemical plants and petroleum processing, Borger is the principal commercial and industrial center of the County. The City is the home of the world's largest inland petrochemical complexes. Chevron-Phillips Company produces specialty chemicals. Solvay produces RYTON plastics with a strong share in the automotive and electronics sectors. Phillips 66 processes medium sour crude, natural gas liquids into gasoline, diesel, aviation fuels, petroleum coke, and other solvents. Tokai Carbon Company produces Tread and Carcass grade carbon black along with the capacity to produce ASTM grade carbon black. Orion Engineered Carbons produces a variety of commercial and specialty grade carbon blacks. Nutrien manufactures nitrogen fertilizers and ammonia.

Hutchinson County, located in the Texas Panhandle, encompasses an area of 871 square miles and is traversed by State Highways 136, 152 and 207, and twelve farm-to-market roads. The County's economy is based on mineral and oil production. The Texas Almanac designates cattle, wheat, grain and corn as principal sources of agricultural income.

*\*Source: Latest Texas Municipal Report published by the Municipal Advisory Council of Texas*



**Population:**

<u>Census Report</u>	<u>City of Borger</u>	<u>Hutchinson County</u>
2021	12,141	20,576
2020	12,551	20,617
2010	13,251	22,150
2000	14,306	23,857
1990	15,719	25,689

*Sources: United States Bureau of the Census*

**Leading Employers in the Borger Area:**

<u>Employer</u>	<u>Type of Business</u>	<b>2020 Number of Employees</b>
Phillips Petroleum Company	Petroleum Products	700
Borger Independent School District	Public Education	513
Chevron Phillips Chemical	Specialty Chemicals	246
Wal-Mart	Retail Sales	245
Golden Plains Community Hospital	Health Care	207
City of Borger	Municipal Government	174
United Supermarket	Retail Grocery	134
Tokai Carbon	Carbon Black Production	126
Conner Industries	Construction	110
Solvay Specialty Polymers	High Performance Polymers	109

*Source: Information from the Issuer*

**Labor Force Statistics**

	<b>Hutchinson County</b>		<b>Amarillo Metropolitan Statistical Area</b>	
	<b>December <u>2021</u></b>	<b>December <u>2020</u></b>	<b>December <u>2021</u></b>	<b>December <u>2020</u></b>
Civilian Labor Force	8,043	8,600	136,015	128,123
Total Employed	7,638	8,004	132,121	121,501
Total Unemployed	405	596	3,894	6,622
% Unemployed	5.0%	6.9%	2.9%	4.4%
% Unemployed (Texas)	5.0%	6.9%	5.0%	6.9%
% Unemployed (United States)	3.9%	6.7%	3.9%	6.7%

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

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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May 11, 2022

Norton Rose Fulbright US LLP  
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Austin, Texas 78701-4255  
United States

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**FINAL**

IN REGARD to the authorization and issuance of the “City of Borger, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022” (the *Certificates*), dated April 1, 2022 in the aggregate principal amount of \$4,820,000. We have reviewed the legality and validity of the issuance thereof by the City Council of the City of Borger, 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 August 1 in each of the years 2023 through 2032, August 1, 2034, August 1, 2036, August 1, 2038, August 1, 2040 and August 1, 2042, unless mandatorily or optionally 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

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at [nortonrosefulbright.com](http://nortonrosefulbright.com).

**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CITY OF BORGER, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022”**

of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

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

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

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt

**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CITY OF BORGER, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022”**

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

Norton Rose Fulbright US LLP

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**APPENDIX D**

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

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

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Final Version –September 14, 2021



# Borger

FY 2020

## Comprehensive Annual Financial Report

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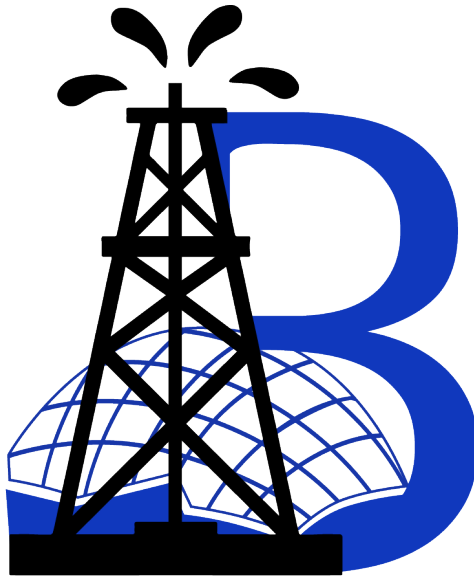
# City of Borger

Borger, Texas



Audited Financial Statements  
and Supplementary Information

September 30, 2020



**BORGER**

— **TEX★S** —

WHERE OPPORTUNITY BOOMS

CITY OF BORGER  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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September 7<sup>th</sup>, 2021

**Honorable Mayor, Members of the City Council, and Citizens**

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report for the City of Borger for the year ended September 30<sup>th</sup>, 2020, in compliance with Section 55 of the Borger City Charter. The Report provides the Mayor, City Council, staff, citizens, bondholders, and other interested parties with helpful information concerning the City's operations and financial position. This report presents management's representations concerning the financial statements of the City of Borger, and management assumes full responsibility for the accuracy, completeness, and fairness of the data in this Report.

To the best of our knowledge, this report is accurate in all material respects. It has been prepared in accordance with standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and other rule-making bodies. We believe the Report contains all disclosures necessary for the reader to fully understand the City's financial affairs.

The City Manager and his appointees, the Assistant City Manager and Director of Finance, are responsible for establishing and maintaining an internal control structure to ensure that the assets of the government are protected from loss, theft, or misuse, as well as to ensure that adequate and reliable accounting data is compiled to allow for the preparation of accurate financial statements in conformity with accounting principles generally accepted in the United States of America. Since the cost of internal controls should not outweigh their benefit, the City of Borger's internal control framework provides reasonable rather than an absolute assurance that the financial statements will be free from material misstatement. In our opinion, the City employs sound accounting and control policies that fulfill these responsibilities. This Financial Report is complete and reliable in all material respects to the best of our knowledge and belief.

Independent audits are an essential element of financial control and accountability. The City Charter requires an annual audit of the City's financial statements by a Certified Public Accountant. The City of Borger's financial statements have been audited by Anderson Hill, LLP, a licensed, certified public accountant. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Borger for the fiscal year ended September 30, 2020, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Borger's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with generally accepted accounting principles in the United States of America. The Independent Auditor's Report and Management's Discussion and Analysis (MD&A) are presented directly preceding this report's basic financial statement section.

The City of Borger did not have federal expenditures exceeding \$750,000 as previously expected. Therefore, the City did not meet the threshold requiring a single audit to ensure compliance with the U.S. Office of Management and Budget Compliance Supplement requirements and the State of Texas Uniform Grant Management Standards. However, based on current federal grant award amounts, it should be noted that a single audit will be required for the year ending September 30, 2021.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of an MD&A. This transmittal letter is written to compliment the MD&A and should be read with it.

## **City of Borger Profile**

The City of Borger is a political subdivision and municipal corporation of the State of Texas organized under the City's Home Rule Charter. The City was established, and the Home Rule Charter was adopted in 1926. Located at the junction of State Highways 136, 152, and 207 in south-central Hutchinson County, approximately 45 miles northeast of Amarillo, Borger is home to the Nation's largest in-land petrochemical complex and numerous other Fortune 500 companies with industrial operations in and around the community. Borger remains an essential regional employment and industrial support center.

The City covers approximately 9 square miles with an estimated 2018 population of 13,458. The City of Borger is empowered to levy tax on real and personal properties within its boundaries. It is empowered by the State to extend its corporate limits by annexation, which occurs periodically in compliance with State law.

The City operates under a Council/Manager form of government, adopted in 1969, with a City Council comprised of 5 members, each elected at-large to staggered 3-year terms. Each year, the Council Members elect a member to serve as mayor, as provided by the City Charter. The City Council then appoints a professional city manager. The city manager serves as the administrative head of the City.

City services provide public safety (police, fire protection, code enforcement, municipal court, and animal services), streets, water and sanitary sewer, solid waste disposal, planning, and developmental services, cultural and recreation, and general administrative services.

## **Overview of the Financial Reporting Entity**

Per governmental accounting standards, various governmental entities with which we have relationships were evaluated to determine whether they should be reported in the City's combined financial statements or part of its reporting entity. Based on GASB standards, an entity should be considered part of the City's reporting entity if it is concluded that the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Based on the accounting standards, the financial affairs of the Borger Economic Development Corporation (BEDC) are reported as a component unit in the City's financial statements. The BEDC is a nonprofit corporation formed under the laws of the State of Texas. Still, it is included in the financial statements because of the City Council's authority to appoint its Board of Directors and approve its budget.

TIRZ #1, Central Corridor, was created in December 2018 and consists of a 7-member board. The City of Borger appoints three members, and Hutchinson County and the Borger Independent School District appoint two members each. TIRZ #1 revenue can be pledged to support debt; however, only the City Council can authorize the debt and pledge the TIRZ revenue.

## **Financial Information**

The City of Borger's accounting records for general governmental operations are maintained on a modified accrual basis. This means that revenues are recorded when available and measurable. In contrast, expenditures are recorded when the service or goods are received, and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on an accrual basis.

*Annual Budget* – The City Council adopts an annual budget by ordinance as provided by City Charter. The budget, prepared by City Management, is reviewed by the City Council and the public through subsequent public hearings. The City Manager may transfer budgeted amounts among programs within a department or major organizational unit; however, any transfer or adjustment that alters the total revenues or expenditures within funds must be approved by the City Council.

Budgetary control has been established at the individual fund level. Financial reports displaying budget and actual expenditures by line item are regularly posted to the City's website and distributed semi-monthly to City departmental and divisional managers, the City Council, and made available to other persons or entities upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level, and capital expenditures are monitored and controlled item by item. Revenue projections are reviewed quarterly.

*Cash Management* - The City of Borger awards its depository contract through official bidding procedures for two years with provisions for three one-year continuations under the same contract. The current contract with Amarillo National Bank began on March 1, 2020.

The Agreement with Amarillo National Bank guarantees the 30-day Treasury Bill rate plus ten basis points on all funds held on deposit. Idle cash is placed in certificates of deposit, money market accounts, or TexPool. At the end of the second quarter of the current fiscal year, the City held \$25,590,209 million in investments with an average maturity of 0.92 days and an average yield of 0.0305%.

The City of Borger's investment policy requires all demand deposits and time deposits to be secured by pledged collateral or other approved instruments with a market value equal to no less than 102% of the deposits less an amount insured by the FDIC. Evidence of the pledged collateral is maintained by the Finance Department and a third-party financial institution. Collateral is reviewed quarterly by the finance staff to ensure the securities pledged market value is adequate.

All safekeeping arrangements are per a safekeeping agreement approved by the City Manager, which defines the procedural steps for gaining access to pledged collateral on deposit should the City of Borger determine that the City's funds are in jeopardy. The safekeeping institution, or custodian, is Frost Bank in San Antonio, Texas. The safekeeping agreement is a tri-party contract between the City of Borger, the depository bank, and the custodian. Additional information on the City's banking and investing activities can be found in Note B of the financial statements.

*Risk Management* – The City of Borger partners with other governmental agencies in Texas as a member of the Texas Municipal League Intergovernmental Risk Pool (TML-IRP) for insurance coverage. The City pays an annual contribution for coverage of worker's compensation liability, general liability, law enforcement liability, errors and omissions liability, auto liability, auto physical damage, auto catastrophe, mobile equipment, sewer backup, and property damage.

*Employee Health Plan* – Through a defined contribution for healthcare, the City of Borger provides health insurance for employees and their dependents and retirees and their dependents. On October 1, 2018, the City adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB). GASB 75 requires the City to report the cost associated with providing retirees access to the City's health insurance plan. The City does not cover any cost for post-employment benefits related to healthcare. There is no direct cost to make the plan available to eligible employees at the time of their post-employment.

*Pension Benefits* – The City participates in the state-wide Texas Municipal Retirement System (TMRS), a non-institutional, joint contributory, hybrid defined benefit plan. The City, through TMRS, provides supplementary death benefits for retirees, which are required to be reported under GASB 75. TMRS conducts an independent actuarial study each year to calculate the City's OPEB liability. In FY 2020, the City's total OPEB liability was listed at \$432,201 or 4.81% of covered payroll. Additional information can be found in Note I of the financial statements.

*Long-term Financial Planning* – Current planning efforts include updating the City's Comprehensive Plan, a Downtown Revitalization Master Plan, and a Parks and Recreation Master Plan. Each master plan will develop Strategic Action Priorities (SAPs). The SAPs and the City's Strategic Priorities will be used to develop and adopt a 5-year Community Investment Program (CIP). These plans will help guide long-term projects and financial needs and plan fund transfers to Capital Construction Funds while supporting strong fund balances.

## **Economic Condition and Outlook**

The information presented in the financial statements can be better understood when considering the broader environment that the City of Borger operates in. The following information will attempt to address some of the environmental issues impacting the City of Borger.

*Local Economy* - The City of Borger remains home to the largest in-land petrochemical complex in the Nation. Other large industrial and agricultural industries include two carbon black plants and the Nutrien fertilizer/urea plant. This sizeable industrial base helps Borger serve as a small regional hub for employment, retail trade, industrial support services, education, and governmental services and helped buffer the impacts of the COVID-19 pandemic during the last half of FY 2020.

Hotel Occupancy Tax saw steep declines during the initial phases of the COVID-19 pandemic; however, by the middle of the current fiscal year, those revenue losses had recovered. With the start of Nutrien's debottlenecking project, we anticipate HOT revenue to end the current fiscal year above the budgeted amount.

Sales tax collections and planned industrial maintenance/expansion projects indicate that Borger maintains a stable economy.

*Sales Tax* – Throughout the COVID-19 pandemic, sales tax revenue remained higher year-over-year. Pandemic-related closing caused many residents to stay home versus traveling to Amarillo for entertainment and supported local shopping. Shopping local drove higher sales tax collections during the early months of the pandemic. By the end of FY 2020, collections had returned to a more normal level, and the year ended 10% higher than the previous year. Current sales tax collections remain higher than our budgeted amount, and will end FY 2021 above budgeted amounts. Strong collections continue following increased activity driven by the Nutrien project.

*Unemployment* – Borger began FY 2020 with a 4.3% unemployment rate. With the onset of the COVID-19 and government-mandated closures and travel restrictions, the unemployment rate topped 9%. Average employment dropped from 6,419 in the 4<sup>th</sup> quarter of 2019 to 6,159 at the end of the 3<sup>rd</sup> quarter of 2020. Hutchinson County's average weekly wage remained the second-highest in the 26 counties of the Texas Panhandle. Average weekly wages and the higher sales tax collections during this period further show the economic stability provided by our larger industrial employers.

*Borger Independent School District* - Voters passed a \$40 million bond proposition in 2018 that included constructing a new football stadium, associated sports, and training facilities. Also included were significant renovation projects for the High School, Intermediate School, and Middle School. The renovations provide for increased physical security as well as technology and science needs on each campus. Worked continued on these campus projects throughout FY2020 and had been slowed by COVID-19.

2019 also saw the creation of the Boomtown Scholarship Program, which offers an associate degree or a career technology certificate to every Borger High School graduate free of charge. In coordination with Frank Phillips College, this program attempts to address the skills gap and recruitment challenges of our local industries and medical community.

*Frank Phillips College* – Frank Phillips Junior College's main campus is in Borger. In addition to several associate degree programs, FPC has extensive career and vocational programs supporting careers in our local industries. In 2020, the first cohort of students utilizing the Boomtown Scholarship registered for classes. In addition, Borger, Inc, the Borger Economic Development Corporation, began working with local industry and business to establish an internship program connecting FPC career and technology students with learning opportunities to gain experience and assist with final job placement after graduation.

*Commercial Investment* – Construction began on a new Wendy's and Chicken Express during FY 2020 and was completed late in the year. The City continues to work with national chains and completed the annexation for a new Tractor Supply at the time of this report. In addition, the City continues to work through the development process for two other national chains expected in FY 2022.

*Industrial Investment* – Local industries continue to invest in their facilities. Nutrien's planned debottlenecking project was delayed due to the COVID-19 pandemic but began ramping up in April 2020 for construction from May through July. The Borger Express Pipeline began construction in early 2020. The new pipeline will connect the Borger Complex to Cushing, Oklahoma.

*Housing* – As identified in the Boomtown 2040 Comprehensive Plan and Council Strategic Pillars, housing remains a top priority for the City. Along with Borger, Inc., the City has contacted multiple developers during FY 2020 and has made five incentive proposals. The COVID-19 pandemic and associated rise in lumber cost continue to impact the City's efforts. Hope remains to see progress with a multi-family and single-family project by the end of FY 2021.

## **Economic Development**

The City works in coordination with its component unit, Borger, Inc., the City's economic development corporation, to encourage, support, and attract business retention and expansion, workforce development,



and quality of life improvement. Funding comes from a voter-approved ½ cent sales tax and other rebates and funding that might be budgeted in the City's budget to support Chapter 380 economic incentive activities through approved economic development programs. Borger, Inc., and City supported programs for FY 2020 including the following:

*TIRZ #1* – In FY 2019, the City created TIRZ #1, Central Corridor, with 100% participation from Hutchinson County and the Borger Independent School District. During FY 2020, TIRZ #1 adopted General Program Submission Guidelines and an Infill Housing Program.

*TUF* – Throughout FY 2020, the City Council and City Staff developed a Transportation User Fee (TUF) to support ongoing transportation system maintenance in support of the Council's Strategic Pillar and the Boomtown 2040 Comprehensive Plan. The TUF is anticipated to generate more than \$550,000 per year restricted for transportation projects. The revenue generated will provide for increased maintenance and the support of future debt issuance for street reconstruction.

*Venue Tax and Dome Project* – The COVID-19 pandemic delayed a venue tax election originally called for May 2020. In November 2020, citizens passed a venue tax to support the Borger Dome Civic and Convention Center Project. The 2% hotel occupancy tax will supplement existing hotel occupancy tax and existing revenue to fund the renovation and addition to the historic and iconic Kaiser Aluminum Dome. The facility will add much-needed high-capacity meeting space to support a multitude of events and small conventions. The project supports the Council's Strategic Pillars and the Boomtown 2040 Comprehensive Plan.

*Chapter 380 Agreements* –The City of Borger implemented a State compliant Chapter 380 program with the adoption of resolution R-001-18 in January 2018. The City refined the program and officially codified it by adopting Ordinance O-13-20 in FY 2020. Projects currently supported include the reopening of Wildcatters Bowling & Entertainment and the opening of Texas Rose Steakhouse. No new projects were initiated in FY 2020; however, with the current proposed commercial development and possible housing projects, additional Chapter 380 agreements are anticipated in late FY 2021 or FY 2022.

*Development Grants* – The City is also a recipient of a \$350,000 Downtown Revitalization Grant, which will improve off-street parking in the downtown area. Construction began and should be completed in FY 2021. Additionally, a \$176,500 Hazard Mitigation Grant for a Master Drainage Plan was awarded and expected to be completed in FY 2021. The City partnered with Panhandle Northern Railroad (PNR) to obtain a pass-thru Consolidated Rail Infrastructure and Safety Improvement (CRISI) grant from the Federal Railroad Administration for \$2,164,255 to upgrade 27 miles of PNR's track to an FRA Class II track standard. Groundbreaking for this project is currently scheduled for the first half of September 2021.

The City was unsuccessful in applying for a \$500,000 FY 2020 Downtown Revitalization Grant but has reapplied for a \$350,000 grant in the same program for the FY 2021 cycle. The City continues to seek out grant opportunities to leverage and maximize local funds to benefit our community.

### **Acknowledgments**

The preparation of this report could not have occurred without the hard work of the entire Finance Department in maintaining complete and accurate financial records. We further express our appreciation to the Borger City Council for their continued guidance and support in the progressive and responsible operation of the City.

Respectfully submitted,



Scott M. Radach  
Director of Finance  
[sradach@borgertx.gov](mailto:sradach@borgertx.gov)



Garrett Spradling, CPM  
City Manager  
[gspradling@borgertx.gov](mailto:gspradling@borgertx.gov)



Eddie E. Edwards, CPM  
City Manager Emeritus  
[eedwards@borgertx.gov](mailto:eedwards@borgertx.gov)

# City of Borger, Texas Elected Officials September 30, 2020



Karen Felker  
Acting Mayor  
Council Member Place 2  
Customer Service Manager  
GPI, Inc  
[kfelker@borgertx.gov](mailto:kfelker@borgertx.gov)



Milton Ooley  
Mayor Pro Tem  
Place 5  
Retired  
Principal/Educator  
[mooley@borgertx.gov](mailto:mooley@borgertx.gov)



Charles "Pete" Loftis  
Council Member  
Place 1  
Maintenance Supervisor  
Borger ISD  
[ploftis@borgertx.gov](mailto:ploftis@borgertx.gov)



James Marrs, II  
Council Member  
Place 3  
Owner  
Ultimate Automotive  
[jmarrs@borgertx.gov](mailto:jmarrs@borgertx.gov)



Marvin "Bubba" Dickson  
Council Member  
Place 4  
Maintenance Supervisor  
Conner Industries  
[mdickson@borgertx.gov](mailto:mdickson@borgertx.gov)

# City of Borger, Texas Appointed Officials September 30, 2020



Eddie Edwards  
City Manager



Garrett Spradling  
Assistant City Manager



Scott Radach  
Director of Finance



Bruce Roberts  
Chief of Police



Bob Watson  
Fire Chief



Jason Pender  
Fire Marshal



Jason Whisler  
E.M.C.



Jason Anderson  
Director of Public  
Works



Chris Ingram  
Director of Utilities



Stella Sauls  
City Secretary



Larry Byrd  
Planning &  
Development



Byron Swafford  
Director of H.R.

# Organizational Chart



**Anderson Hill, LLP**

Anderson Hill, LLP 2732 82<sup>nd</sup> Street, Suite B / Lubbock, TX 79424  
main 806.771.4000 fax 806.771.4005

**REPORT OF INDEPENDENT AUDITORS**

To the Honorable Mayor and  
Members of the City Council  
City of Borger, Texas

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

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

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

**Auditor's Responsibility**

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

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

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



## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Capital Projects Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying combining and individual fund statements and schedules, transmittal letter, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The transmittal letter and supplementary schedules as identified in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have issued our report dated September 14, 2021 on our consideration of City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

*Anderson Hill, LLP*

Lubbock, Texas  
September 14, 2021

Management relies on the City's accounting system and internal controls to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Management assumes full responsibility for the information contained in this Report. Anderson Hill, LLP, has issued an unmodified or "clean" opinion on the City of Borger's financial statements for the year ended September 30, 2020.

This section of the City of Borger's Annual Financial Report is Management's Discussion and Analysis (MD&A). The MD&A presents discussion and analysis from City Management regarding the City's financial performance, the Independent Auditor's Report, and the City's basic financial statements during the fiscal year that ended on September 30, 2020, with comparative information for the fiscal year ended September 30, 2019. Information from the transmittal letter found on page 6 should also be used in conjunction with the MD&A.

## FINANCIAL HIGHLIGHTS

- The total Net Position<sup>1</sup> of the City of Borger equals \$47.5 million, up from \$42.5 million in FY 2019. The Net Position results from \$104 million in assets and deferred outflows less than \$56.5 million in liabilities and deferred inflows.
- The State of Texas does not provide for a statutory debt limit for cities. The truth-in-taxation criterion specifies that first, debt (interest & sinking) requirements must be met, then operations. The property tax rate to meet these needs cannot exceed \$2.50 per \$100 valuation. As of September 30, 2020, the City has debt totaling \$6.2 million secured and paid by the levy and collection of a direct and continuing ad valorem tax on all taxable property within the City. The total is a decrease in debt from \$6.9 million last year. Based on a population of 13,251 (2010 Census), the per capita tax-supported debt for the City is \$449.02. The ratio of tax-supported debt to assessed value is 1.39%<sup>2</sup>.
- In FY 2014, the City issued \$38.2 million in revenue bonds for water infrastructure improvements. With that issuance, as of September 30, 2020, the City had a remaining principal of \$31.4 million secured by the revenues generated from the Water and Sewer Systems operation.
- The City of Borger is compliant with the GASB 34<sup>3</sup>. Shown within Note E – Capital Assets, the FY 2020 governmental fixed asset year-end balance is \$39 million less accumulated depreciation of \$18.5 million, leaving \$20.5 million in Net Assets for governmental activities.
- Financially, FY 2020 was a positive year for the City. The City, in all funds, collected \$657,744<sup>4</sup> more in revenues than the final budgeted revenue amounts. The actual expenditures were well below the final budgeted expenditures by \$2,478,261<sup>5</sup>. A portion of lower expenditures relates to capital projects delayed by COVID-19 and staffing shortages. It is anticipated that most of these expenditures will be expended in FY 2021 or FY 2022.

<sup>1</sup> Government-Wide Statement of Net Position

<sup>2</sup> Outstanding debt divided by 2020 Adjusted Taxable Value

<sup>3</sup> Notes to Financial Statements: Note E - Capital Assets

<sup>4</sup> Variance between final budgeted revenue amounts and the actual revenues collected in all funds

<sup>5</sup> Variance between final budgeted expense amounts and the actual expenses in all funds.



## USING THIS REPORT

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This discussion and analysis introduce the City's basic financial statements, consisting of a series of financial statements, accompanying notes to the financial statements, required supplementary information, additional information, statistical information, and compliance information.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

One of the most critical questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Government-wide Statement of Net Position and the Statement of Activities (sometimes referred to as government-wide financial statements) provide information about the City's activities as a whole and represent a longer-term view of the City's finances. The Statement of Net Position includes **all** assets and **all** liabilities at the end of the year. The Statement of Activities indicates explicitly how the City's net position changed during the fiscal year. All changes in the net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from functions intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). In generic terms, the governmental-wide financial statements reflect the flow of total economic resources like the financial reports of a private sector business or corporation.

Both of these statements report changes in the City's net position (the difference between assets and liabilities). The City's net position provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, in a full assessment of the City's overall health, you should consider other non-financial factors as well, such as changes in the City's property tax base, the strength of the local economy, and the condition of the City's facilities.

## FUND FINANCIAL STATEMENTS

Fund financial statements report the City's operations in more detail than the government-wide statements. State laws and bond covenants require some funds to be established. The City Council may also establish many other funds to help it control and manage money for particular purposes or show that it meets legal responsibilities for using certain taxes, grants, and other funding sources. All the funds of the City are divided into categories.

The City uses different accounting approaches or categories for different types of funds:

**Governmental Funds** – Governmental funds, which use modified accrual accounting methods, account for 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 and balances of spendable resources available at the end of the fiscal year. Such information may help evaluate a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is helpful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Fund Statements of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Enterprise Funds** – Proprietary, or enterprise funds, report the same functions presented as business-type activities in the governmental-wide financial statements. These funds provide the same type of information as the governmental-wide financial statements, only in more detail. The proprietary fund financial statements provide detailed information on the City's Water and Sewer Systems operation and the business-type capital-related expenditures.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held to benefit parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own operations or programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the fiduciary funds are provided through combining statements elsewhere in this Report.

**Component Unit** – Component unit information for the Borger Economic Development Corporation (BEDC) is presented in the Statement of Net Position and the Statement of Activities. The BEDC is a component unit of the City of Borger. It is expressly governed by the Texas Development Corporation Act of 1979, as amended. The purpose of the BEDC is to promote and develop industrial and manufacturing enterprises to promote and encourage employment and the City's public welfare.

## NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure and are an integral part of the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this Report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

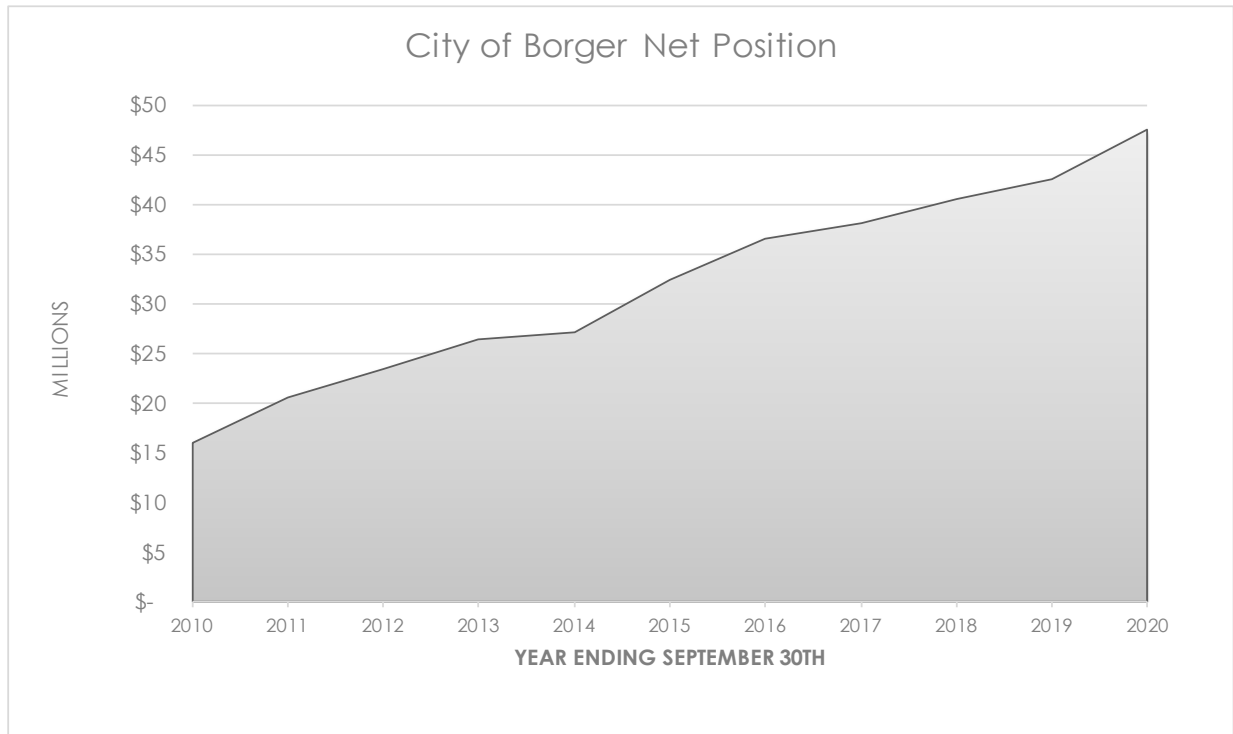
## FINANCIAL ANALYSIS

### GOVERNMENT-WIDE

The following table compares the activities for FY 2019 and FY 2020 under the GASB Statements 34, 37, & 38, initially implemented by the City in 2003.

Changes in the City of Borger's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2019	2020	2019	2020	2019	2020
<b>Assets</b>						
Current Assets	\$ 5,466,072	\$ 6,183,754	\$ 5,400,455	\$ 6,465,613	\$ 10,866,527	\$ 12,649,367
Non-Current Assets	\$ 23,228,591	\$ 22,765,278	\$ 64,386,512	\$ 65,203,786	\$ 87,615,103	\$ 87,969,064
Deferred Pension Outflow	\$ 2,322,752	\$ 2,529,477	\$ 702,058	\$ 758,120	\$ 3,024,810	\$ 3,287,597
<b>Total Assets</b>	<b>\$ 31,017,415</b>	<b>\$ 31,478,509</b>	<b>\$ 70,489,025</b>	<b>\$ 72,427,519</b>	<b>\$ 101,506,440</b>	<b>\$ 103,906,028</b>
<b>Liabilities:</b>						
Current Liabilities	\$ 2,151,113	\$ 2,184,891	\$ 2,564,088	\$ 2,615,181	\$ 4,715,201	\$ 4,800,072
Non-Current Liabilities	\$ 12,828,611	\$ 9,224,480	\$ 40,317,529	\$ 37,423,132	\$ 53,146,140	\$ 46,647,612
<b>Total Liabilities</b>	<b>\$ 14,979,724</b>	<b>\$ 11,409,371</b>	<b>\$ 42,881,617</b>	<b>\$ 40,038,313</b>	<b>\$ 57,861,341</b>	<b>\$ 51,447,684</b>
<b>Deferred Pension Inflow</b>	<b>\$ 654,970</b>	<b>\$ 3,618,591</b>	<b>\$ 197,966</b>	<b>\$ 1,084,543</b>	<b>\$ 852,936</b>	<b>\$ 4,703,134</b>
<b>Deferred Gain on Ref.</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 307,082</b>	<b>\$ 279,817</b>	<b>\$ 307,082</b>	<b>\$ 279,817</b>
<b>Net Position :</b>						
Invested in Cap. Assets	\$ 12,731,016	\$ 14,255,552	\$ 23,498,439	\$ 26,070,833	\$ 36,229,455	\$ 40,326,385
Restricted	\$ 3,521,959	\$ 2,288,396	\$ 811,991	\$ 1,060,308	\$ 4,333,950	\$ 3,348,704
Unrestricted	\$ (870,254)	\$ (93,401)	\$ 2,791,930	\$ 3,893,705	\$ 1,921,676	\$ 3,800,304
<b>Total Net Position</b>	<b>\$ 15,382,721</b>	<b>\$ 16,450,547</b>	<b>\$ 27,102,360</b>	<b>\$ 31,024,846</b>	<b>\$ 42,485,081</b>	<b>\$ 47,475,393</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 31,017,415</b>	<b>\$ 31,478,509</b>	<b>\$ 70,489,025</b>	<b>\$ 72,427,519</b>	<b>\$ 101,506,440</b>	<b>\$ 103,906,028</b>

The following chart represents graphically how the City's Total Net Position has changed over time.



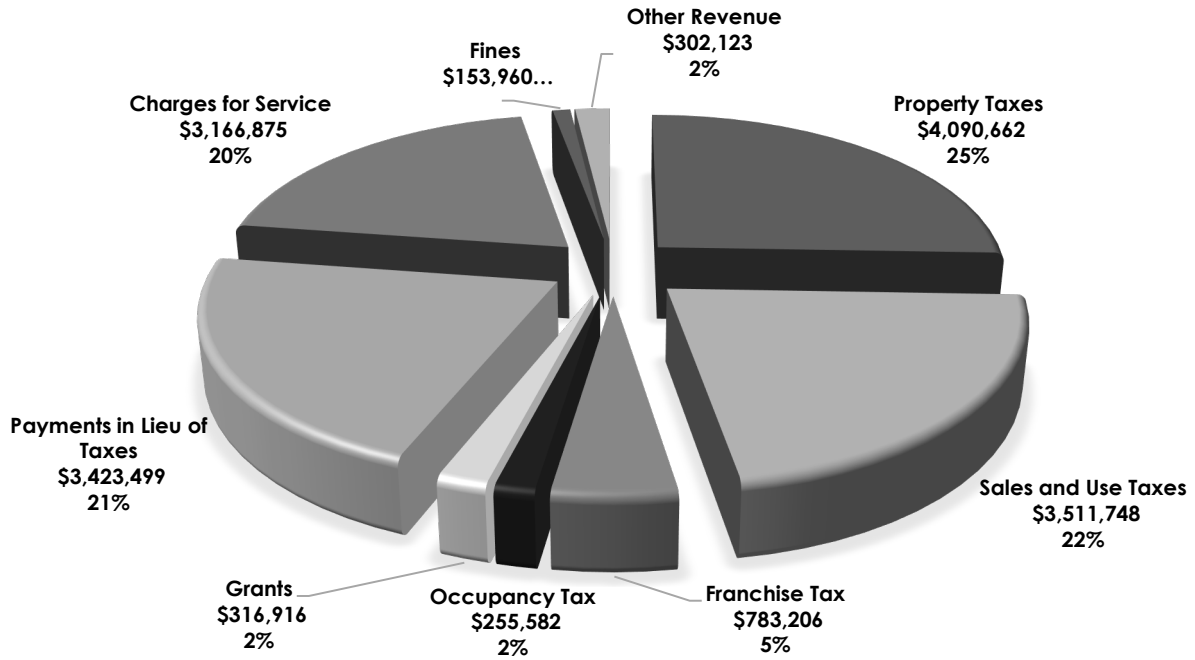
**Detailed Changes in the City of Borger's Net Position**  
 (in thousands)

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Totals Fiscal Year		Percent 2020
	2019	2020	2019	2020	2019	2020	
<b>Revenues</b>							
Program Revenues:							
Charges for Service	\$ 3,171	\$ 3,403	\$ 11,500	\$ 12,933	\$ 14,671	\$ 16,336	55.67%
Operating Grants	\$ 270	\$ 662			\$ 270	\$ 662	2.26%
Capital Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
General Revenues:							0.00%
Property Taxes	\$ 3,980	\$ 4,098			\$ 3,980	\$ 4,098	13.96%
Sales Taxes	\$ 3,277	\$ 3,512			\$ 3,277	\$ 3,512	11.97%
Other Taxes	\$ 1,202	\$ 1,070			\$ 1,202	\$ 1,070	3.65%
Payments in Lieu of Taxes	\$ 3,192	\$ 3,424			\$ 3,192	\$ 3,424	11.67%
Unfunded Pension	\$ -	\$ -			\$ -	\$ -	0.00%
Investment Earnings	\$ 183	\$ 75	\$ 126	\$ 133	\$ 309	\$ 208	0.71%
Other Revenue	\$ 59	\$ 35			\$ 59	\$ 35	0.12%
Disposal of Assets	\$ -	\$ -			\$ -	\$ -	0.00%
<b>Total Revenues</b>	<b>\$ 15,334</b>	<b>\$ 16,279</b>	<b>\$ 11,626</b>	<b>\$ 13,066</b>	<b>\$ 26,960</b>	<b>\$ 29,345</b>	<b>8.33%</b>
<b>Expenses</b>							
General Government	\$ 1,819	\$ 1,657			\$ 1,819	\$ 1,657	6.80%
Public Safety	\$ 7,759	\$ 7,477			\$ 7,759	\$ 7,477	30.70%
Public Works	\$ 2,816	\$ 3,479			\$ 2,816	\$ 3,479	14.29%
Culture and Recreation	\$ 1,374	\$ 1,283			\$ 1,374	\$ 1,283	5.27%
Economic Development & Tourism	\$ 187	\$ 138			\$ 187	\$ 138	0.57%
Interest Expense	\$ 202	\$ 180			\$ 202	\$ 180	0.74%
Unallocated Depreciation	\$ 1,469	\$ 1,446			\$ 1,469	\$ 1,446	5.94%
Water and Sewer			\$ 8,945	\$ 8,694	\$ 8,945	\$ 8,694	35.70%
<b>Total Expenses</b>	<b>\$ 15,626</b>	<b>\$ 15,660</b>	<b>\$ 8,945</b>	<b>\$ 8,694</b>	<b>\$ 24,571</b>	<b>\$ 24,354</b>	<b>12.50%</b>
Excess/Deficiency	\$ (292)	\$ 619	\$ 2,681	\$ 4,372	\$ 2,389	\$ 4,991	
Transfers	\$ 1,978	\$ 449	\$ (1,978)	\$ (449)	\$ -	\$ -	
Change in Net Position	\$ 1,686	\$ 1,068	\$ 703	\$ 3,923	\$ 2,389	\$ 4,991	
Net Position Beginning	\$ 14,072	\$ 15,383	\$ 26,399	\$ 27,102	\$ 40,471	\$ 42,485	
Change in Accounting Principle	\$ (375)	\$ -	\$ -	\$ -	\$ (375)	\$ -	
Net Position Beginning, as Restated	\$ 13,697	\$ 15,383	\$ 26,399	\$ 27,102	\$ 40,096	\$ 42,485	
<b>Net Position Ending</b>	<b>\$ 15,383</b>	<b>\$ 16,451</b>	<b>\$ 27,102</b>	<b>\$ 31,025</b>	<b>\$ 42,485</b>	<b>\$ 47,476</b>	

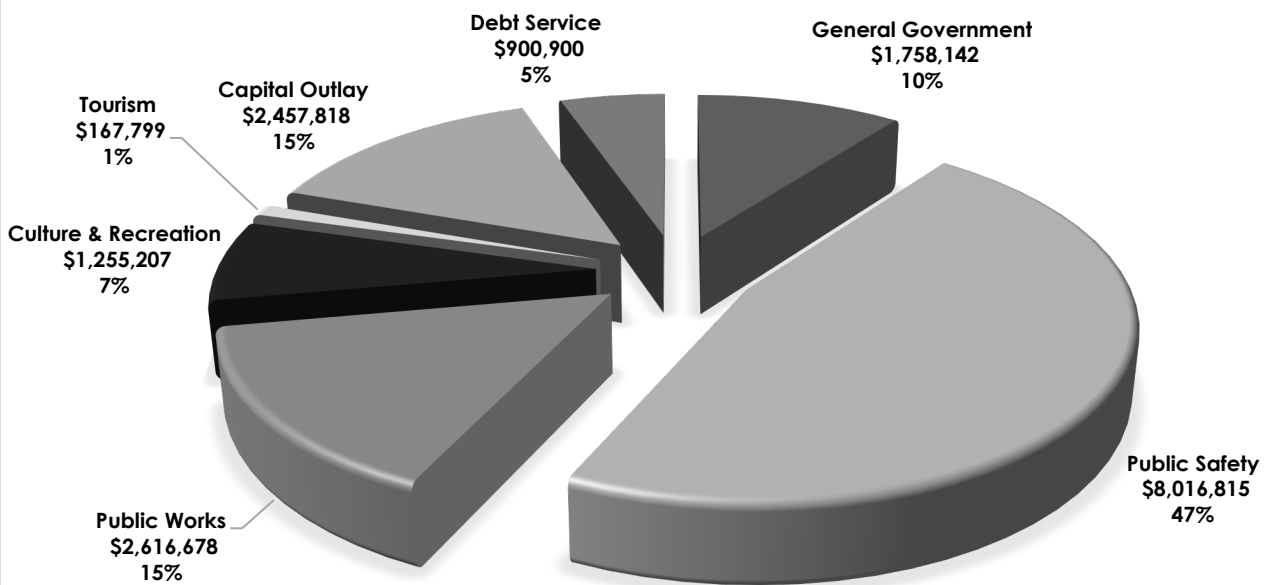
## GOVERNMENTAL ACTIVITIES

Governmental activities include all funds except business-type activities, fiduciary funds, and the component unit of the BEDC. Examples include, but are not limited to, the General Fund (Administration, Animal Control, Fire, Code Enforcement, Legal, Parks/Recreation, Planning & Development, Police, Public Works, Refuse Collection, Municipal Court, Emergency Management and various other departments), Tourism Fund, Special Projects Funds, Grant Funds, Debt Service Funds, Capital Improvement and Capital Equipment Funds and various other funds. The following charts graphically represent the City's revenues and expenses for FY 2020, as well as a historical view of public safety expenditures for the last several years.

**FY 2020 REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES**

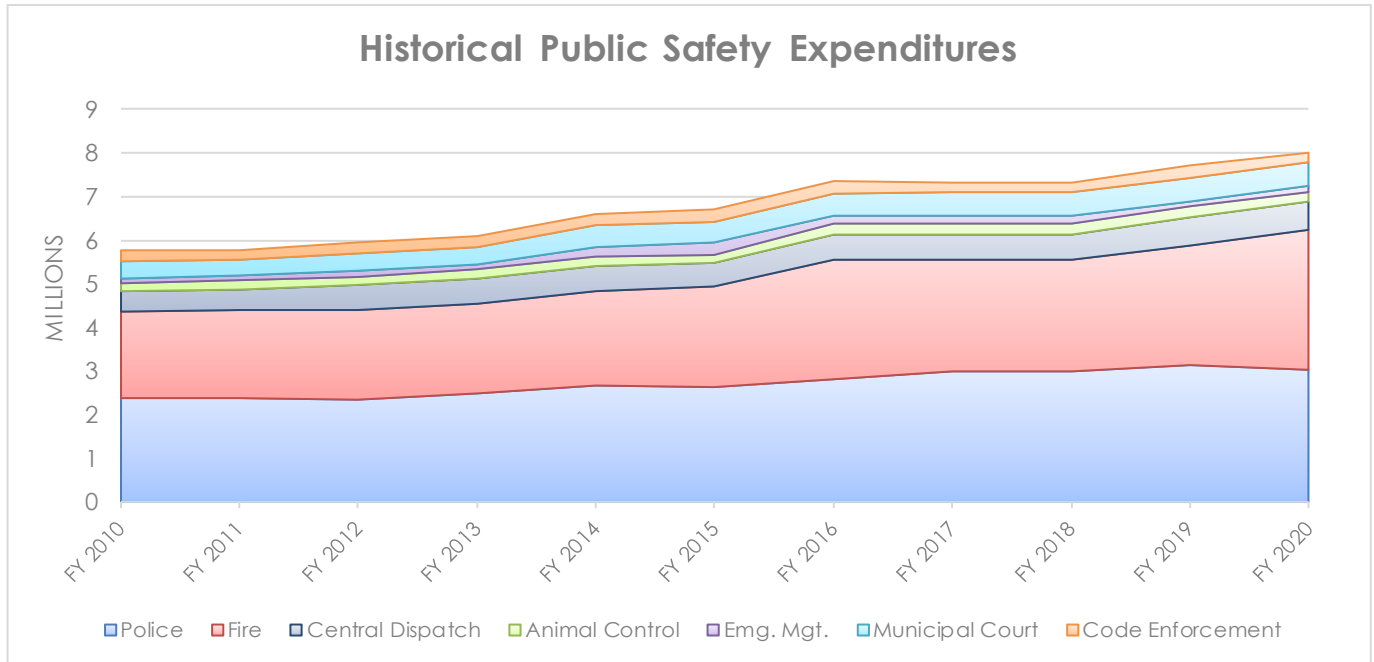


**FY 2020 EXPENDITURES - GOVERNMENTAL ACTIVITIES**



The cost of all governmental activities in FY 2020 was \$17.2 million<sup>6</sup> compared to \$16.4 million for FY 2019. \$136,807 of that increase resulted from federal CARES Act Funding. As shown in the Statement of Revenues, Expenditures, and Changes in Fund Balance, the amount that our taxpayers ultimately funded for governmental activities through property taxes was only about \$4 million<sup>7</sup>. Those who directly benefited from programs or services, sales tax, industrial district contracts, and other sources of revenue funded the balance of \$13.2 million.

Public safety, including Animal Control, Code Enforcement, Central Dispatch, Police, Fire, Hazard Mitigation, Fire Prevention, Emergency Management, and Municipal Court Departments, comprises about one-half of all expenditures for governmental activities. The following chart represents a historical view of the cost to provide those essential governmental services for the last ten (10) years.



## Business-type Activities

The FY 2020 Budget also included business-type activities (often referred to as Enterprise Funds) from the operation of our water and sewer systems. During FY 2020, the operating income from the City's business-type activities was \$5,983,749<sup>8</sup>. This amount was before any transfers out to other funds for future capital projects or other non-operating expenses. Industrial water sales continue to drive increases in operating income. However, the increased use and production will continue to put stress on future capital expenditures.

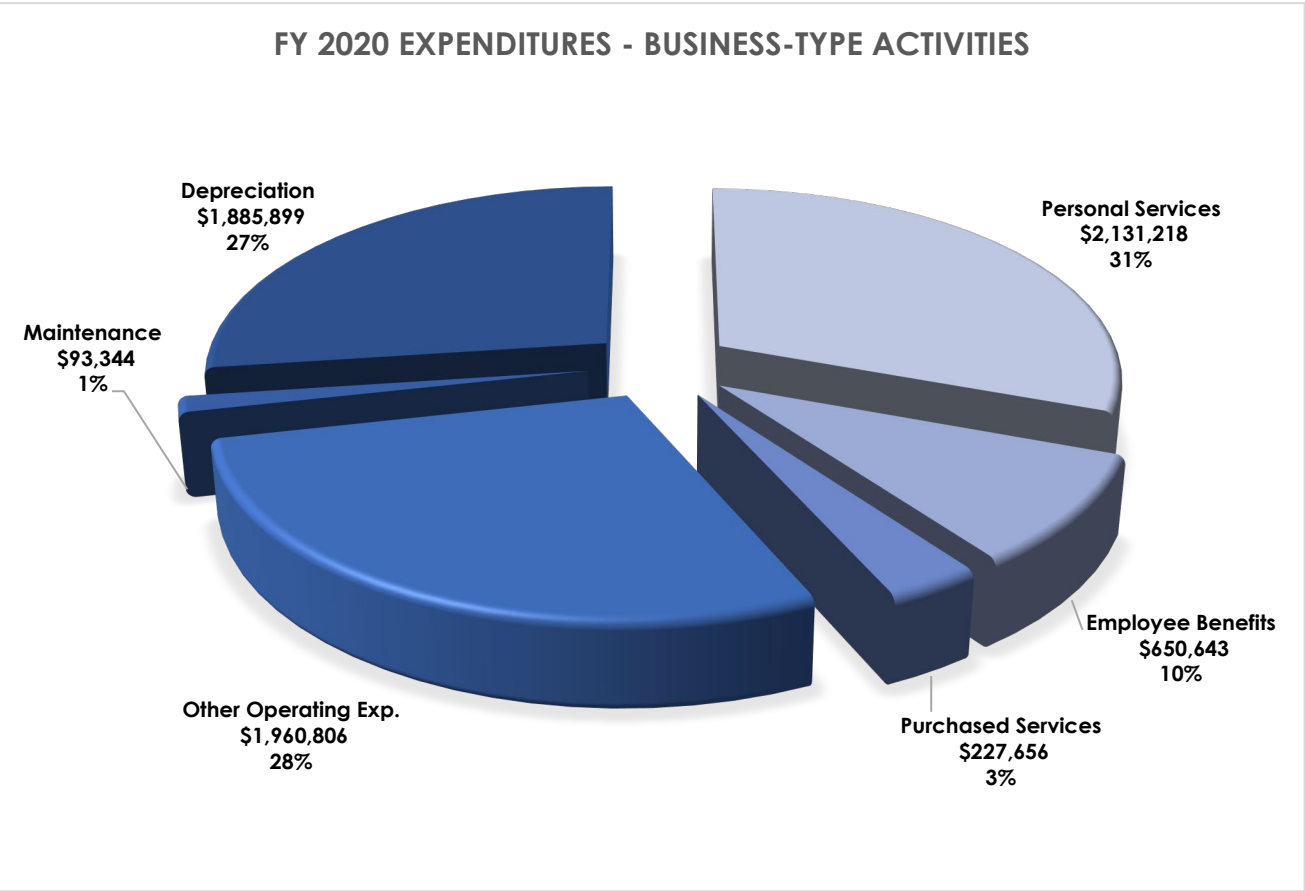
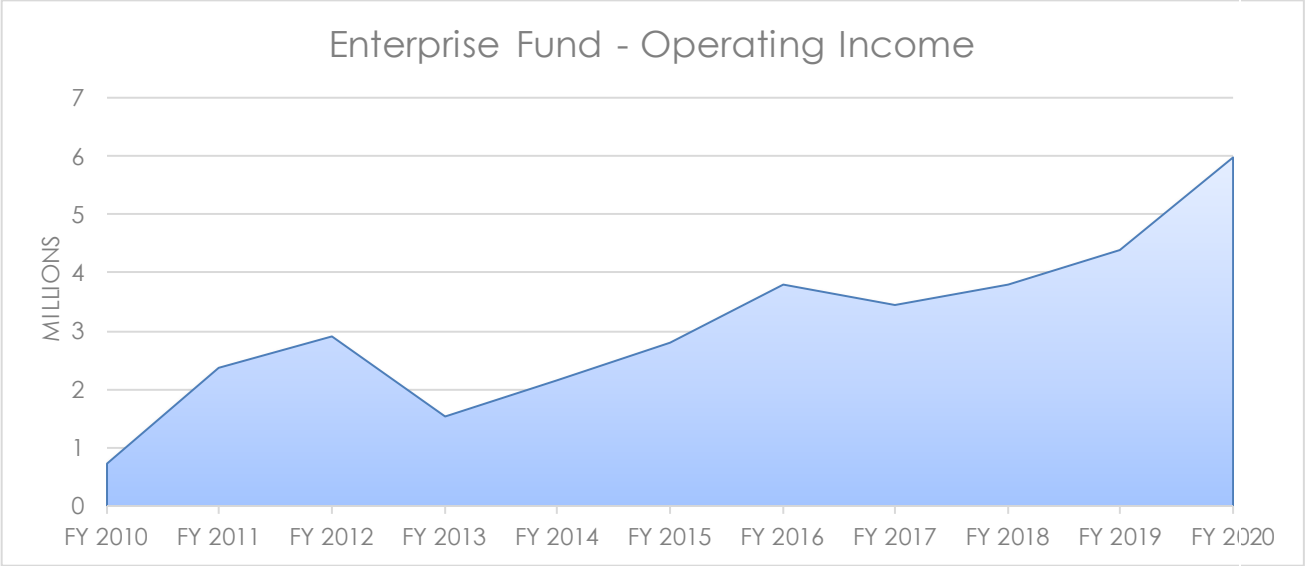
For over fifty years, the Canadian River Municipal Water Authority (CRMWA) has worked to serve its member cities and citizens of the Texas Panhandle and South Plains by providing a dependable and safe municipal and industrial water source. The City is an original member of CRMWA. Since its beginning, CRMWA has incurred debt to secure, develop, and deliver water to the eleven-member cities. Currently, the City is obligated to CRMWA for bonded indebtedness of approximately \$6.4 million<sup>9</sup>. The City funds this obligation monthly as an expense of the Enterprise Fund. There are several bonds in varying stages of maturity, of which the last will be retired in February of 2031.

<sup>6</sup> Statement of Revenues, Expenditures, and Changes in Fund Balance

<sup>7</sup> Statement of Revenues, Expenditures, and Changes in Fund Balance

<sup>8</sup> Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

<sup>9</sup> Notes to Financial Statements: Note F – Long Term Debt



The acquisition of additional long-term water supplies will continue to be one of our goals. We will continue to facilitate this goal through a continued partnership with CRMWA to expand the John C. Williams Well Field and develop and expand our own water resources through the Northwest Well Field (NWWF), other city-owned water rights, and partnerships with our industrial customers.

Industrial water use has continued to increase. Phillips 66 continues to use more municipal water. Recent discussions with Phillips 66 have reprioritized the need to expand and develop additional intermediate and long-term water supplies. In addition, pending SO<sup>2</sup> requirements for the carbon black plants will increase their water demands. Supporting industrial water supplies remains critical for the economic health and future of our community. While there are still significantly underdeveloped areas within city-owned water rights, the City will need to partner with local industry to develop and sort intermediate and long-term water planning in the next few years. The solutions will include acquiring additional water rights and the potential for increased efficiencies, water reuse, and new technology (such as aquifer recharge techniques). These solutions will continue to drive the need for capital investment and debt management.

## CAPITAL ASSETS AND LONG-TERM DEBT MANAGEMENT

### CAPITAL ASSET COMPARISON

At the end of FY 2020, the City had \$84,616,793<sup>10</sup> invested in a broad range of capital assets, including land, infrastructure, buildings, improvements other than buildings, machinery and equipment, and various capital construction projects in progress. This amount represents a net increase (including additions and deletions) of \$1,377,601 over the previous year.

#### Capital Assets - Net of Accumulated Depreciation September 30, 2020

	Governmental Activities		Business-type Activities		Totals	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2019	2020	2019	2020	2019	2020
Land	\$ 1,206,643	\$ 1,206,643	\$ 1,496,247	\$ 1,496,247	\$ 2,702,890	\$ 2,702,890
Building/Improvements	\$ 14,423,139	\$ 14,608,054	\$ 384,113	\$ 584,423	\$ 14,807,252	\$ 15,192,477
Furniture/Equipment	\$ 14,246,203	\$ 14,709,767	\$ 2,064,311	\$ 1,971,230	\$ 16,310,514	\$ 16,680,997
Infrastructure	\$ 7,034,087	\$ 8,221,652	\$ 91,800,848	\$ 94,125,929	\$ 98,834,935	\$ 102,347,581
Const. in Progress	\$ 568,755	\$ 247,979	\$ 158,496	\$ 35,439	\$ 727,251	\$ 283,418
<b>Total</b>	<b>\$ 37,478,827</b>	<b>\$ 38,994,095</b>	<b>\$ 95,904,015</b>	<b>\$ 98,213,268</b>	<b>\$ 133,382,842</b>	<b>\$ 137,207,363</b>
less accumulated depreciation	\$ (17,814,156)	\$ (18,520,780)	\$ (32,329,494)	\$ (34,069,790)	\$ (50,143,650)	\$ (52,590,570)
<b>Capital Assets Net of Depreciation</b>	<b>\$ 19,664,671</b>	<b>\$ 20,473,315</b>	<b>\$ 63,574,521</b>	<b>\$ 64,143,478</b>	<b>\$ 83,239,192</b>	<b>\$ 84,616,793</b>

### LONG TERM DEBT MANAGEMENT

At the end of FY 2020, the City has \$6.2 million in outstanding long-term debt payable from the levy and collection of a direct and continuing ad valorem tax within the limit prescribed by law on all taxable property within the City. In FY 2020, the City did not restructure any existing debt, and no additional debt was issued. However, a \$7.465 million certificate of obligation secured by property tax and paid for with hotel occupancy tax, in addition to a \$2.040 million certificate of obligation secured by a voter-approved venue tax, was issued in FY 2021.

Under contractual agreements with the CRMWA, the City is obligated for long-term debt of \$6.4 million. The City fully funds these obligations from operational revenues generated from business-type activities every month. FY 2021 represents the first year of the Transportation User Fee collection dedicated to transportation system maintenance and improvement. Additional debt issuance is expected in FY 2022, supported, in part, by the TUF.

The City issued \$38.2 million in debt for the NWWF Project. While this debt can be funded either from the levy and collection of a direct and continuing ad valorem tax within the limit prescribed by law, on all taxable property within the City or from operational revenues generated from business-type activities; the City has and intends to continue to fully fund this debt from operational revenues generated from business-type activities.

<sup>10</sup> Notes to Financial Statements: Note E – Capital Assets



In June 2020, Standard and Poor's downgraded the City's rating from **AA-/Stable to A+/Stable**. While S&P noted the City's strong financial position, the long-term population decline/stagnation no longer supported the **AA-** rating compared to similar sized and rated cities in Texas experiencing population growth. S&P subsequently assigned the **A+/Stable** rate for \$7.465 million in debt issued in April of 2021 and affirmed the same rating for the City's existing general obligation bonds and certificates of obligation.

**City of Borger's Outstanding Debt  
 FY 2020**

Debt Description	Remaining Principal	FY 2021 Debt Service	Maturity Year
Certificates of Obligation Series 2013	\$ 2,065,000	\$ 195,700	2033
Certificates of Obligation Series 2016	\$ 2,945,000	\$ 221,000	2036
General Obligation Refunding Series 2016	\$ 940,000	\$ 482,900	2022
Governmental-type Unamortized Bond Premium Combination Tax and Limited Pledge Revenue	\$ 267,763	\$ 10,892	
Certificates of Obligation, Taxable Series 2013 Tax & Waterworks & Sewer System Surplus Revenue	\$ 3,805,000	\$ 215,000	2033
Certificates of Obligation, Taxable Series 2014	\$ 27,570,000	\$ 980,000	2039
Business-type Unamortized Bond Premium	\$ 290,009	\$ 15,473	
<b>Total General Obligation Debt</b>	<b>\$ 37,882,772</b>	<b>\$ 2,120,965</b>	
<b>Less Self-Supporting Debt (100% Utility Funded)</b>	<b>\$ 31,665,009</b>	<b>\$ 1,210,473</b>	
<b>Total Net General Obligation Debt (100% I&amp;S Funded)</b>	<b>\$ 6,217,763</b>	<b>\$ 910,492</b>	
<b>CRMWA Outstanding Debt</b>			
Conjunctive Use Groundwater Refunding Series 2017	\$ 530,138	\$ 57,802	2029
Conjunctive Use Groundwater Series 2011	\$ 2,962,645	\$ 228,689	2031
Revenue Refunding Series 2012	\$ 1,854,901	\$ 393,784	2025
Revenue Refunding Series 2014	\$ 1,059,951	\$ 146,586	2027
<b>Total CRMWA Obligated Debt</b>	<b>\$ 6,407,635</b>	<b>\$ 826,861</b>	
<b>Total City and CRMWA Long-term Debt</b>	<b>\$ 44,290,407</b>	<b>\$ 2,947,826</b>	

**Comparison of Long-term Debt  
 September 30, 2020**

	Governmental Activities		Business-type Activities		Totals	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2019	2020	2019	2020	2019	2020
General Obligation	\$ 6,933,655	\$ 6,217,763	\$ -	\$ -	\$ 6,933,655	\$ 6,217,763
Leases & other debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rev./Contract Bonds	\$ -	\$ -	\$ 32,840,452	\$ 31,665,009	\$ 32,840,452	\$ 31,665,009
CRMWA Obligations	\$ -	\$ -	\$ 7,235,629	\$ 6,407,635	\$ 7,235,629	\$ 6,407,635
Total	<u>\$ 6,933,655</u>	<u>\$ 6,217,763</u>	<u>\$ 40,076,081</u>	<u>\$ 38,072,644</u>	<u>\$ 47,009,736</u>	<u>\$ 44,290,407</u>

## STATUS OF CITY RESERVES

The City, as a whole, ended FY 2020 with audited Governmental fund balances and Water/Sewer cash fund balances totaling \$14.4 million, which compares to \$11.6 million for FY 2019. According to the City's Financial Policy, each fund should maintain a reserve equal to 25% of the subsequent year's budgeted expenditures. The General Fund maintained a reserve rate of 28.2% at the end of FY 2020, while the Water/Sewer Fund maintained a 77.4% reserve. The following schedule lists each of the City's funds separately with comparative information from the previous year.

**City of Borger's Statement of Fund Balances  
 FY 2020**

<b>Governmental Activities Group</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2020</b>	<b>Variance Favorable (Unfavorable)</b>
General Fund	\$ 3,724,523	\$ 3,908,314	\$ 183,791
City Tourism Fund	\$ 1,216,259	\$ 1,220,737	\$ 4,478
Central Supply Fund	\$ 31,361	\$ 31,361	\$ -
Park Recreation & Special Projects Fund	\$ 16,117	\$ 29,168	\$ 13,051
Police Club 100 Fund	\$ 1,136	\$ 1,436	\$ 300
Fire Training/Equipment Fund	\$ 313,112	\$ 327,391	\$ 14,279
Emergency Operations Fund	\$ 3,131	\$ 7,110	\$ 3,979
Municipal Court Security Fund	\$ 51,110	\$ 53,629	\$ 2,519
Debt Service Fund	\$ 239,710	\$ 241,736	\$ 2,026
Fire & Police Benevolent Fund	\$ 12,737	\$ 12,775	\$ 38
Municipal Court Technology Fund	\$ 4,516	\$ 4,274	\$ (242)
Tax Increment Reinvestment Zone Fund	\$ -	\$ 22,778	\$ 22,778
Hotel/Motel Occupancy Tax Fund	\$ -	\$ -	\$ -
Borger Community Designated Fund	\$ 98,016	\$ 97,535	\$ (481)
Capital Equipment Fund	\$ 218,372	\$ 793,356	\$ 574,984
Special Crime Fund	\$ 18,067	\$ 13,198	\$ (4,869)
<b>Total Government Activities Group Fund Balance</b>	<b>\$ 5,948,167</b>	<b>\$ 6,764,798</b>	<b>\$ 816,631</b>
<b>Business-type Activities Group</b>			
Water/Sewer Fund (cash fund balance)	\$ 5,278,230	\$ 7,264,850	\$ 1,986,620
Meter Deposits	\$ 344,465	\$ 343,848	\$ (618)
<b>Total Business-type Activities Group Fund Balance</b>	<b>\$ 5,622,695</b>	<b>\$ 7,608,697</b>	<b>\$ 1,986,002</b>
<b>City as a Whole Total Fund Balance</b>	<b>\$ 11,570,862</b>	<b>\$ 14,373,495</b>	<b>\$ 2,802,633</b>

\* Does not include remaining proceeds of capital project funds.

*"Cash fund balance" is the difference between the City's total cash balance less fund balances of all other funds.*

## CURRENT EVENTS, THE BUDGET, UPCOMING CHALLENGES

### CURRENT EVENTS

Using the Mission, Vision, and Strategic Pillars developed by the City Council in August of 2018, the FY 2020 Budget supported efforts to reach the vision and mission. The Pillars continue to guide staff for program and project creation to provide a unified and consistent path for all city departments. In addition, the Boomtown 2040 Comprehensive Plan was completed in FY 2020. The plan represents the first significant update to the City's long-term comprehensive plan since its original adoption in 1964. Following the comprehensive planning process, the City continued developing a Downtown Revitalization Mater Plan and a Parks, Trails, and Recreation Plan.

With the Comprehensive Plan and subordinate plans, staff will develop a 5-year Community Investment Program (CIP) to guide capital improvements as part of the FY 2022 budget process. The CIP development supports the City's moves to a more strategic and planned financial management structure.

The City's elected and appointed officials considered many factors when setting the FY 2020 Budget and tax rates. One of those factors was the economy. FY 2020 began solidly with planned industrial maintenance projects and higher sales tax carrying over from FY 2019. Since its inception, Borger's economy has been based on and intertwined with oil and the petro-chemical industry; City staff continually monitor national, state, and local economic indicators, especially those pertaining to the petro-chemical industry. However, the impact of a worldwide pandemic introduced a level of uncertainty not encountered before.

Like many other communities across the country, the COVID-19 pandemic especially hurt the hospitality industry. The impact can be seen through significantly lower Hotel Occupancy Tax collections. The City began supporting the local restaurant industry by allowing City employees to buy one meal per work day from local restaurants during state mandate closures for in-person dining. Borger, Inc. created a local COVID-19 recovery program and a marketing partner program to help support local businesses impacted by the pandemic.

The City did receive its full allotment of CARES Act funding, with a partial amount being received in FY 2020. The remainder was received in the first quarter of FY 2021. The funding reimbursed PPE purchased by the City in the early stages of the pandemic, but most of the funding reimbursed public safety salary expenses. While the hospitality business suffered, many other local businesses benefited from the lack of travel and increased local shopping, contributing to an overall increase in sales tax collections of 7% year-over-year. The increase in mail-order sales also contributed to the increase in sales tax collections. Except for Hotel Occupancy Tax, the COVID-19 pandemic seems to have been financially beneficial for the City of Borger. However, the long-term effect still is not known.

As one of the Council's Strategic Goals and a Strategic Action Priority of the Boomtown 2040 Comprehensive Plan, the City continued to develop the Dome Civic and Convention Center Project. A successful election established a 2% Venue Tax to support the project in November of 2020. The Venue Tax will support the payment on the \$2.04 million venue debt issuance. In addition, the City issued \$7.465 million in debt in April 2021 with debt payment supported by Hotel Occupancy Tax and existing debt service revenue created by the retirement of previous debt. As HOT and Venue Tax increases, the City anticipates the debt payment to be supported entirely by occupancy tax within 7 to 10 years. No increase in Ad Valorem tax will be used to fund this project.

Borger, Inc., the Borger Economic Development Corporation (BEDC), which shows up as a component unit in many of the tables contained within this Report, continues to be active and successful in recruiting and retaining businesses and companies. While the creation of primary jobs remains a top priority, expanded efforts in other areas identified as critical to Borger and the surrounding area, along with smaller commercial and retail opportunities, are actively being considered and funded. The Small Business Growth Program (SBGP), initially created in FY 2018, provides a 50% reimbursement of up to \$20,000 per business. Borger, Inc. also supported local businesses during the COVID-19 pandemic with a COVID-19 assistance program to help impacted businesses cover fixed and operational costs. Borger, Inc.'s Marketing Partner Program also provided \$2,000 to each local business that agreed to provide marketing for Borger, Inc. at their place of business and on their social media accounts. The program increased awareness of Borger Inc., expanded the exposure of local businesses, and helped generate community pride.

## BUDGET

Current and anticipated future economic factors are always conservatively considered when adopting the Budget. In addition, the City adopted a new Comprehensive Plan, "Boomtown 2040," on October 6, 2020, to guide the City's development. A Downtown Master Redevelopment Plan and Master Parks and Recreation Plan were adopted on January 5, 2021. These plans will collectively plan and prioritize City programs and funding during the budget development process. In addition to expanding goal setting and performance measurement related to comprehensive planning, the FY 2022 Budget will include long-term financial planning in the form of a Community Investment Program (CIP).

Three active grant programs continue to impact the City of Borger. A new downtown parking lot started construction in 2021 funded by a \$350,000 2020 Downtown Revitalization Grant through the Texas Department of Agriculture. The survey and analysis have begun for a Master Drainage Plan funded through a FEMA Hazard Mitigation Grant awarded to the City in 2020. Finally, a CRISI Grant award through the Federal Railroad Administration (FRA) will fund OmiTrax's railroad tie, ballast, and crossing replacement and improvement program. This upgrade program will replace the ties and ballast and improve many crossings for a 26 mile stretch of track running from Borger to the BNSF Mainline in Panhandle.

In FY 2019, the City completed a Street Assessment Survey. The survey analyzed a representative sample of City streets to help assess their condition and develop a prioritized street improvement program incorporated into the City's CIP. In FY 2021, the Council adopted a Transportation User Fee (TUF) to support the findings in the assessment. The TUF provides a dedicated source of revenue to fund increased street maintenance. It is anticipated that the TUF will support the payment of debt issued in FY 2022 for the reconstruction of 10<sup>th</sup> Street and the realignment of Main Street in the downtown area.

The City's Hazard Mitigation Program, related to wildfire mitigation and response, continues to evolve. What began as a single \$50,000 line item in the Fire Department's budget expanded to its own department with the FY 2020 budget. This change helped account for increased revenue generated by the department's contract services and mutual aid responses. The community widely accepts the program, and many potential problem areas around the City have been significantly cleaned up. The clean-up reduces the availability of excess fuel for a wildfire and significantly improves the area's aesthetics. In addition, the City continues to contract out this service to regional industries and landowners to offset the cost.

## UPCOMING CHALLENGES

Succession planning and retention of long-term and highly qualified employees will present significant challenges in the modern marketplace. Succession planning requires a significant investment in both time and financial resources. Previously over half of the City's executive staff was eligible to retire; however, several new hires and promotions have reduced that percentage to approximately 35% in recent years. In FY 2021, Borger's City Manager retired and the Fire Chief has announced his retirement for September 30, 2021; skilled and educated internal applicants will reduce the impact of these retirements but will increase the importance of staff development for future replacements.

In FY 2020, the City implemented a new Professional Development Planning (PDP) program to replace the City's evaluation system. The PDPs will help develop employees from their initial hire, not just for the position they currently hold but based on the future needs of the City and the employee. The ongoing development of employees will continue to focus on promoting internal candidates as the recruitment of external candidates continues to be difficult.

The lack of new housing continues to impact Borger's growth and sustainability. The Boomtown 2040 Comprehensive Plan found that 51% of employees working in Borger do not live in Borger. Industrial investment continues to support high average weekly wages, robust sales tax collections, and economic stability. However, population decreases and stagnation contributed to S&P reducing the City's credit rating from an AA- to A+. With continued growth Statewide, our strong financials and stable economy could no longer overcome a lack of population growth compared to similar AA- rated cities. In partnership with Borger, Inc, the City will continue to implement and fund Strategic Action Priorities (SAPs) identified in Boomtown 2040 to incentivize and support new housing development.

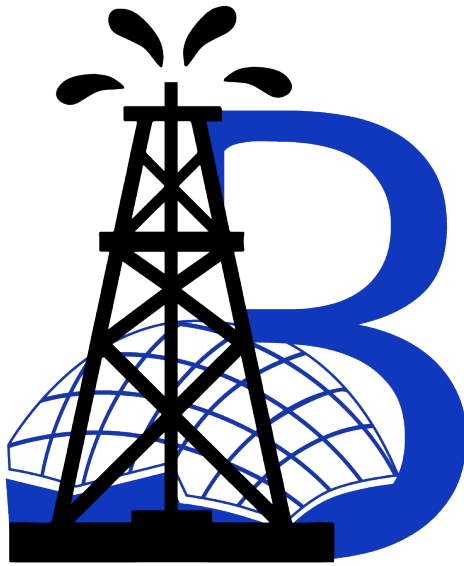
## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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This Financial Report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this Report or need additional financial information, contact the City of Borger in person at 600 N. Main St.; by mail at PO Box 5250, Borger, Texas; or by phone by calling (806) 273-0900.



*Basic Financial Statements*



**BORGER**

— **TEX★S** —

WHERE OPPORTUNITY BOOMS

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CITY OF BORGER, TEXAS  
 GOVERNMENT-WIDE STATEMENT OF NET POSITION  
 September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total 2020	
<b>ASSETS AND DEFERRED OUTFLOW</b>				
<b>CURRENT ASSETS</b>				
Pooled cash and cash equivalents	\$ 1,069,942	\$ 173,150	\$ 1,243,092	\$ 1,313,340
Investments	4,312,543	5,016,932	9,329,475	708,971
Inventories	25,799	-	25,799	-
Accounts receivables, net	272,215	1,274,197	1,546,412	-
Other receivables	502,486	26	502,512	305,244
Other current assets	769	1,308	2,077	5,607
<b>Total Current Assets</b>	<b>6,183,754</b>	<b>6,465,613</b>	<b>12,649,367</b>	<b>2,333,162</b>
<b>NONCURRENT ASSETS</b>				
Restricted assets				
Cash	190,147	22,625	212,772	-
Investments	2,050,429	1,037,683	3,088,112	-
Other receivables	51,387	-	51,387	-
Other noncurrent assets	-	-	-	1,815,959
Capital assets, net	20,473,315	64,143,478	84,616,793	224,287
<b>Total Noncurrent Assets</b>	<b>22,765,278</b>	<b>65,203,786</b>	<b>87,969,064</b>	<b>2,040,246</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pensions	2,529,477	758,120	3,287,597	-
<b>Total Deferred Outflows from Pensions</b>	<b>2,529,477</b>	<b>758,120</b>	<b>3,287,597</b>	<b>-</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 31,478,509</b>	<b>\$ 72,427,519</b>	<b>\$ 103,906,028</b>	<b>\$ 4,373,408</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 357,235	\$ 198,161	\$ 555,396	\$ 609
Sales tax payable	42,289	-	42,289	-
Accrued payroll	109,213	95,411	204,624	8,076
Payroll taxes and benefits payable	454,449	-	454,449	-
Accrued interest	30,246	237,031	267,277	-
Accrued vacation	471,459	97,446	568,905	-
Current portion of long-term debt	720,000	1,987,132	2,707,132	170,200
<b>Total Current Liabilities</b>	<b>2,184,891</b>	<b>2,615,181</b>	<b>4,800,072</b>	<b>178,885</b>
<b>NONCURRENT LIABILITIES</b>				
Utility customer deposits	4,046	351,630	355,676	-
Unearned revenue	405	-	405	-
Unfunded retirement obligation	3,289,765	985,989	4,275,754	-
Unfunded OPEB obligation	432,501	-	432,501	-
Long term debt due after one year	5,497,763	36,085,513	41,583,276	730,500
<b>Total NonCurrent Liabilities</b>	<b>9,224,480</b>	<b>37,423,132</b>	<b>46,647,612</b>	<b>730,500</b>
<b>Total Liabilities</b>	<b>11,409,371</b>	<b>40,038,313</b>	<b>51,447,684</b>	<b>909,385</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pensions	3,618,591	1,084,543	4,703,134	-
Deferred gain on refinancing	-	279,817	279,817	-
<b>Total Deferred Inflows of Resources</b>	<b>3,618,591</b>	<b>1,364,360</b>	<b>4,982,951</b>	<b>-</b>
<b>Net Position</b>				
Invested in capital assets, net of related debt	14,255,552	26,070,833	40,326,385	224,287
Restricted for debt service	241,736	-	241,736	-
Restricted for capital outlay	730,971	1,060,308	1,791,279	-
Other restricted	1,315,689	-	1,315,689	-
Unrestricted	(93,401)	3,893,705	3,800,304	3,239,736
<b>Total Net Position</b>	<b>16,450,547</b>	<b>31,024,846</b>	<b>47,475,393</b>	<b>3,464,023</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 31,478,509</b>	<b>\$ 72,427,519</b>	<b>\$ 103,906,028</b>	<b>\$ 4,373,408</b>

See accompanying notes to the financial statements.



CITY OF BORGER, TEXAS  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 Year Ended September 30, 2020

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Administration	\$ 892,279	\$ 22,741	\$ 136,807	\$ -
Information Systems	156,042	-	-	-
Fleet Services	236,892	-	-	-
Engineering	113,697	51,076	-	-
Facilities Maintenance	109,153	-	-	-
Planning and Zoning	608,769	25,053	-	-
Animal Control	236,391	6,780	-	-
Code Enforcement	240,907	119,041	-	-
Central Dispatch	611,901	272,103	-	-
Police	2,940,081	175	-	-
Fire and Fire Prevention	2,778,532	317,503	231,012	-
Emergency Management	143,471	4,844	-	-
Municipal Court	526,089	153,959	-	-
Public Works General	269,983	-	-	-
Streets	1,061,731	-	275,850	-
Sanitation	1,687,446	2,344,859	-	-
Solid Waste Transfer Station	-	-	-	-
Youth, Community and Recreation Centers	541,157	54,542	18,575	-
Parks	741,728	30,740	-	-
Economic Development and Tourism	137,951	-	-	-
Interest Expense	180,146	-	-	-
Unallocated Depreciation	1,446,082	-	-	-
<b>Total Governmental Activities</b>	<b>15,660,428</b>	<b>3,403,416</b>	<b>662,244</b>	<b>-</b>
<b>Business Type Activities</b>				
Water and Sewer	6,949,566	12,933,316	-	-
Interest Expense	1,744,570	-	-	-
	<u>8,694,136</u>	<u>12,933,316</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<b>\$ 24,354,564</b>	<b>\$ 16,336,732</b>	<b>\$ 662,244</b>	<b>\$ -</b>
<b>Component Unit:</b>				
Borger Economic Development Corporation	\$ 1,185,249	\$ -	\$ -	\$ (13,920)

**General Revenues (Expenses):**

Taxes:
Sales
Property - General
Property - Debt Service
Payments in Lieu of Property Taxes
Franchise
Occupancy
Other
Investment Earnings
Other Revenue (Expense)
Transfers, Net
Total General Revenues and Transfers
Change in Net Position

Net Position

**Net Position - End**

See accompanying notes to financial statements.



**Net (Expenses) Revenues and  
Changes in Net Position**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
\$ (732,731)	\$ -	\$ (732,731)	\$ -
(156,042)	-	(156,042)	-
(236,892)	-	(236,892)	-
(62,621)	-	(62,621)	-
(109,153)	-	(109,153)	-
(583,716)	-	(583,716)	-
(229,611)	-	(229,611)	-
(121,866)	-	(121,866)	-
(339,798)	-	(339,798)	-
(2,939,906)	-	(2,939,906)	-
(2,230,017)	-	(2,230,017)	-
(138,627)	-	(138,627)	-
(372,130)	-	(372,130)	-
(269,983)	-	(269,983)	-
(785,881)	-	(785,881)	-
657,413	-	657,413	-
-	-	-	-
(468,040)	-	(468,040)	-
(710,988)	-	(710,988)	-
(137,951)	-	(137,951)	-
(180,146)	-	(180,146)	-
(1,446,082)	-	(1,446,082)	-
(11,594,768)	-	(11,594,768)	-
-	5,983,750	5,983,750	-
-	(1,744,570)	(1,744,570)	-
-	4,239,180	4,239,180	-
(11,594,768)	4,239,180	(7,355,588)	-
-	-	-	(1,199,169)
3,511,748	-	3,511,748	1,118,488
3,175,058	-	3,175,058	-
922,747	-	922,747	-
3,423,499	-	3,423,499	-
783,206	-	783,206	-
255,582	-	255,582	-
31,702	-	31,702	-
75,194	132,621	207,815	17,832
34,543	-	34,543	180,827
449,315	(449,315)	-	-
12,662,594	(316,694)	12,345,900	1,317,147
1,067,826	3,922,486	4,990,312	117,978
15,382,721	27,102,360	42,485,081	3,346,045
<u>\$ 16,450,547</u>	<u>\$ 31,024,846</u>	<u>\$ 47,475,393</u>	<u>\$ 3,464,023</u>

CITY OF BORGER, TEXAS  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
September 30, 2020

	General Fund	Capital Project Fund	Other Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
<b>ASSETS</b>				
Pooled cash	\$ 13,942	\$ -	\$ 1,056,000	\$ 1,069,942
Investments	3,883,920	-	427,151	4,311,071
Inventories	-	-	25,799	25,799
Utility receivables, net	155,092	-	-	155,092
Other receivables	503,260	-	-	503,260
Restricted assets				
Pool cash	-	22,960	167,187	190,147
Investments	-	659,664	1,390,765	2,050,429
Other receivables	-	48,347	3,040	51,387
<b>Total Assets</b>	<u>\$ 4,556,214</u>	<u>\$ 730,971</u>	<u>\$ 3,069,942</u>	<u>\$ 8,357,127</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 338,946	\$ -	\$ 28,348	\$ 367,294
Accounts payable from restricted cash	-	-	-	-
Wages, payroll taxes and benefits payable	270,412	-	184,037	454,449
Sales tax payable	34,090	-	-	34,090
Other payables	406	-	-	406
Utility Customer Deposits	4,046	-	-	4,046
<b>Total Liabilities</b>	647,900	-	212,385	860,285
<b>FUND BALANCES</b>				
Restricted for debt service	-	-	241,736	241,736
Restricted for capital outlay	-	730,971	-	730,971
Other restricted	-	-	1,315,689	1,315,689
Assigned	-	-	898,001	898,001
Committed	-	-	30,604	30,604
Unrestricted - reported in special revenue funds	-	-	371,527	371,527
Unrestricted	3,908,314	-	-	3,908,314
<b>Total Fund Balances</b>	<u>3,908,314</u>	<u>730,971</u>	<u>2,857,557</u>	<u>7,496,842</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,556,214</u>	<u>\$ 730,971</u>	<u>\$ 3,069,942</u>	<u>\$ 8,357,127</u>

See accompanying notes to the financial statements.

CITY OF BORGER, TEXAS  
 RECONCILIATION OF THE BALANCE SHEET OF  
 GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 September 30, 2020

**Total Fund Balance - Governmental Funds** \$ 7,496,842

Amounts reported for governmental activities in the statement of net assets are different because:

Net capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 20,473,315

Utility Unbilled Accounts Receivable 117,118

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities include:

Accounts payable	
Sales Tax Payable	(8,199)
Accrued Interest	(30,246)
Accrued Salaries	(97,681)
Accrued Vacation	(471,459)
Unfunded Defined-Benefit Retirement Obligations	(3,289,765)
Unfunded OPEB obligation	(432,501)
Deferred Inflows from Pensions	(3,618,591)
Deferred Outflows from Pensions	2,529,477
Bond and Note Obligations	(6,217,763)

**Net Position of Governmental Activities** \$ 16,450,547

CITY OF BORGER, TEXAS  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year Ended September 30, 2020

	General Fund	Capital Project Fund	Other Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ 3,170,291	\$ -	\$ 920,371	\$ 4,090,662
Sales	3,511,748	-	-	3,511,748
Franchise	783,206	-	-	783,206
Occupancy	-	-	255,582	255,582
Other	39,192	-	-	39,192
Payments in Lieu of Property Taxes	3,423,499	-	-	3,423,499
Charges for Service	3,131,291	-	35,584	3,166,875
Penalties, Fines and Forfeitures	149,653	-	4,307	153,960
Licenses, Fees, and Permits	75,612	-	-	75,612
Intergovernmental Grants and Subsidies	316,916	-	-	316,916
Other Grants and Contributions	18,575	-	50,904	69,479
Investment Income	47,318	7,606	20,272	75,196
Other Income	42,644	-	-	42,644
<b>Total Revenues</b>	<u>14,709,945</u>	<u>7,606</u>	<u>1,287,020</u>	<u>16,004,571</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government:				
Administration	472,172	-	-	472,172
Information Systems	85,177	-	-	85,177
Fleet Services	235,886	-	-	235,886
Engineering	113,292	-	-	113,292
Facilities Maintenance	244,560	-	-	244,560
Planning and Zoning	607,055	-	-	607,055
Public Safety				
Animal Control	236,268	-	-	236,268
Code Enforcement	239,967	-	-	239,967
Central Dispatch	632,677	-	-	632,677
Police	3,022,884	-	5,067	3,027,951
Fire and Fire Prevention	3,180,776	-	38,569	3,219,345
Emergency Management	136,319	-	-	136,319
Municipal Court	521,958	-	2,330	524,288
Public Works				
General	268,560	-	-	268,560
Streets	662,796	-	-	662,796
Sanitation	1,679,679	-	-	1,679,679
Solid Waste Transfer Station	-	-	-	-
Recycling	5,643	-	-	5,643
Culture and Recreation				
Youth, Community and Recreation Centers	540,079	-	-	540,079
Parks	712,593	-	2,535	715,128
Economic Development and Tourism	-	-	167,799	167,799
<b>Capital Outlay</b>				
Capital Purchases	245,684	844,782	1,367,352	2,457,818
<b>Debt Service</b>				
Principal and Interest	-	-	899,600	899,600
Administrative Fees	-	-	1,300	1,300
<b>Total Expenditures</b>	<u>13,844,025</u>	<u>844,782</u>	<u>2,484,552</u>	<u>17,173,359</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	865,920	(837,176)	(1,197,532)	(1,168,788)
<b>OTHER FINANCING SOURCES (USES)</b>				
Revenue from Issued Certificates of Obligation	-	275,850	-	275,850
Transfers Out	(1,682,129)	(700,000)	-	(2,382,129)
Transfers In	1,000,000	-	1,831,444	2,831,444
<b>Total Other Financing Sources (Uses)</b>	<u>(682,129)</u>	<u>(424,150)</u>	<u>1,831,444</u>	<u>725,165</u>
<b>Net Change in Fund Balance</b>	183,791	(1,261,326)	633,912	(443,623)
<b>Fund Balance, Beginning of Year</b>	3,724,523	1,992,297	2,223,645	7,940,465
<b>Fund Balance, End of Year</b>	<u>\$ 3,908,314</u>	<u>\$ 730,971</u>	<u>\$ 2,857,557</u>	<u>\$ 7,496,842</u>

See accompanying notes to the financial statements.

CITY OF BORGER, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended September 30, 2020

**Net Changes in Fund Balance - Governmental Funds** \$ (443,623)

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

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of assets are allocated over their estimated useful lives in the form of depreciation. 2,254,726

Depreciation is recognized on the Statement of Activities by allocating the cost of the assets over their estimated useful lives but is not a Governmental Fund Expense (1,446,082)

The change in accrued utility accounts receivable is reported on the Statement of Activities but is not reflected in the Governmental funds (1,367)

Debt service is an expenditure for governmental funds consisting of both interest expense and principal for the Notes Payable. The principal portion reduces long-term debt on the Governmental Activities Statement of Net Position and is not an expense on the Statement of Activities 715,892

Certain liabilities are not due and payable in the current period and therefore the changes are not reported in the funds. Those liabilities include:

Accounts Payable	
Sales Tax Payable	(113)
Accrued Interest	4,862
Accrued Salaries	(70,592)
Accrued Vacation	(62,296)
Unfunded Defined-Benefit Retirement Obligations	2,943,803
Unfunded OPEB obligation	(70,488)
Deferred Inflows from Pensions	(2,963,621)
Deferred Outflows from Pensions	206,725

**Change in Net Position of Governmental Activities** \$ 1,067,826

CITY OF BORGER, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes:				
Property	\$ 3,061,500	\$ 3,041,500	\$ 3,170,291	\$ 128,791
Sales	3,250,000	3,300,000	3,511,748	211,748
Franchise	902,000	830,000	783,206	(46,794)
Other	28,500	32,000	39,192	7,192
Payments in Lieu of Property Taxes	3,373,038	3,423,038	3,423,499	461
Charges for Service	2,984,150	3,027,150	3,131,291	104,141
Penalties, Fines and Forfeitures	218,000	218,000	149,653	(68,347)
Licenses, Fees, and Permits	38,400	80,400	75,612	(4,788)
Intergovernmental Grants and Subsidies	210,137	180,137	316,916	136,779
Investment Income	100,000	75,000	47,318	(27,682)
Other Grants and Contributions	5,000	5,000	18,575	13,575
Other	95,500	105,500	42,644	(62,856)
<b>Total Revenues</b>	14,266,225	14,317,725	14,709,945	392,220
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government:				
Administration	517,277	506,577	472,172	34,405
Information Systems	93,709	92,760	85,177	7,583
Fleet Services	268,360	270,935	235,886	35,049
Engineering	133,865	134,120	113,292	20,828
Facilities Maintenance	335,150	333,930	244,560	89,370
Planning and Zoning	643,139	650,889	607,055	43,834
Public Safety				
Animal Control	242,484	247,160	236,268	10,892
Code Enforcement	268,038	268,588	239,967	28,621
Central Dispatch	675,835	668,785	632,677	36,108
Police	3,193,415	3,155,615	3,022,884	132,731
Fire and Fire Prevention	2,775,103	2,974,951	3,180,776	(205,825)
Emergency Management	116,592	141,732	136,319	5,413
Municipal Court	602,097	569,597	521,958	47,639
Public Works				
General	283,306	289,411	268,560	20,851
Streets	844,634	847,514	662,796	184,718
Sanitation	1,993,393	1,958,418	1,679,679	278,739
Solid Waste Transfer Station				-
Recycling	30,846	21,246	5,643	15,603
Culture and Recreation				
Youth, Community and Recreation Centers	576,133	602,243	540,079	62,164
Parks	772,469	754,694	712,593	42,101
<b>Capital Outlay</b>				
Capital Purchases	22,578	25,978	245,684	(219,706)
<b>Total Operating Expenses</b>	14,388,423	14,515,143	13,844,025	671,118
<b>Excess (Deficit) of Revenue over Expenditures</b>	(122,198)	(197,418)	865,920	1,063,338
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(875,302)	(875,302)	(1,682,129)	(806,827)
Transfers In	1,000,000	1,100,000	1,000,000	(100,000)
<b>Total Other Financing Sources (Uses)</b>	124,698	224,698	(682,129)	(906,827)
<b>Net Change in Fund Balance</b>	\$ 2,500	\$ 27,280	183,791	\$ 156,511
<b>Fund Balance, Beginning of Year</b>			3,724,523	
<b>Fund Balance, End of Year</b>			<u>\$ 3,908,314</u>	

See accompanying notes to the financial statements.

CITY OF BORGER, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Grants and Contributions	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	-	-		
Interest Income	10,000	10,000	7,606	(2,394)
<b>Total Revenues</b>	<u>10,000</u>	<u>10,000</u>	<u>7,606</u>	<u>(2,394)</u>
<b>EXPENDITURES</b>				
<b>Capital Outlay</b>				
Capital Purchases	955,000	955,000	844,782	110,218
<b>Total Operating Expenses</b>	<u>955,000</u>	<u>955,000</u>	<u>844,782</u>	<u>110,218</u>
<b>Excess (Deficit) of Revenue over Expenditures</b>	(945,000)	(945,000)	(837,176)	107,824
<b>OTHER FINANCING SOURCES (USES)</b>				
Revenue from Issued Certificates of Obligation			275,850	275,850
Transfers Out	791,500	791,500	(700,000)	(1,491,500)
Transfers In	-	-	-	-
<b>Total Other Financing Sources</b>	<u>791,500</u>	<u>791,500</u>	<u>(424,150)</u>	<u>(1,215,650)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (153,500)</u>	<u>\$ (153,500)</u>	(1,261,326)	<u>\$ (1,107,826)</u>
<b>Fund Balance, Beginning of Year</b>			<u>1,992,297</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 730,971</u>	

See accompanying notes to the financial statements.

CITY OF BORGER, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
September 30, 2020

	<b>Water and Sewer Utility Fund</b>
<b>ASSETS AND DEFERRED OUTFLOW</b>	
<b>CURRENT ASSETS</b>	
Pooled Cash and Cash Equivalents	\$ 173,150
Investments	5,016,932
Accounts Receivables, Net:	1,274,197
Other Receivables	1,334
	<hr/>
<b>Total Current Assets</b>	6,465,613
<b>NONCURRENT ASSETS</b>	
Restricted Cash	22,625
Restricted Investments	1,037,683
Capital Assets, Net	64,143,478
	<hr/>
<b>Total NonCurrent Assets</b>	65,203,786
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows from Pensions	758,120
	<hr/>
<b>Total Deferred Outflows from Pensions</b>	758,120
	<hr/>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 72,427,519</u>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 198,161
Accrued Payroll Expenses	95,411
Accrued Interest	237,031
Accrued Vacation	97,446
Current Portion of Long-Term Debt	1,987,132
	<hr/>
<b>Total Current Liabilities</b>	2,615,181
<b>NONCURRENT LIABILITIES</b>	
Utility Customer Deposits	351,630
Unfunded Retirement Obligation	985,989
Long Term Debt Due After One Year	36,085,513
	<hr/>
<b>Total Noncurrent Liabilities</b>	37,423,132
	<hr/>
<b>Total Liabilities</b>	40,038,313
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows from Pensions	1,084,543
Deferred Gain on Refinancing	279,817
	<hr/>
<b>Total Deferred Inflows of Resources</b>	1,364,360
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	26,070,833
Restricted for Capital Improvements	1,060,308
Unrestricted	3,893,705
	<hr/>
<b>Total Net Position</b>	31,024,846
	<hr/>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 72,427,519</u>

See accompanying notes to the financial statements.



CITY OF BORGER, TEXAS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUND  
 Year Ended September 30, 2020

	<b>Water and Sewer Utility Fund</b>
<b>OPERATING REVENUES</b>	
Charges for Service	\$ 4,961,075
Industrial Water Sales	7,840,453
Late Charges	38,438
Tapping and Surcharge Fees	13,155
Other and Miscellaneous	80,195
	<hr/>
Total Operating Revenues	12,933,316
<b>OPERATING EXPENSES</b>	
Salaries and Wages	2,131,218
Employee Benefits	650,643
Utilities	553,131
Departmental Operating Costs	1,169,355
Professional and Technical Services	67,923
Repairs and Maintenance	93,344
Other Purchased Services	159,733
Property and Facility	29,351
General and Administrative Supplies	158,452
Rental and Lease Agreements	14,500
Bad Debt Expense	36,017
Depreciation and Amortization	1,885,899
	<hr/>
Total Operating Expenses	6,949,566
	<hr/>
<b>Operating Income</b>	5,983,750
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment Income	132,621
Interest Expense	(1,744,570)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	(1,611,949)
	<hr/>
<b>Income Before Transfers</b>	4,371,801
<b>TRANSFERS</b>	
Transfers Out	(449,315)
	<hr/>
<b>Total Operating Transfers</b>	(449,315)
	<hr/>
<b>Change in Net Position</b>	3,922,486
Net Position - Beginning of Year	27,102,360
	<hr/>
<b>Net Position - End of Year</b>	<u>\$ 31,024,846</u>

See accompanying notes to the financial statements.

CITY OF BORGER, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended September 30, 2020

	<b>Water and Sewer Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 12,800,007
Payments to and On Behalf of Employees	(1,868,584)
Payments to Suppliers and Contractors	(3,169,695)
	<hr/>
<b>Net Cash Provided By Operating Activities</b>	7,761,728
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers, Net	(449,315)
	<hr/>
<b>Net Cash Used By Noncapital Financing Activities</b>	(449,315)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Interest Paid	(1,750,458)
Principal Payments on Debt	(2,003,437)
	<hr/>
<b>Net Cash Used By Capital Financing Activities</b>	(3,753,895)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Capital Assets	(2,454,856)
Increase in Investments	(1,480,250)
Investment Income	132,621
	<hr/>
<b>Net Cash Provided By Investing Activities</b>	(3,802,485)
<b>Net Decrease in Cash and Cash Equivalents</b>	(243,967)
<b>Cash and Cash Equivalents at Beginning of Year</b>	439,742
	<hr/>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 195,775</u>
<b>Cash Summary and Cash Equivalents</b>	
Unrestricted cash	\$ 173,150
Restricted cash	22,625
	<hr/>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 195,775</u>
<b>Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities</b>	
Operating Income	\$ 5,983,750
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>	
Depreciation and Amortization	1,885,899
<b>Changes in</b>	
Accounts Receivable	(115,842)
Other Receivables	2,633
Accounts Payable	(25,781)
Accrued Payroll Expenses	68,988
Accrued Vacation	13,774
Deferred Revenue	(27,265)
Utility Customer Deposits	7,165
Deferred Inflows/Outflows from Pensions	830,515
Unfunded Retirement Obligation	(898,125)
	<hr/>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 7,761,728</u>

See accompanying notes to the financial statements.



*Notes to the Financial Statements*

## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The City of Borger, Texas (City) is a municipal corporation governed by a Council-Manager form of government. The City, incorporated in October 1926, is located in the Panhandle part of the State, occupies a land area of approximately 9 square miles and serves a population exceeding 13,250. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by State statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the City Council.

The City Council (the Council) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board.

This reporting entity which consists of the City (the primary government), organizations for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion could cause the City's financial statements to be misleading or incomplete.

**Discretely Presented Component Unit** - The component unit columns in the government-wide financial statements include financial data from the City's Component Unit. They are reported in a separate column to emphasize that they are legally separate from the City. The Component Unit is included in the reporting entity because the primary government is financially accountable and can impose its will (significantly influence operations and/or activities) on the organization.

**The Borger Economic Development Corporation (BEDC) DBA: Borger Inc.** is a legally separate entity formed to create, manage, operate and supervise programs and activities to promote, assist, and enhance economic development within and around the City. The Council appoints the board members and its operations and budget are approved by the Council. Copies of the Borger Economic Development Corporation's separately issued financial statements may be obtained from the City Secretary or from the Borger Economic Development Corporation, 1111 Penn Avenue, Borger, Texas, 79007. GASB Statement 14 requires portions of the BEDC component unit financial information to be presented along with the City information.

**Government-Wide and Fund Financial Statements** - The government-wide financial statements (GWFS) (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. Governmental 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. All activities, both governmental and business type, are reported in the GWFS using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The GWFS focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The Statement of Activities on pages 32 and 33 demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who use the segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** - The GWFS are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements (FFS). Revenues are recorded when earned and expenses are

recorded when a liability is incurred, regardless of the timing of the 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 have been met. Property taxes and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the City receives cash.

**Governmental Funds** are those through which most of the governmental functions of the City are financed. The City reports the following major governmental funds:

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

**Capital Project Fund** - This Fund accounts for the City's capital projects and capital asset purchases for the City's governmental funds.

Additionally, the City reports the following non-major governmental funds:

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources other than special assessments or major capital outlays that are restricted to expenditures for specified purposes.

**Debt Service Fund** is used to account for the accumulated resources and related payments of principal and interest on long-term general obligation debts of the City.

**Proprietary funds** are those through which most of the costs of providing the services are funded through charges for services. The City reports the following proprietary funds.

**Water and Sewer Utility Fund** - The Water & Sewer Utility Fund is used to account for the provision of water and sewer services to the residents of the City

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water, sewer, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgetary Data** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the proprietary funds, with the exceptions of capital outlays being considered a budgeted line item and depreciation is not. Governmental funds are budgeted on a basis appropriate for the specific funds. All annual appropriations lapse at the end of the fiscal year.

The City Manager annually submits to the City Council a proposed operating budget for the upcoming fiscal year. Public hearings are conducted to obtain taxpayer comments, and the budget is legally enacted through passage by the City Council. Council action is required for the approval of a supplementary appropriation.

All budget amounts presented in the budget comparison statement reflect the final budget after legally authorized adjustments to the original budget during the year. Budgetary control is maintained by department with all budget supplements to be approved by the City Council. Management may make administrative transfers and increases or decreases in accounts within categories, as long as expenditures do not exceed budgeted appropriations at the fund level. No significant budget adjustments were made during the fiscal year.

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

**Cash Equivalents** - Cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less when purchased which present an insignificant risk of changes in value because of changes in interest rates.

**Use of Restricted Cash** - When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**Equity in Pooled Cash and Investments** - The City pools the resources of various funds in order to facilitate the management of cash and enhance investment earnings. Records are maintained which reflect each fund's equity in the pooled account.

**Property Taxes Receivable** - The value of all real and business property located in the City is assessed annually on January 1 in conformity with Subtitle E of the Texas Property Code. Property taxes are levied on October 1 on those assessed values and the taxes are due upon receipt of the tax bill. The taxes are considered delinquent if not paid by the end of January. At the City's fiscal year end, all property taxes receivable are considered delinquent and an account for an allowance for uncollectible taxes is adjusted to counter the receivable. The property taxes are recorded in the General Fund and Debt Service Fund as appropriate.

**Proprietary Fund Accounts Receivable** - Within the Water and Sewer Utility Fund, services rendered and billed but not collected as of the close of the fiscal year are accrued and this amount is reflected in the accounts receivable balance. Amounts billed are reflected as accounts receivable net of an allowance for uncollectible accounts.

**Capital Assets and Depreciation** - Capital assets, including public domain infrastructure (e.g. streets, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost exceeding \$5,000 and an estimated useful life in excess of one year. These capital assets are reported in the GWFS and in the proprietary FFS. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated fair value on the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation is based on the estimated useful lives and has been calculated by use of the straight-line method applied to cost. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the proprietary FFS. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The City uses the following schedule to determine the useful lives of capital assets:

*See accompanying notes to the financial statements.*

Infrastructure/Improvements	10-50 Years
Buildings	15-50 Years
Equipment	3-15 Years

**Inventories** - The City reports inventories of supplies at cost including consumable utility maintenance and office items. Supplies are recorded as expenditures when they are consumed, except for certain utility and other supplies.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

**Fund Balances** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Sales Tax Revenue** - The tax is collected by the vendor from consumers and is required to be submitted to the State of Texas by the 20<sup>th</sup> of the month following collection. The State then remits the allocated amount of sales tax to the City by the 10<sup>th</sup> of the month following vendor submission. These amounts are included in the gross receipts tax revenue and are recorded as revenue when the underlying exchange has taken place, regardless if the City has actually received the funds. The City collects and remits the appropriate portion designated for the Borger Economic Development Corporation.

**Accrued Vacations** - It is the City's policy to permit full-time employees to accumulate earned but unused vacation and sick pay benefits. Employees are generally allowed up to 25 days of vacation depending on the length of service and can carry over up to 40 hours from year to year and is payable to the employee upon resignation or termination. Sick leave accumulates at the rate of 12 days a year and is not payable at resignation or termination. All sick pay and vacation pay are accrued when incurred in the government-wide or proprietary fund financial statements.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows for pensions related to contributions and investment experience.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City's deferred inflows include actuarial differences in

expected and actual experience. The City also has a deferred charge on a bond refunding, which is the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred or amortized over the shorter of the life of the refunded and new debt.

### **Equity Classifications**

#### *Government-Wide Financial Statements:*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted balances, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund classifications can be used.

#### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted or unrestricted. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

**Risk Management** - 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. For many years, the City has been self-insured through the Texas Municipal League Intergovernmental Risk Pool to mitigate the effects of any losses. There were no significant reductions in coverage from coverage in the prior year. Any settlement amounts have not exceeded coverage for the current year or the past three fiscal years.

**Commitments and Contingencies** - The City participates in some State and/or Federally assisted programs. In connection with grants under these programs, the City is required to comply with specific terms and agreements, as well as applicable Federal and State laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management, the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

**Subsequent Events** – The financial statements and related disclosures include evaluation of events up through and including May 21, 2021, which is the date the financial statements are available to be issued.

### **NOTE B - CASH DEPOSITS AND INVESTMENTS**

#### **Cash Deposits**

The City's investment policies are governed by State statutes and City ordinances. The Public Funds Investment Act (PFIA), Chapter 2256 requires the City to adopt, implement and publicize an investment policy which covers specific provisions in PFIA regarding investment practices, management reporting and policy establishment. The investment policy in effect is available for public inspection at the City Hall. The PFIA establishes authorized investment vehicles for the City. The City is in substantial compliance with the

*See accompanying notes to the financial statements.*



PFIA at the end of the 2020 fiscal year.

**Interest Rate Risk** - The City and BEDC minimizes interest rate risk by limiting investments to having a maturity date of one year or less.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City manages its custodial credit risk by depositing its funds with institutions participating in the Federal Deposit Insurance Corporation (FDIC) insurance programs and is able to collateralize the deposits in accordance to State statutes or depositing into investment pools overseen by the Texas State Comptroller of Public Accounts, such as TexPool.

In accordance with FDIC, public unit deposits are funds owned by the City. Time deposits, savings deposits, and other interest-bearing accounts of a public unit in an institution will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least the amount on deposit with the institution. The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of Texas.

As of September 30, 2020, the City's funds on deposit were adequately covered by either FDIC insurance or collateralized securities held by the financial institutions pledged to cover the City's deposits. The City had no bank deposits subject to custodial credit risk during the 2020 fiscal year.

**Borger Economic Development Corporation** - The BEDC maintains its funds in a separate financial institution and TexPool accounts. Although the organization is a component unit of the City, its FDIC and collateralization of its deposits are covered separately because the Corporation is a separate non-profit entity. BEDC also does not participate in the City's internal pooling of cash and investments as disclosed below.

At September 30, 2020, the City and BEDC had insured bank balances as follows:

	<b>City of Borger Amarillo National Bank</b>	<b>Borger Economic Development Corporation</b>
Carrying Amounts		
Demand Accounts	\$ 1,617,283	\$ 372,616
Time Deposits	-	1,226,027
Net Reconciling Items	(161,914)	(27,712)
Total Public Funds on Deposit	<u>1,455,369</u>	<u>1,570,931</u>
Less FDIC Coverage	(250,000)	(450,000)
Amount to be Collateralized	<u>1,205,369</u>	<u>1,120,931</u>
Collateralized by Institution	(3,436,293)	(2,276,922)
Under (Over) Collateralized	<u>\$ (2,230,924)</u>	<u>\$ (1,155,991)</u>

The City utilizes a pooled cash method of disbursements, whereby one bank account is used by both types of activities to pay expenditures, and the bank account is reimbursed by each fund for the proportionate amount spent by each fund. Below are the amounts allocated to the specific activity:

See accompanying notes to the financial statements.

Total carrying value of the cash and cash equivalents by activities as of September 30, 2020:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>City of Borger Total</b>	<b>Borger Economic Development Corporation</b>
Pooled Cash	\$ 1,283,476	\$ 194,975	\$ 1,478,451	\$ -
Bank Deposits	-	-	-	-
Total Demand Accounts	<u>1,283,476</u>	<u>194,975</u>	<u>1,478,451</u>	<u>-</u>
Cash on Hand	465	800	1,265	300
Total Cash and Cash Equivalents	<u>\$ 1,283,941</u>	<u>\$ 195,775</u>	<u>\$ 1,479,716</u>	<u>\$ 300</u>

#### Statement of Net Asset Reconciliation

Restricted Cash	\$ 190,147	\$ 22,625
Unrestricted Cash	1,093,794	173,150
Total Cash	<u>\$ 1,283,941</u>	<u>\$ 195,775</u>

#### Investments

The City and BEDC maintain accounts with TexPool which a public funds investment pool is established under the authority of the Interlocal Cooperation Act (the Act) foundation and subject to the provisions of the Act. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires the pools to: 1) Have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) Maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by Standard and Poor's or other nationally recognized rating services; and 3) Maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The Weighted Average Maturity (WAM) of TexPool is 27 days. Participation in the pools is allowed under the guidelines of the Act, is voluntary, and may be terminated and the funds withdrawn at the discretion of the City Council and/or the BEDC board of directors.

The City utilizes a pooled cash method for its investments, whereby one investment custodian is used by both types of activities and each fund is credited for the proportionate amount of investment income received by the investments. Below are the amounts allocated to the specific activity:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>City of Borger Total</b>	<b>Borger Economic Development Corporation</b>
Certificates of Deposit	\$ -	\$ -	\$ -	\$ 950,000
Amarillo Area Foundation	97,535	-	97,535	-
TexPool Investments	6,362,972	6,054,615	12,417,587	-
Total Investments	<u>\$ 6,460,507</u>	<u>\$ 6,054,615</u>	<u>\$ 12,515,122</u>	<u>\$ 950,000</u>

**Other Investments** - The City is a participant in the Amarillo Area Foundation (AAF), which is an area foundation serving the Texas Panhandle by providing grants and other services funded by donations and investment earnings. Agencies invest funds with AAF, and related earnings are distributed yearly. The City has invested \$97,535 with AAF as of September 30, 2020 and is considered restricted for financial statement purposes.

#### **Disclosures about Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

See accompanying notes to the financial statements.

**Level 1** - Quoted prices in active markets for identical assets or liabilities.

**Level 2** - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** - Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at September 30, 2020.

Assets held by Amarillo Area Foundation: Valued at fair value as reported by the trustee, which represents the City's pro rata interest in the assets of the foundation.

**Investment measured at fair value - Level 3**

Amarillo Area Foundation	\$ 97,535
Total investments measured at fair value	<u>97,535</u>

**Investments measured at amortized cost**

TexPool	12,417,587
Investments measured at amortized cost	<u>12,417,587</u>

<b>Total Investments</b>	<b><u>\$ 12,515,122</u></b>
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**Assets Measured at fair value on a nonrecurring basis**

There were no fair values of assets and liabilities measured on a nonrecurring basis at September 30, 2019.

Changes in level 3 investments for the year ended September 30, 2020:

Balance at October 1, 2019	\$ 98,016
Investment income	-
Distributions	-
Management Fees	(481)
Balance at September 30, 2020	<u>\$ 97,535</u>

The City's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances. There were no transfers between levels during the year ended September 30, 2019.

**NOTE C - RECEIVABLES**

**Accounts Receivable - Net** - Accounts receivable shown in the governmental activities and business-type activities at year-end represents net balances due from customers of solid waste and utility services provided by the City. The City uses the reserve method to account for the allowance for bad debts and has reserved the following amounts of accounts receivable as of September 30, 2020:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Refuse Collection Receivable	\$ 294,148	\$ -	\$ 294,148
Utilities Receivable	-	1,253,563	1,253,563
Allowance for Uncollectibles	(13,063)	(59,192)	(72,255)
	<u>\$ 281,085</u>	<u>\$ 1,194,371</u>	<u>\$ 1,475,456</u>

**Property Taxes Receivable** - Taxes receivable for the General and Other Governmental Funds as of September 30, 2020 are considered delinquent property taxes. State statutes prohibit governments to write off delinquent property taxes without prior legislative authorization. Property taxes of \$678,610 are outstanding and have been fully offset by an allowance.

**Other Receivables** - Accounts receivable shown in the governmental activities as other receivables at year-end represents various receivables to the City in addition to providing services to its residents.

**NOTE D - INTERFUND TRANSFERS AND BALANCES**

Inter-fund transfers are made for various purposes throughout the year.

The amounts due to/from funds are reported in the respective funds in the Fund Financial Statements but are eliminated in the Government-wide Statement of Net Assets because all the funds are considered Governmental Activities.

Because the City pools its TexPool investments into one fund, the Fund Financial Statements reports the investments designated and allocated to the other funds as Due to Other Funds and Due from Other Funds, respectively. For reporting in the Government-wide Statement of Net Position, these Due to and Due from Other Funds are eliminated, and the investments reported in aggregate according to the type of fund. A more detailed disclosure of investments may be found in Note B above.

Transfers made by the City during the fiscal year ended September 30, 2020 are listed below:

<b>Transfer To</b>	<b>Transfer From</b>	<b>Amount</b>	<b>Purpose</b>
General Fund	Water and Sewer Fund	\$ 1,100,000	Reimbursement of expenses
Nonmajor Funds	General Fund	771,096	Capital expenditures
Water & Sewer Fund	Nonmajor Funds	700,000	Capital expenditures
Capital Equipment Fund	Water and Sewer Fund	49,315	Capital expenditures
City Tourism Fund	Hotel/Motel Fund	129,806	Designated funds transfer
	<b>Total Transfers</b>	<u><b>\$ 2,750,217</b></u>	

## NOTE E - CAPITAL ASSETS

Capital asset activity for the City for the fiscal year ended September 30, 2020 is detailed below:

	Balance 9/30/2019	Additions	Deletions and Disposals	Ending Balance 9/30/2020
<b>Governmental Activities:</b>				
Assets not Depreciated:				
Land	\$ 1,206,643	\$ -	\$ -	\$ 1,206,643
Depreciable Assets:				
Buildings and Improvements	14,423,140	268,161	(83,247)	14,608,054
Furniture and Equipment	14,246,203	1,208,536	(744,972)	14,709,767
Infrastructure	7,034,087	1,194,557	(6,992)	8,221,652
Construction in Progress	568,755	143,416	(464,192)	247,979
Total Depreciable Assets	<u>36,272,185</u>	<u>2,814,670</u>	<u>(1,299,403)</u>	<u>37,787,452</u>
Accumulated Depreciation:				
Buildings, Furniture, and Equipment	(13,829,188)	(1,285,487)	733,951	(14,380,724)
Infrastructure	(3,984,968)	(155,088)		(4,140,056)
Total Accumulated Depreciation	<u>(17,814,156)</u>	<u>(1,440,575)</u>	<u>733,951</u>	<u>(18,520,780)</u>
Net Depreciable Assets	<u>18,458,029</u>	<u>1,374,095</u>	<u>(565,452)</u>	<u>19,266,672</u>
<b>Net Governmental Activities</b>				
<b>Capital Assets</b>	<u>\$ 19,664,672</u>	<u>\$ 1,374,095</u>	<u>\$ (565,452)</u>	<u>20,473,315</u>

The City reported \$1,440,575 of depreciation in general fixed assets in use by governmental funds on the Government-Wide Statement of Activities. The City did not allocate the depreciation to the various governmental functions, instead presenting the amount separately from the departmental functions on the statement.

	Balance 9/30/2019	Additions	Deletions and Disposals	Ending Balance 9/30/2020
<b>Business-type Activities:</b>				
Assets not Depreciated:				
Land	\$ 1,496,247	\$ -	\$ -	\$ 1,496,247
Depreciable Assets:				
Buildings and Improvements	384,113	200,310	-	\$ 584,423
Furniture and Equipment	2,064,311	29,705	(122,786)	\$ 1,971,230
Infrastructure	91,800,848	2,223,645	101,436	\$ 94,125,929
Construction in Progress	158,496	10,992	(134,049)	\$ 35,439
Total Depreciable Assets	<u>94,407,768</u>	<u>2,464,652</u>	<u>(155,399)</u>	<u>96,717,021</u>
Accumulated Depreciation:				
Buildings, Furniture, and Equipment	(1,661,031)	(362,711)	-	\$ (2,023,742)
Infrastructure	(30,668,463)	(1,523,188)	145,603	\$ (32,046,048)
Total Accumulated Depreciation	<u>(32,329,494)</u>	<u>(1,885,899)</u>	<u>145,603</u>	<u>(34,069,790)</u>
Net Depreciable Assets	<u>62,078,274</u>	<u>578,753</u>	<u>(9,796)</u>	<u>62,647,231</u>
<b>Net Business-type Activities</b>				
<b>Capital Assets</b>	<u>\$ 63,574,521</u>	<u>\$ 578,753</u>	<u>\$ (9,796)</u>	<u>\$ 64,143,478</u>

See accompanying notes to the financial statements.

Capital asset activity for Borger Economic Development Corporation is disclosed below:

	Balance 9/30/2019	Additions	Deletions and Disposals	Ending Balance 9/30/2020
<b>Component Unit:</b>				
Assets not Depreciated:				
Land	\$ 28,370	\$ 10,000	\$ (28,370)	\$ 10,000
Construction in Progress	-	166,480	-	166,480
	<u>28,370</u>	<u>176,480</u>	<u>(28,370)</u>	<u>176,480</u>
Depreciable Assets:				
Buildings and Improvements	312,501	364	(312,865)	-
Furniture and Equipment	49,309	1,598	-	50,907
Total Depreciable Assets	<u>361,810</u>	<u>1,962</u>	<u>(312,865)</u>	<u>50,907</u>
Accumulated Depreciation:				
Buildings and Improvements	(130,654)	(6,375)	137,029	-
Furniture and Equipment	(35,238)	(7,385)	-	(42,623)
Total Accumulated Depreciation	<u>(165,892)</u>	<u>(13,760)</u>	<u>137,029</u>	<u>(42,623)</u>
Net Depreciable Assets	<u>195,918</u>	<u>(11,798)</u>	<u>(175,836)</u>	<u>8,284</u>
<b>Net Component Unit Capital Assets</b>	<u>\$ 224,288</u>	<u>\$ 164,682</u>	<u>\$ (204,206)</u>	<u>\$ 184,764</u>

#### NOTE F - LONG-TERM DEBT

In recent years, the City has shifted the debt service of both Governmental Activities and Business-type Activities to the Interest and Sinking Fund. This fund collects and remits debt service payments from the General Fund, other Non-major governmental funds and the Water and Sewer Fund and remits the debt service payments to the proper lenders or agencies. The following detail the outstanding bonds, notes and capital lease obligations for the City as of September 30, 2020:

##### Governmental Activities:

**2013 Certificates of Obligation** - The City issued Certificates of Obligation in 2013 to fund public works projects for street improvements, parks and recreation improvements, improving and equipping various facilities, drainage improvements and constructing and improving municipal parking facilities. The Certificates of Obligations were issued in February 2013, with the first principal payment made February 1, 2014. Principal payments ranging from \$110,000 to \$190,000 are due annually with interest paid on a semi-annual basis. The debt service is being funded by funds from ad valorem tax revenue out of the Interest and Sinking Fund.

**2016 Certificates of Obligation** - The City issued Certificates of Obligation in 2016 to fund public works projects for street improvements, parks and recreation improvements, improving and equipping various facilities, drainage improvements and constructing and improving public safety facilities. The Certificates of Obligations were issued in June 2016, with the first principal payment scheduled on August 1, 2017. Principal payments ranging from \$110,000 to \$355,000 are due annually with interest paid on a semi-annual basis. The debt service is being funded by funds from ad valorem tax revenue out of the Interest and Sinking Fund.

**General Obligation Refunding Bonds, Series 2016** - In the fiscal year ended September 30, 2016 the City issued General Obligation Refunding Bonds, Series 2016 for the advance refunding of the remaining portion of the Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2006. Principal payments ranging from \$482,900 to \$513,250 are due annually through 2022 with interest paid on a semi-annual basis.

See accompanying notes to the financial statements.

The debt service activity for the government-type activities of the City for the fiscal year ended September 30, 2020 is disclosed below:

	Balance 9/30/2019	Additions	Payments	Balance 9/30/2020
2013 Certificates of Obligation	\$ 2,195,000	\$ -	\$ (130,000)	\$ 2,065,000
2016 Certificates of Obligation	3,065,000	-	(120,000)	\$ 2,945,000
2016 General Obligation Refunding	1,395,000	-	(455,000)	\$ 940,000
Balance of unamortized premium	278,655	-	(10,892)	\$ 267,763
	<u>\$ 6,933,655</u>	<u>\$ -</u>	<u>\$ (715,892)</u>	<u>\$ 6,217,763</u>

The following schedule details the interest rate and current portion of the liabilities of the governmental activities as of September 30, 2020:

	Interest Rate	Original Amount	Maturity	Principal Due Within One Year
2013 Certificates of Obligation	2% to 3.25%	\$ 2,910,000	Feb, 2023	\$ 130,000
2016 Certificates of Obligation	2% to 4.00%	3,645,000	Aug, 2036	125,000
2016 General Obligation Refunding	2.00%	2,730,000	Aug, 2022	465,000
				<u>\$ 720,000</u>

The following schedule details the future maturities of the liabilities of the governmental activities as of September 30, 2020:

Year Ended September 30,	Principal	Interest	Total Debt Service
2021	720,000	179,850	899,850
2022	735,000	164,738	899,738
2023	310,000	149,300	459,300
2024	320,000	141,794	461,794
2025	330,000	133,500	463,500
2026-2030	1,695,000	518,213	2,213,213
2031-2035	1,605,000	203,581	1,808,581
2036-2040	235,000	9,400	244,400
	<u>\$ 5,950,000</u>	<u>\$ 1,500,376</u>	<u>\$ 7,450,376</u>

#### Business-type Activities:

**Canadian River Municipal Water Authority Bond Obligations** - The City is a member of the Canadian River Municipal Water Authority (CRMWA), which is a governmental entity created by the Texas legislature with the purpose of providing a municipal and industrial water source for the eleven (11) member cities of the Authority. Being a member, the City is obligated to proportionately share in the financing of the construction and maintenance of the dam and aqueduct, as well as the purchase of additional water rights and the development of the Roberts County well fields.

The CRMWA related liabilities disclosed below are the obligations of the City as prorated and passed through by CRMWA. The bonds are payable and secured by an irrevocable first lien and pledge of the City's water and sewer revenues in accordance with the City's agreements with CRMWA.

The following disclosures are not intended to represent the full amount of notes and bond liabilities of CRMWA. CRMWA issues a publicly available comprehensive annual financial reports that include financial statements and required supplementary information for the Authority; the reports also provide detailed

See accompanying notes to the financial statements.



explanations of the contributions, liabilities and other information and assumptions concerning the member cities and the Authority. These financial reports may be obtained by writing to CRMWA, PO Box 9, Sanford, TX 79078 or at <http://www.crmwa.com>.

The descriptions of CRMWA's bond obligations are detailed below, as well as the City's proportionate share and debt service activity. Respective principal payments are made annually in February and interest payments are made semiannually in February and August of the fiscal year. Funding for these obligations comes from the operations of the Water and Sewer Fund.

**USBR Series 1999 Refunding Series 2010** - In the fiscal year ended September 30, 2000, the Authority issued the 1999 Series Contract Revenue Refunding bonds for refinancing the U.S. Bureau of Reclamation's Prepayment Project. The bond proceeds were used to retire the Bureau of Reclamation debt for the construction of Sanford Dam, Lake Meredith and the original aqueduct system. In the fiscal year ended September 30, 2010, the Authority issued Contract Revenue Refunding Bonds, Series 2010 for refunding of the Series 1999 Bureau of Reclamation Prepayment Project.

As a result of the 1999 series USBR refinancing, the City realized a profit of \$2,164,133 from the debt restructuring and recorded the amount as deferred inflows of resources. During the fiscal year ending September 30, 2019, the City recognized approximately \$139,410 of the gain as a reduction of interest expense with a remaining amount of \$307,082 to be amortized over the life of the original 1999 series prior to the refunding.

**Contract Revenue Refunding Bonds Series 2010** - In the fiscal year ended September 30, 2000, the Authority issued Contract Revenue Bonds, Series 1999 for financing the construction of the Conjunctive Use Groundwater Supply Project and for the advance refunding of the Contract Revenue Bonds, Series 1996. In the year ended September 30, 2010 the Authority issued Contract Revenue Refunding Bonds, Series 2010 for the advance refunding of the remaining portion of the Series 1999 bonds that the Series 2005 refunding did not cover.

**Conjunctive Use Groundwater Series 2011** - In the fiscal year ended September 30, 2012, the Authority issued Contract Revenue Bonds, Series 2011 to finance the continuation and expansion of the Conjunctive Use Groundwater Supply Project

**Contract Revenue Refunding Bonds Series 2014** - In the fiscal year ended September 30, 2015 the Authority issued Contract Revenue Refunding Bonds, Series 2014 for the advance refunding of the remaining portion of the Series 2005 bonds and most of the Series 2006.

**Revenue Refunding Bonds Series 2012** - In the fiscal year ended September 30, 2013 the Authority issued Revenue Refunding Bonds, Series 2012 to refinance the Conjunctive Use Groundwater Series 2005 debt.

**Contract Revenue Refunding Bonds Series 2017** - In the fiscal year ended September 30, 2018 the Authority issued Contract Revenue Refunding Bonds, Series 2017 for the advance refunding a portion of the Series 2009 bonds.

**Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2013** - The City issued \$5,245,000 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Taxable Series 2013 to fund the construction of public works, to wit: constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities including the acquisition of land and rights-of-way.

**Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2014** - The City issued \$32,955,000 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Taxable Series 2014 to fund the construction of public works, to wit: constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities including the acquisition of land and rights-of-way.



Total interest expense for 2020 was \$1,744,570.

The debt service activity for the Business-type Activities of the City for the fiscal year ended September 30, 2020 is disclosed below:

	Balance 9/30/2019	Additions	Payments	Balance 9/30/2020
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2013	\$ 4,015,000	\$ -	\$ (210,000)	\$ 3,805,000
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2014	28,520,000	-	(950,000)	\$ 27,570,000
<b>CRMWA Related Debt:</b>				
Contract Revenue Refunding Conjunctive Use Groundwater Series 2010	55,125	-	(55,125)	\$ -
Conjunctive Use Groundwater Series 2011	3,181,865	-	(219,219)	\$ 2,962,646
Contract Revenue Refunding Conjunctive Use Groundwater Series 2017	586,043	-	(55,905)	\$ 530,138
Refunding Revenue Bonds Series 2012	2,133,340	-	(278,439)	\$ 1,854,901
Refunding Revenue Bonds Series 2014	1,279,256	-	(219,305)	\$ 1,059,951
	39,770,629	-	(1,987,993)	37,782,636
Balance of unamortized premium	305,452	-	(15,443)	290,009
	<u>\$ 40,076,081</u>	<u>\$ -</u>	<u>\$ (2,003,436)</u>	<u>\$ 38,072,645</u>

The following schedule details the interest rate and current portion of the liabilities of the Business-type Activities as of September 30, 2020:

	Interest Rate	Original Amount	Maturity	Due Within One Year
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation	5.5% to 6%	\$ 5,245,000	Aug, 2033	\$ 215,000
Surplus Revenue Certificates of Obligation Series 2014	2.0% to 4.723%	32,955,000	Aug, 2039	980,000
<b>CRMWA Related Debt:</b>				
57802	5.55%	2,781,080	Feb, 2029	57,802
Refunding Revenue Bonds Series 2012	3.0% to 3.6%	2,515,661	Feb, 2025	393,784
Refunding Revenue Bonds Series 2014	2.0% to 5.0%	\$ 2,801,041	Feb, 2027	146,586
2011	5.00%	4,581,076	Feb, 2031	228,689
				<u>\$ 2,021,861</u>

See accompanying notes to the financial statements.

The following schedule details the future maturities of the liabilities of the business-type activities as of September 30, 2020:

<b>Year Ended September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2021	2,021,861	1,738,464	3,760,325
2022	2,112,408	1,651,112	3,763,520
2023	2,205,525	1,558,955	3,764,480
2024	2,296,916	1,461,584	3,758,500
2025	2,079,833	1,357,231	3,437,064
2026-2030	10,021,223	5,438,263	15,459,486
2031-2035	9,214,870	3,132,819	12,347,689
2036-2040	7,830,000	945,781	8,775,781
	<u>\$ 37,782,636</u>	<u>\$ 17,284,209</u>	<u>55,066,845</u>

**NOTE G - COMMITMENTS**

**Construction Commitments**

The City has the following construction commitments as of September 30, 2020. Contractual arrangements with construction contractors evidence these projects.

	<b>Original Contract</b>	<b>Construction in progress</b>	<b>Contract Balance</b>
<b>Government Activities</b>			
Active Contracts			
Construction of storm sewer lines	\$ 660,527	\$ 32,525	\$ -
Comprehensive Plan	701,990	23,990	405,583
Cofield Pavilion	160,000	-	-
Dome Project Design/Engineering	669,889	460,579	575,724
Weatherly Street Parking Lot	541,900	49,250	492,650
Fire Truck	729,736	-	729,736
Engineering fees for future projects	-	125,383	-
	<u>\$ 3,464,042</u>	<u>\$ 691,727</u>	<u>\$ 2,203,693</u>
<b>Business-type Activities</b>			
Active Contracts			
Replacement of various sewer lines and construction of a lift station	\$ 1,554,526	\$ -	\$ -
Construction of 12" water line by-pass	\$ 313,373	\$ -	\$ -
3rd Street Sewer Replacement	\$ 162,100	\$ 162,100	\$ -
Engineering fees for future projects	-	10,992	-
Subsequent Contracts			
400 Blk Main St. Utilities	247,975	-	247,975
	<u>\$ 2,277,974</u>	<u>\$ 173,092</u>	<u>\$ 247,975</u>

See accompanying notes to the financial statements.

### **Operating Lease Commitments**

The City leases equipment under operating leases expiring on various dates. The total operating lease rental expense for 2020 fiscal year was \$81,436.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2020 that have initial or remaining terms in excess of one year:

<b>Year Ended September 30,</b>	<b>Amount</b>
2021	63,723
2022	63,800
2023	59,476
2024	11,651
	<u>\$ 198,650</u>

### **Subsequent Commitments**

In September of 2020, the Council awarded a bid to Motorola Solutions for \$3,652,623 to upgrade and replace the Public Safety Radio System. \$917,483 was pre-funded by Hutchinson County for their participation in the project. The remainder will be financed through Motorola beginning in FY 2022.

In December of 2020, Parkhill was selected by the City Council to provide engineering services related to a FEMA Hazard Mitigation Grant to develop a Master Drainage Plan. The project is valued at \$299,765, with \$172,323.75 funded through the grant.

In February of 2021, the Council awarded a bid to Plains Builders in the amount of \$9,298,794 for the Dome Civic and Convention Center Project. The project will be funded in FY 2021 through two debt issuances supported by ad valorem tax, hotel occupancy tax, and voter-approved venue hotel occupancy tax.

In May of 2021, the Council approved purchasing a new Computer-Aided Dispatch and Records Management System from Motorola Solutions for \$544,456.68.

### **NOTE H - TRANSFER STATION COMPLIANCE STATEMENT**

The City meets the Local Government Financial Test and Government Guarantee as specified in the Texas Administrative Code (TAC), Chapter 37. The City is the owner of Transfer Station, MSW #40015, for which financial assurance for closure and post-closure care is achieved through the financial tests specified in Paragraph 37.271 of the TAC.

### **NOTE I - PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS**

#### **Pension Trust Fund:**

#### ***Plan Description***

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

*See accompanying notes to the financial statements.*

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

**Benefits Provided**

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

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

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

	Plan Year 2019	Plan Year 2018	Plan Year 2017
Employee Deposit Rate	7%	7%	7%
Matching Ratio (City to Employee)	2 to 1	2 to 1	2 to 1
Years Required for Vesting	10	10	10
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/10, 0/20	60/10, 0/20	60/10, 0/20

**Employees covered by benefit terms**

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

	2019	2018
Inactive employees or beneficiaries currently receiving benefits	87	86
Inactive employees entitled to but not yet receiving benefits	74	68
Active employees	166	170
	<u>327</u>	<u>324</u>

**Contributions**

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Borger, Texas were 14.77% and 14.06% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$1,293,163, and exceeded the required contributions.

**Net Pension Liability**

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

**Actuarial assumptions:**

See accompanying notes to the financial statements.

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

Inflation	2.50%
Salary increases	3.5% to 10.5%
Long-term assumed investment rate of return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

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 Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	5.60%
Private Equity	5.00%	7.75%
Total	100.00%	

#### Discount Rate

See accompanying notes to the financial statements.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
<b>Balances at 09/30/2019</b>	\$ 46,793,553	\$ 38,675,871	\$ 8,117,682
<b>Changes of the year:</b>			
Service cost	1,453,537	-	\$ 1,453,537
Interest	3,140,785	-	\$ 3,140,785
Difference between expected and actual experience	(552,402)	-	\$ (552,402)
Changes in assumptions	(3,875)	-	\$ (3,875)
Benefit payments, including refunds of member contributions	(1,980,347)	(1,980,347)	\$ -
Contributions - employer	-	1,308,902	\$ (1,308,902)
Contributions - employee	-	628,848	\$ (628,848)
Net investment income	-	5,977,024	\$ (5,977,024)
Administrative expense	-	(33,785)	\$ 33,785
Other	-	(1,016)	\$ 1,016
<b>Net Changes</b>	<u>2,057,698</u>	<u>5,899,626</u>	<u>\$ (3,841,928)</u>
<b>Balances at 09/30/2020</b>	<u>\$ 48,851,251</u>	<u>\$ 44,575,497</u>	<u>\$ 4,275,754</u>

#### Sensitivity of the net pension liability to changes in the discount rate.

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

	1% Decrease 5.75%	Current Discount Rate of 6.75%	1% increase 7.75%
City of Borger's net pension liability	\$ 11,120,276	\$ 4,275,754	\$ (1,339,071)

#### Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the City recognized pension expense of \$1,092,412.

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

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Contributions subsequent to 12/31/2017	\$ 933,374	\$ -
Difference in projected and actual earnings	2,329,527	(3,693,224)
Differences between actual and expected assumptions	-	(3,111)
Differences between actual and expected recognition	24,696	(1,006,799)
<b>Total</b>	<b>\$ 3,287,597</b>	<b>\$ (4,703,134)</b>

\$933,374 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2020	\$ (666,229)
2021	(686,935)
2022	(175,336)
2023	(812,727)
2024	(7,684)
	<u>\$ (2,348,911)</u>

#### **Supplemental Death Benefits Fund:**

**Plan Description** - Texas Municipal Retirement System ("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. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

**Benefits** - The City elected to provide group-term life insurance coverage for both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculation based on the employee's actual earnings for a 12-month period preceding the month of death). Retired employees are insured for \$7,500.

The following table provides a summary of the number of participants in the plan as of December 31, 2019:

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	7
Active employees	166
	<u>223</u>

**Contributions** - The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's expense was \$32,997.

**Total OPEB Liability** - The actuarial valuation was performed as of December 31, 2019.



**Actuarial Assumptions** - The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% to 10.5%
Discount rate*	3.71%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under 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 will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\*The discount rate was based on the Fidelity Index's "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 December 31, 2014 to December 31, 2018.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
<b>Balances at 12/31/2017</b>	\$ 362,013
Changes of the year:	
Service Cost	13,475
Interest	13,597
Difference between expected and actual experience	(18,926)
Changes of assumptions	66,834
Benefit payments, including refunds of member contributions	(4,492)
Other	-
<b>Net Changes</b>	<u>70,488</u>
<b>Balances at 09/30/2019</b>	<u>\$ 432,501</u>

**Sensitivity of the Total OPEB liability to changes in the discount rate**

The following represents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
City of Borger's net pension liability	\$ 523,608	\$ 432,501	\$ 362,479

See accompanying notes to the financial statements.



## NOTE J - DISCRETELY PRESENTED COMPONENT UNIT

Component unit information for the City's major component unit, Borger Economic Development Corporation, is provided in the following condensed financial statements for the fiscal year ended September 30, 2020:

### CONDENSED STATEMENT OF NET ASSETS

<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash and Cash Equivalents	\$ 621,155	Accrued Payables and Expenses	\$ 47,067
Investments	1,704,967	Grants Payable - Current	149,500
Sales Tax Receivables	188,980	Total Current Liabilities	<u>196,567</u>
Notes and Loans Receivable	89,194		
Other Receivables	2,591	<b>Other Liabilities</b>	
Prepays	<u>19,334</u>	Grants Payable - Long Term	<u>576,500</u>
Total Current Assets	<u>2,626,221</u>	<b>Total Liabilities</b>	<u>773,067</u>
<b>Non-Current Assets</b>		<b>Net Position</b>	
Loans Receivable - Noncurrent	217,726	Invested in Capital Assets	184,764
Land for development and sale	1,336,596	Unrestricted	<u>3,407,476</u>
Capital Assets, Net	<u>184,764</u>	Total Net Position	<u>3,592,240</u>
Total NonCurrent Assets	\$ <u>1,739,086</u>	<b>Total Net Position and Liabilities</b>	\$ <u>4,365,307</u>
<b>Total Assets</b>	\$ <u>4,365,307</u>		

### CONDENSED STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET ASSETS

<b>Revenues</b>	
Sales Taxes	\$ 1,164,168
Economic Loan Interest	23,180
Other Income	<u>48,405</u>
Total Revenue	1,235,753
<b>Expenses</b>	
Salaries and Employee Benefits	195,993
Projects, Grants, and Other Expenses	<u>911,543</u>
Total Expenses	<u>1,107,536</u>
Change in Net Assets	128,217
Net Position at Beginning of Period	<u>3,464,023</u>
Net Position at End of Period	\$ <u>3,592,240</u>

BEDC has finalized an award agreement in the amount of \$1,000,000 to Agrium U.S., Inc. The award is to be funded over a ten-year period and will only be advanced after the urea plant expansion is complete. The incentive agreement is to assist Agrium in their efforts to promote economic development in the City of Borger. As of September 30, 2020, \$300,000 has been distributed on this agreement and there is a remaining commitment of \$700,000.

## **NOTE K – NEW PRONOUNCEMENTS**

In January 2017, GASB issued Statement No. 84 ("GASB 84"), Fiduciary Activities. GASB 84 establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. GASB 84 is effective for the fiscal period ending September 30, 2021; however, implementation will have no impact on the City.

In June 2017, GASB issued Statement No. 87 ("GASB 87"), Leases. GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for the fiscal period ending September 30, 2022. The City has not determined the impact of this statement.

In June 2018, GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements ("GASB 88"). GASB 88 specifies disclosures that should be made in the financial statements related to debt. It also provides a definition of debt so that governments know which types of liabilities should be included in those disclosures. If a government has direct borrowings or direct placements, disclosures related to these should be provided separately from disclosures related to other types of debt. Effective date was for reporting periods beginning after June 15, 2019. This statement had no impact on the City.

In December 2019, GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period ("GASB 89"). GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 is effective for the fiscal period ending September 30, 2022.

## **NOTE L – SUBSEQUENT EVENTS**

On November 19, 2020, the Canadian River Municipal Water Authority Board of Directors called and redeemed \$51,805,000 of the Series 2011 Conjunctive Use Ground Water Revenue Bonds.

On April 1, 2021, the City Council issued \$7,465,000 in Series 2021 Certificates of obligation supporting the Dome Civic and Convention Center Project. The CO's are secured by ad valorem tax and hotel occupancy tax. The first payment will be due on February 1, 2022.

On April 14, 2021, the Canadian River Municipal Water Authority Board of Directors started refunding \$18,825,000 of the Series 2012 Conjunctive Use Ground Water Revenue Bonds contingent upon receiving a minimum 5% cost savings. The anticipate refunding date is late September or early October 2021.

On July 1, 2021, the City Council issued \$2,040,000 in Series 2021 Venue Project Revenue Bonds supporting the Dome Venue. The bonds are secured and paid through the 2% Venue Tax passed by voters in November 2020. The first payment will be due on February 1, 2022.



## ***Required Supplemental Information***

CITY OF BORGER, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
September 30, 2020

	2015	2016	2017	2018	2019	2020
<b>Total pension liability</b>						
Service Cost	\$ 1,059,002	\$ 1,268,056	\$ 1,347,044	\$ 1,376,836	\$ 1,434,761	\$ 1,453,537
Interest (on the total pension liability)	2,620,377	2,728,261	2,721,549	2,874,583	3,026,542	3,140,785
Difference between expected and actual experience	(413,535)	(824,925)	116,168	(89,908)	(855,463)	(552,402)
Change in assumptions		(10,102)	-	-	-	(3,875)
Benefit payments, including refunds of employee contributions	(1,796,615)	(1,861,749)	(1,851,623)	(2,013,357)	(1,865,119)	(1,980,347)
Net Change in Total Pension Liability	1,469,229	1,299,541	2,333,138	2,148,154	1,740,721	2,057,698
Total Pension Liability - Beginning	37,802,770	39,271,999	40,571,540	42,904,678	45,052,832	46,793,553
Total Pension Liability - Ending (a)	<u>\$ 39,271,999</u>	<u>\$ 40,571,540</u>	<u>\$ 42,904,678</u>	<u>\$ 45,052,832</u>	<u>\$ 46,793,553</u>	<u>\$ 48,851,251</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 1,241,852	\$ 1,296,579	\$ 1,233,634	\$ 1,258,054	\$ 1,302,011	\$ 1,308,902
Contributions - Employee	502,774	570,462	571,127	589,111	615,400	628,848
Net Investment Income	1,788,488	48,665	2,229,513	4,872,787	(1,193,270)	5,977,024
Benefit payments, including refunds of employee contributions	(1,796,615)	(1,861,749)	(1,851,623)	(2,013,357)	(1,865,119)	(1,980,347)
Administrative Expense	(18,674)	(29,643)	(25,191)	(25,255)	(23,065)	(33,785)
Other	(1,535)	(1,464)	(1,357)	(1,280)	(1,205)	(1,016)
Net Change in Plan Fiduciary Net Position	1,716,290	22,850	2,156,103	4,680,059	(1,165,248)	5,899,626
Plan Fiduciary Net Position - Beginning	31,265,817	32,982,107	33,004,957	35,161,060	39,841,119	38,675,871
Plan Fiduciary Net Position - Ending (b)	<u>\$ 32,982,107</u>	<u>\$ 33,004,957</u>	<u>\$ 35,161,060</u>	<u>\$ 39,841,119</u>	<u>\$ 38,675,871</u>	<u>\$ 44,575,497</u>
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 6,289,892</u>	<u>\$ 7,566,583</u>	<u>\$ 7,743,618</u>	<u>\$ 5,211,713</u>	<u>\$ 8,117,682</u>	<u>\$ 4,275,754</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.98%	81.35%	81.95%	88.43%	82.65%	91.25%
Covered Payroll	\$ 7,182,483	\$ 8,149,461	\$ 8,158,955	\$ 8,415,871	\$ 8,791,430	\$ 8,983,540
City's Net Pension Liability as a Percentage of Covered Payroll	87.57%	92.85%	94.91%	61.93%	92.34%	47.60%

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31) of the net pension liability and will ultimately contain information for ten years.

CITY OF BORGER, TEXAS  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 September 30, 2020

	2019	2020
<b>Total pension liability</b>		
Service Cost	\$ 14,066	\$ 13,475
Interest (on the total pension liability)	12,540	13,597
Difference between expected and actual experience	(7,526)	(18,926)
Change in assumptions	(26,259)	66,834
Benefit payments, including refunds of employee contributions	(5,275)	(4,492)
Net Change in Total Pension Liability	<u>(12,454)</u>	<u>70,488</u>
Total Pension Liability - Beginning	374,467	362,013
Total Pension Liability - Ending (a)	<u>\$ 362,013</u>	<u>\$ 432,501</u>
Covered Employee Payroll	8,415,871	8,983,540
City's Net OPEB Liability as a Percentae of Covered Employee Payroll	4.30%	4.81%

NOTE: The City implemented GASB Statement No. 75 in FY 2018. Information in this table has been determined as of the measurement date (December 31) of the net pension liability and will ultimately contain information for ten years.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75

CITY OF BORGER, TEXAS  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 September 30, 2019

Last 8 Years (10 years will ultimately be displayed)

	2013	2014	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 1,194,139	\$ 1,213,535	\$ 1,216,913	\$ 1,228,767	\$ 1,299,672	\$ 1,258,054	\$ 1,302,011	\$ 1,308,902
Employer Contributions	1,194,139	1,213,535	1,216,913	1,228,767	1,299,672	1,258,054	1,302,011	1,308,902
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,784,881	\$ 7,096,696	\$ 7,200,669	\$ 8,121,395	\$ 8,652,943	\$ 8,415,871	\$ 8,791,430	\$ 8,983,540
Contributions as a percentage of covered payroll	17.60%	17.10%	16.90%	15.13%	15.02%	14.95%	14.81%	14.57%

**Notes to Schedule of Contributions:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year smoothed market, 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% 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 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Contributed Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the previous year.



## *Additional Information*

## SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

**Tourism Fund** – Accounts for the operations and expenses of attracting visitors and other events to the City.

**Park and Recreation Project Fund** - Accounts for the improvements and maintenance of the municipal parks and special projects.

**Police/100 Fund** - Accounts for the donations supporting various police department projects.

**Fire Equipment Fund** – Accounts for the expenditures, grants, appropriations and other revenues designated for the purchase of equipment for the fire department.

**Emergency Operations Fund** – Accounts for the expenditures, grants, appropriations and other revenues designated for the operations of the Emergency Management department.

**Municipal Court Security Fund** - Accounts for state-mandated fees designated to maintain and upgrade the court's security system.

**Tax Increment Reinvestment Zone Fund** - Accounts for ad valorem tax increment revenue received from Hutchinson County, Borger Independent School District, and the City for the use and benefit within Tax Increment Reinvestment Zone #1, Central Corridor.

**Fire Benevolent Fund** - Accounts for the donations designated for supporting families of fireman injured or killed in the line of duty.

**Police Benevolent Fund** - Accounts for the donations designated for supporting families of officers injured or killed in the line of duty.

**Municipal Court Technology Fund** - Accounts for state-mandated fees designated for the court's technology upgrades and improvements.

**Hotel/Motel Tax Fund** - Accounts for the special assessment tax on motel room rentals used for the promotion of the City.

**Multi-Purpose Events Center Fund** - Accounts for the expenditures, grant, appropriations and other revenues for the operations, maintenance or improvements of future planned Multi-Purpose Events Center Facility

**Borger Community Designated Fund** – Accounts for the expenditures, grants, appropriations and other revenues for specific community maintenance or improvements as designated by the donors.

**Special Crime Fund** - Accounts for the expenditures, grants, appropriations and other revenues seized or forfeited and designated for specific crime prevention or detection program of the police department.



## OTHER GOVERNMENTAL FUNDS

**Central Supply Fund** – Accounts for the purchase of office, maintenance and other supplies and the distribution to the various departments of the City.

**Group Hospitalization Fund** - Accounts for the premiums paid and expenses for the employees' insurance coverage.

**Interest and Sinking Fund** - Accounts for the designated tax funds and the associated principal and interest expenditures related to the City's current bond issuances.

CITY OF BORGER, TEXAS  
 COMBINING BALANCE SHEETS  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2020

<b>ASSETS</b>	<b>Tourism Fund</b>	<b>Central Supply Fund</b>	<b>Park and Recreation Project Fund</b>
<b>ASSETS</b>			
Pooled Cash	\$ -	\$ 7,850	\$ 26,664
Restricted Pooled Cash	80,737	-	-
Investments			
Restricted	1,140,550	-	-
Unrestricted	-	-	-
Inventories	-	25,799	-
Other Receivables	124	-	2,504
Due from Other Funds	-	-	-
<b>Total Assets</b>	<u>\$ 1,221,411</u>	<u>\$ 33,649</u>	<u>\$ 29,168</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 675	\$ 2,288	\$ -
Payroll taxes and benefits payable			
Due to Other Funds	-	-	-
<b>Total Liabilities</b>	<u>675</u>	<u>2,288</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for Debt Service	-	-	-
Other Restricted	1,220,736	-	-
Assigned	-	-	-
Committed	-	-	29,168
Unrestricted	-	31,361	-
<b>Total Fund Balances (Deficit)</b>	<u>1,220,736</u>	<u>31,361</u>	<u>29,168</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,221,411</u>	<u>\$ 33,649</u>	<u>\$ 29,168</u>

Group Hospitalization Fund	Police/100 Fund	Fire Equipment Fund	Emergency Operations Fund	Municipal Court Security Fund	Interest and Sinking Fund
\$ 184,037	\$ 1,436	\$ 129,617	\$ 7,110	\$ -	\$ -
-	-	-	-	24,429	27,722
-	-	-	-	29,200	213,990
-	-	200,000	-	-	-
-	-	-	-	-	-
-	-	381	-	-	24
-	-	-	-	-	-
<u>\$ 184,037</u>	<u>\$ 1,436</u>	<u>\$ 329,998</u>	<u>\$ 7,110</u>	<u>\$ 53,629</u>	<u>\$ 241,736</u>

\$ -	\$ -	\$ 2,607	\$ -	\$ -	\$ -
184,037	-	-	-	-	-
-	-	-	-	-	-
<u>184,037</u>	<u>-</u>	<u>2,607</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	241,736
-	-	-	-	53,629	-
-	-	-	7,110	-	-
-	1,436	-	-	-	-
-	-	327,391	-	-	-
-	1,436	327,391	7,110	53,629	241,736
<u>\$ 184,037</u>	<u>\$ 1,436</u>	<u>\$ 329,998</u>	<u>\$ 7,110</u>	<u>\$ 53,629</u>	<u>\$ 241,736</u>

CITY OF BORGER, TEXAS  
 COMBINING BALANCE SHEETS - Continued  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2020

<b>ASSETS</b>	<b>Fire Benevolent Fund</b>	<b>Police Benevolent Fund</b>	<b>Municipal Court Technology Fund</b>
<b>ASSETS</b>			
Pooled Cash	\$ 6,432	\$ 1,350	\$ -
Restricted Pooled Cash	-	-	24
Investments			
Restricted	-	-	4,250
Unrestricted	-	5,000	-
Inventories	-	-	-
Other Receivables	-	(7)	-
Due from Other Funds	-	-	-
<b>Total Assets</b>	<u>\$ 6,432</u>	<u>\$ 6,343</u>	<u>\$ 4,274</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>FUND BALANCES</b>			
Restricted for Debt Service	-	-	-
Other Restricted	-	-	4,274
Assigned	-	-	-
Committed	-	-	-
Unrestricted	6,432	6,343	-
<b>Total Fund Balances (Deficit)</b>	<u>6,432</u>	<u>6,343</u>	<u>4,274</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,432</u>	<u>\$ 6,343</u>	<u>\$ 4,274</u>

See report of independent auditors.

Tax Incremental Reinvestment Zone Fund	Hotel/ Motel Tax Fund	Borger Community Designated Fund	Capital Equipment Fund	Special Crime Fund	Total Non Major Governmental Funds
\$ -	\$ 22,778	\$ -	\$ 668,726	\$ -	\$ 1,056,000
23,852	-	-	-	10,423	167,187
-	-	-	-	2,775	1,390,765
-	-	97,535	124,616	-	427,151
-	-	-	-	-	25,799
-	-	-	14	-	3,040
-	-	-	-	-	-
<u>\$ 23,852</u>	<u>\$ 22,778</u>	<u>\$ 97,535</u>	<u>\$ 793,356</u>	<u>\$ 13,198</u>	<u>\$ 3,069,942</u>
\$ -	\$ 22,778	\$ -	\$ -	\$ -	\$ 28,348
-	-	-	-	-	184,037
-	22,778	-	-	-	-
-	-	-	-	-	212,385
-	-	-	-	-	241,736
23,852	-	-	-	13,198	1,315,689
-	-	97,535	793,356	-	898,001
-	-	-	-	-	30,604
-	-	-	-	-	371,527
<u>23,852</u>	<u>-</u>	<u>97,535</u>	<u>793,356</u>	<u>13,198</u>	<u>2,857,557</u>
<u>\$ 23,852</u>	<u>\$ 22,778</u>	<u>\$ 97,535</u>	<u>\$ 793,356</u>	<u>\$ 13,198</u>	<u>\$ 3,069,942</u>

See report of independent auditors.

CITY OF BORGER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended September 30, 2020

	Tourism Fund	Central Supply Fund	Park and Recreation Project Fund
<b>REVENUES</b>			
Taxes			
Property	\$ -	\$ -	\$ -
Occupancy	-	-	-
Charges for Service	-	-	30,740
Penalties, Fines and Forfeitures	-	-	-
Intergovernmental Grants and Subsidies	-	-	-
Other Grants and Contributions	-	-	-
Investment Income	10,369	-	-
<b>Total Revenues</b>	<u>10,369</u>	<u>-</u>	<u>30,740</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Public Safety	-	-	-
Public Works	-	-	2,535
Economic Development and Tourism	41,534	-	-
<b>Capital Outlay</b>	94,165	-	7,440
<b>Debt Service</b>			
Principal and Interest	-	-	-
Administrative Fees	-	-	-
<b>Total Expenditures</b>	<u>135,699</u>	<u>-</u>	<u>9,975</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	(125,330)	-	20,765
<b>OTHER FINANCING SOURCES</b>			
Transfers In (Out)	129,807	-	(7,714)
<b>Total Other Financing Sources</b>	<u>129,807</u>	<u>-</u>	<u>(7,714)</u>
<b>Net Change in Fund Balance</b>	4,477	-	13,051
<b>Fund Balance (Deficit) - Beginning of Year</b>	<u>1,216,259</u>	<u>31,361</u>	<u>16,117</u>
<b>Fund Balance (Deficit), End of Year</b>	<u>\$ 1,220,736</u>	<u>\$ 31,361</u>	<u>\$ 29,168</u>

Police/ 100 Fund	Fire Equipment Fund	Emergency Operations Fund	Municipal Court Security Fund	Interest and Sinking Fund	Fire Benevolent Fund
\$ -	\$ -	\$ -	\$ -	\$ 896,519	\$ -
-	-	-	-	-	-
-	-	4,844	-	-	-
-	-	-	2,259	-	-
-	-	-	-	-	-
300	50,604	-	-	-	-
-	1,818	-	262	6,405	-
<u>300</u>	<u>52,422</u>	<u>4,844</u>	<u>2,521</u>	<u>902,924</u>	<u>-</u>
-	38,143	426	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	439	-	-	-
-	-	-	-	899,600	-
-	-	-	-	1,300	-
<u>-</u>	<u>38,143</u>	<u>865</u>	<u>-</u>	<u>900,900</u>	<u>-</u>
300	14,279	3,979	2,521	2,024	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
300	14,279	3,979	2,521	2,024	-
<u>1,136</u>	<u>313,112</u>	<u>3,131</u>	<u>51,108</u>	<u>239,712</u>	<u>6,432</u>
<u>\$ 1,436</u>	<u>\$ 327,391</u>	<u>\$ 7,110</u>	<u>\$ 53,629</u>	<u>\$ 241,736</u>	<u>\$ 6,432</u>

See report of independent auditors.

CITY OF BORGER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - Continued  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended September 30, 2020

	Police Benevolent Fund	Municipal Court Technology Fund	Tax Incremental Reinvestment Zone Fund	Hotel/ Motel Tax Fund
<b>REVENUES</b>				
Taxes				
Property	\$ -	\$ -	\$ 23,852	\$ -
Occupancy	-	-		255,582
Charges for Service	-	-		-
Penalties, Fines and Forfeitures	-	2,048		-
Intergovernmental Grants and Subsidies	-	-		-
Other Grants and Contributions	-	-		-
Investment Income	38	40		-
	<u>38</u>	<u>40</u>		<u>-</u>
<b>Total Revenues</b>	38	2,088	23,852	255,582
<b>EXPENDITURES</b>				
<b>Current:</b>				
Public Safety	-	2,330		-
Public Works	-	-		-
Economic Development and Tourism	-	-		125,776
<b>Capital Outlay</b>	-	-		-
<b>Debt Service</b>				
Principal and Interest	-	-		-
Administrative Fees	-	-		-
	<u>-</u>	<u>2,330</u>		<u>125,776</u>
<b>Total Expenditures</b>	-	2,330	-	125,776
<b>Excess (Deficit) of Revenues over Expenditures</b>	38	(242)	23,852	129,806
<b>OTHER FINANCING SOURCES</b>				
Transfers In (Out)	-	-	-	(129,806)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,806)</u>
<b>Total Other Financing Sources</b>	-	-	-	(129,806)
<b>Net Change in Fund Balance</b>	38	(242)	23,852	-
<b>Fund Balance (Deficit) - Beginning of Year</b>	<u>6,305</u>	<u>4,516</u>		<u>-</u>
<b>Fund Balance (Deficit), End of Year</b>	<u>\$ 6,343</u>	<u>\$ 4,274</u>	<u>\$ 23,852</u>	<u>\$ -</u>

See report of independent auditors.



<b>Borger Community Designated Fund</b>	<b>Capital Equipment Fund</b>	<b>Special Crime Fund</b>	<b>Total Non Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 920,371
-	-	-	255,582
-	-	-	35,584
-	-	-	4,307
-	-	-	-
-	-	-	50,904
8	1,134	198	20,272
<hr/>	<hr/>	<hr/>	<hr/>
8	1,134	198	1,287,020
-	-	5,067	45,966
-	-	-	2,535
489	-	-	167,799
-	1,265,308	-	1,367,352
-	-	-	899,600
-	-	-	1,300
<hr/>	<hr/>	<hr/>	<hr/>
489	1,265,308	5,067	2,484,552
<hr/>	<hr/>	<hr/>	<hr/>
(481)	(1,264,174)	(4,869)	(1,197,532)
-	1,839,157	-	1,831,444
<hr/>	<hr/>	<hr/>	<hr/>
-	1,839,157	-	1,831,444
<hr/>	<hr/>	<hr/>	<hr/>
(481)	574,983	(4,869)	633,912
98,016	218,373	18,067	2,223,645
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 97,535</u>	<u>\$ 793,356</u>	<u>\$ 13,198</u>	<u>\$ 2,857,557</u>

See report of independent auditors.

CITY OF BORGER, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 TOURISM FUND  
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Contributions	\$ -	\$ -	\$ -	\$ -
Investment Income	20,000	20,000	10,369	(9,631)
<b>Total Revenues</b>	<u>20,000</u>	<u>20,000</u>	<u>10,369</u>	<u>(9,631)</u>
<b>EXPENDITURES</b>				
Economic Development and Tourism	180,000	180,000	135,698	44,302
<b>Total Operating Expenditures</b>	<u>180,000</u>	<u>180,000</u>	<u>135,698</u>	<u>44,302</u>
<b>Excess (Deficit) of Revenues over (under) Expenditures</b>	<u>(160,000)</u>	<u>(160,000)</u>	<u>(125,329)</u>	<u>34,671</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	160,000	160,000	129,806	(30,194)
<b>Total Other Financing Sources</b>	<u>160,000</u>	<u>160,000</u>	<u>129,806</u>	<u>(30,194)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>4,477</u>	<u>\$ 4,477</u>
<b>Fund Balance, Beginning of Year</b>			1,216,259	
<b>Fund Balance, End of Year</b>			<u>\$ 1,220,736</u>	

CITY OF BORGER, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 PARK AND RECREATION PROJECT FUND  
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for Services	\$ 30,000	\$ 30,000	\$ 30,740	\$ 740
Other Grants and Contributions			-	-
Investment Income			-	-
<b>Total Revenues</b>	<u>30,000</u>	<u>30,000</u>	<u>30,740</u>	<u>740</u>
<b>EXPENDITURES</b>				
Public Works	22,250	22,250	2,535	19,715
<b>Total Operating Expenditures</b>	<u>22,250</u>	<u>22,250</u>	<u>2,535</u>	<u>19,715</u>
<b>Excess (Deficit) of Revenues over (under) Expenditures</b>	<u>7,750</u>	<u>7,750</u>	<u>28,205</u>	<u>20,455</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In (Out)		-	(15,154)	(15,154)
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>(15,154)</u>	<u>(15,154)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 7,750</u>	<u>\$ 7,750</u>	<u>13,051</u>	<u>\$ 5,301</u>
<b>Fund Balance, Beginning of Year</b>			16,117	
<b>Fund Balance, End of Year</b>			<u>\$ 29,168</u>	

See report of independent auditors.

CITY OF BORGER, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 FIRE EQUIPMENT FUND  
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental Grants and Subsidies	\$ -	\$ -	\$ -	\$ -
Contributions	50,000	50,000	50,604	604
Investment Income	5,000	5,000	1,818	(3,182)
<b>Total Revenues</b>	<u>55,000</u>	<u>55,000</u>	<u>52,422</u>	<u>(2,578)</u>
<b>EXPENDITURES</b>				
Public Safety	155,000	155,000	38,143	116,857
<b>Total Operating Expenditures</b>	<u>155,000</u>	<u>155,000</u>	<u>38,143</u>	<u>116,857</u>
<b>Excess (Deficit) of Revenues over (under) Expenditures</b>	(100,000)	(100,000)	14,279	114,279
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	-	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>14,279</u>	<u>\$ 114,279</u>
<b>Fund Balance, Beginning of Year</b>			313,112	
<b>Fund Balance, End of Year</b>			<u>\$ 327,391</u>	

CITY OF BORGER, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 MUNICIPAL COURT SECURITY FUND  
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Penalties, Fines and Forfeitures	\$ 2,500	\$ 2,500	\$ 2,259	\$ (241)
Investment Income	500	500	262	(238)
<b>Total Revenues</b>	<u>3,000</u>	<u>3,000</u>	<u>2,521</u>	<u>(479)</u>
<b>EXPENDITURES</b>				
Public Safety	50,000	50,000	-	50,000
<b>Total Operating Expenditures</b>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>Excess (Deficit) of Revenues over (under) Expenditures</b>	(47,000)	(47,000)	2,521	49,521
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	-	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (47,000)</u>	<u>\$ (47,000)</u>	<u>2,521</u>	<u>\$ 49,521</u>
<b>Fund Balance, Beginning of Year</b>			51,108	
<b>Fund Balance, End of Year</b>			<u>\$ 53,629</u>	

See report of independent auditors.

CITY OF BORGER, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 INTEREST AND SINKING SERVICE FUND  
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Property Taxes	\$ 865,600	\$ 865,600	\$ 896,519	\$ 30,919
Investment Income	10,000	10,000	6,405	(3,595)
<b>Total Revenues</b>	<u>875,600</u>	<u>875,600</u>	<u>902,924</u>	<u>27,324</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal and Interest	899,600	899,600	899,600	-
Capital Lease Payments	78,971	78,971		78,971
Administrative Fees	1,300	1,300	1,300	-
<b>Total Operating Expenditures</b>	<u>979,871</u>	<u>979,871</u>	<u>900,900</u>	<u>78,971</u>
<b>Excess (Deficit) of Revenues over (under) Expenditures</b>	(104,271)	(104,271)	2,024	106,295
<b>OTHER FINANCING USES</b>				
Transfers Out				-
<b>Total Other Financing Uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (104,271)</u>	<u>\$ (104,271)</u>	<u>2,024</u>	<u>\$ 106,295</u>
<b>Fund Balance, Beginning of Year</b>			239,712	
<b>Fund Balance, End of Year</b>			<u>\$ 241,736</u>	

CITY OF BORGER, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 MUNICIPAL COURT TECHNOLOGY FUND  
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Penalties, Fines and Forfeitures	\$ 3,500	\$ 3,500	\$ 2,048	\$ (1,452)
Investment Income			40	40
<b>Total Revenues</b>	<u>3,500</u>	<u>3,500</u>	<u>2,088</u>	<u>(1,412)</u>
<b>EXPENDITURES</b>				
Public Safety	3,500	3,500	2,330	1,170
<b>Total Operating Expenditures</b>	<u>3,500</u>	<u>3,500</u>	<u>2,330</u>	<u>1,170</u>
<b>Excess (Deficit) of Revenues over (under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(242)</u>	<u>\$ (242)</u>
<b>Fund Balance, Beginning of Year</b>			4,516	
<b>Fund Balance, End of Year</b>			<u>\$ 4,274</u>	

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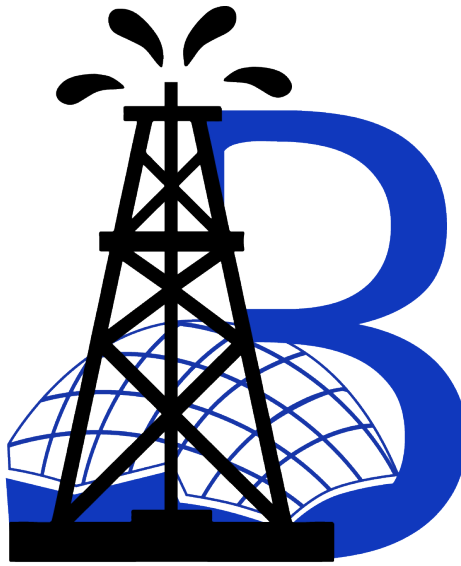
CITY OF BORGER, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 HOTEL/MOTEL OCCUPANCY TAX FUND  
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Occupancy Taxes	\$ 325,000	\$ 325,000	\$ 255,582	\$ (69,418)
<b>Total Revenues</b>	<u>325,000</u>	<u>325,000</u>	<u>255,582</u>	<u>(69,418)</u>
<b>EXPENDITURES</b>				
Economic Development and Tourism	165,000	165,000	125,776	39,224
<b>Total Operating Expenditures</b>	<u>165,000</u>	<u>165,000</u>	<u>125,776</u>	<u>39,224</u>
<b>Excess (Deficit) of Revenues over (under) Expenditures</b>	160,000	160,000	129,806	(30,194)
<b>OTHER FINANCING USES</b>				
Transfers Out	(160,000)	(160,000)	(129,806)	30,194
<b>Total Other Financing Uses</b>	<u>(160,000)</u>	<u>(160,000)</u>	<u>(129,806)</u>	<u>30,194</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance, Beginning of Year</b>			-	
<b>Fund Balance, End of Year</b>			<u>\$ -</u>	

CITY OF BORGER, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 CAPITAL EQUIPMENT FUND  
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Grants and Contributions	\$ -	\$ -	\$ -	\$ -
Investment Income	500	500	1,133	633
<b>Total Revenues</b>	<u>500</u>	<u>500</u>	<u>1,133</u>	<u>633</u>
<b>EXPENDITURES</b>				
Capital Outlay	1,447,044	1,447,044	213,873	1,233,171
<b>Total Operating Expenditures</b>	<u>1,447,044</u>	<u>1,447,044</u>	<u>213,873</u>	<u>1,233,171</u>
<b>Excess (Deficit) of Revenues over (under) Expenditures</b>	(1,446,544)	(1,446,544)	(212,740)	1,233,804
<b>OTHER FINANCING USES</b>				
Transfers In	971,630	971,630	1,839,158	867,528
Transfers Out			(1,051,435)	(1,051,435)
<b>Total Other Financing Uses</b>	<u>971,630</u>	<u>971,630</u>	<u>787,723</u>	<u>(183,907)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (474,914)</u>	<u>\$ (474,914)</u>	<u>574,983</u>	<u>\$ 1,049,897</u>
<b>Fund Balance, Beginning of Year</b>			218,373	
<b>Fund Balance, End of Year</b>			<u>\$ 793,356</u>	

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**BORGER**

— **TEX★S** —

WHERE OPPORTUNITY BOOMS

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*Enterprise Fund*

**ENTERPRISE FUNDS**  
**BUDGET VS. ACTUAL**

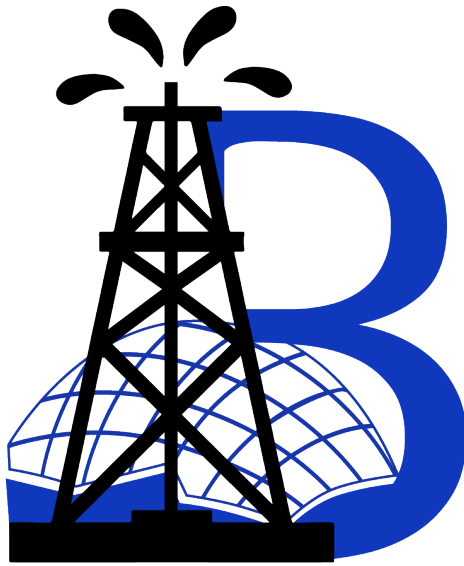
**Water and Sewer Utility Fund** - The Water and Sewer Utility Fund is used to account for the billings and collections of water and wastewater services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including administration, operations billing and maintenance.



CITY OF BORGER, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER UTILITY FUND  
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>				
Charges for Service	\$ 4,710,000	\$ 4,710,000	\$ 4,961,075	\$ 251,075
Industrial Water Sales	5,815,000	6,750,000	7,840,453	1,090,453
Late Charges	111,356	51,356	38,438	(12,918)
Tapping and Surcharge Fees	22,500	17,500	13,155	(4,345)
Other and Miscellaneous	90,500	90,500	80,195	(10,305)
Total Operating Revenues	10,749,356	11,619,356	12,933,316	1,313,960
<b>OPERATING EXPENSES</b>				
<b>Current</b>				
Salaries and Wages	2,172,062	2,174,062	2,131,218	42,844
Employee Benefits	731,380	731,500	650,643	80,857
Utilities	645,000	617,000	553,131	63,869
Departmental Operating Costs	1,513,788	1,593,738	1,169,355	424,383
Professional and Technical Services	101,000	98,500	67,923	30,577
Repairs and Maintenance	170,390	255,890	93,344	162,546
Other Purchased Services	170,183	162,798	159,733	3,065
Property and Facility	20,320	19,980	19,554	426
General and Administrative Supplies	236,639	230,589	158,452	72,137
Rental and Lease Agreements	17,000	17,000	14,500	2,500
Bad Debt Expense	37,500	37,500	36,017	1,483
<b>Capital Outlay</b>	200,000	806,705	2,454,856	(1,648,151)
<b>Debt Service</b>				
Principal Payments	1,963,895	1,963,895	2,003,437	(39,542)
Total Operating Expenses	7,979,157	8,709,157	9,512,163	(803,006)
Operating Income (Loss)	2,770,199	2,910,199	3,421,153	510,954
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	115,000	75,000	132,621	57,621
Interest Expense	(1,804,199)	(1,804,199)	(1,744,570)	59,629
Total Nonoperating Revenues (Expenses)	(1,689,199)	(1,729,199)	(1,611,949)	117,250
Income Before Transfers	1,081,000	1,181,000	1,809,204	628,204
<b>TRANSFERS</b>				
Transfers In	-	-	2,000,000	2,000,000
Transfers Out	(2,930,740)	(3,030,740)	(2,459,112)	571,628
Total Operating Transfers	(2,930,740)	(3,030,740)	(459,112)	2,571,628
Net Income (Loss)	\$ (1,849,740)	\$ (1,849,740)	\$ 1,350,092	\$ 3,199,832
<b>Reconciliation of Net Loss for Budgetary Basis to Statement of Activities for Water Utility Fund</b>				
Net Income - Budgetary Basis			\$ 1,350,092	
Amounts reported in the Statement of Activities are different because:				
Depreciation is reported in the Proprietary Funds Statement of Activities but is not a budget expenditure item			(1,885,899)	
Debt Service Expenditures reduce Water Fund liabilities and are not considered current year expenses			2,003,437	
Capital Outlay is a budget expenditure but is reported on the Proprietary Funds Statement of Net Assets			2,454,856	
<b>Net Income - Financial Statement Basis</b>			<u>\$ 3,922,486</u>	

See report of independent auditors.



**BORGER**

— **TEX★S** —

WHERE OPPORTUNITY BOOMS

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*Statistical Information*

CITY OF BORGER, TEXAS  
 Net Position Comparison by Component

	FY 2015	FY 2016	FY 2017
<b>Government Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 8,549,579	\$ 8,316,518	\$ 10,975,041
Restricted	2,457,909	4,422,414	1,068,078
Unrestricted	61,721	(447,798)	1,045,918
<b>Total Governmental Activities Net Position</b>	<b>\$ 11,069,209</b>	<b>\$ 12,291,134</b>	<b>\$ 13,089,037</b>
<b>Business-type Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 11,864,730	\$ 18,097,647	\$ 19,411,373
Restricted	8,281,307	5,033,078	3,750,692
Unrestricted	2,116,152	1,092,767	1,783,426
<b>Total Governmental Activities Net Position</b>	<b>\$ 22,262,189</b>	<b>\$ 24,223,492</b>	<b>\$ 24,945,491</b>
<b>Primary Government</b>			
Invested in Capital Assets, Net of Related Debt	\$ 20,414,309	\$ 26,414,165	\$ 30,386,414
Restricted	10,739,216	9,455,492	4,818,770
Unrestricted	2,177,873	644,969	2,829,344
Change in Accounting Principle	-	-	-
<b>Total Primary Government Net Position</b>	<b>\$ 33,331,398</b>	<b>\$ 36,514,626</b>	<b>\$ 38,034,528</b>

FY 2018	FY 2019	FY 2020	Current FY Change (%)
\$ 11,906,662	\$ 12,731,016	\$ 14,255,552	12.0%
2,681,751	3,521,959	2,288,396	35.0%
(516,916)	(870,254)	(93,401)	89.3%
<b>\$ 14,071,497</b>	<b>\$ 15,382,721</b>	<b>\$ 16,450,547</b>	<b>6.9%</b>
\$ 22,932,991	\$ 23,498,439	\$ 26,070,833	10.9%
1,092,884	811,991	1,060,308	30.6%
2,372,130	2,791,930	3,893,704	39.5%
<b>\$ 26,398,005</b>	<b>\$ 27,102,360</b>	<b>\$ 31,024,845</b>	<b>14.5%</b>
\$ 34,839,653	\$ 36,229,455	\$ 40,326,385	11.3%
3,774,635	4,333,950	3,348,704	-22.7%
1,855,214	1,921,676	3,800,303	97.8%
(374,467)			
<b>\$ 40,095,035</b>	<b>\$ 42,485,081</b>	<b>\$ 47,475,392</b>	<b>11.7%</b>

City of Borger, Texas  
Changes in Net Position Comparison  
(in thousands)

	FY 2015	FY 2016	FY 2017
<b>Revenues</b>			
<i>Governmental Activities Program Revenue</i>			
Charges for Service	\$ 4,960	\$ 4,862	\$ 6,048
Operating Grants/Contributions	354	477	307
Capital Grants/Contributions	-	-	-
<i>Governmental Activities General Revenue</i>			
Property Taxes	3,897	4,453	4,008
Sales Taxes	3,305	3,328	3,272
Other Taxes	1,481	1,322	1,285
Payments in Lieu of Taxes	-	-	-
Unfunded Pension	-	-	-
Investment Earnings	11	48	59
Other Revenue	87	246	314
Gain on Disposal of Assets	3	-	-
Transfers	608	1,250	927
<b>Total Governmental Activities Revenue</b>	<b>\$ 14,706</b>	<b>\$ 15,986</b>	<b>\$ 16,220</b>
<i>Business-type Activities Program Revenues</i>			
Charges for Service	\$ 8,709	\$ 9,716	\$ 10,119
Capital Grants/Contributions	-	-	-
<i>Business-type Activities General Revenues</i>			
Investment Earnings	6	4	44
Transfers	(608)	(1,250)	(927)
<b>Total Business-type Activities Revenue</b>	<b>8,107</b>	<b>8,470</b>	<b>9,236</b>
<b>Total Primary Government Revenue</b>	<b>\$ 22,813</b>	<b>\$ 24,456</b>	<b>\$ 25,456</b>
<b>Expenses</b>			
<i>Government Activities</i>			
General/Staff Services	\$ 1,159	\$ 1,879	\$ 1,760
Public Safety	6,388	6,974	7,544
Streets	1,035	959	972
Culture & Recreation	1,328	1,238	1,321
Solid Waste	1,749	1,902	1,985
Tourism	133	193	190
Information Technology	59	63	79
Depreciation	1,134	1,222	1,328
Interest on Long Term Debt	281	334	244
<b>Total Governmental Activities Expenses</b>	<b>\$ 13,266</b>	<b>\$ 14,764</b>	<b>\$ 15,423</b>
<i>Business-type Activities</i>			
Water and Sewer	6,183	6,508	\$ 8,514
<b>Total Business-type Activities Expenses</b>	<b>6,183</b>	<b>6,508</b>	<b>8,514</b>
<b>Total Primary Government Expenses</b>	<b>\$ 19,449</b>	<b>\$ 21,272</b>	<b>\$ 23,937</b>
<b>Change in Net Position</b>			
Governmental Activities	\$ 1,440	\$ 1,222	\$ 797
Business-type Activities	1,924	1,962	722
<b>Total Primary Government Change in Net Position</b>	<b>\$ 3,364</b>	<b>\$ 3,184</b>	<b>\$ 1,519</b>

	FY 2018	FY 2019	FY 2020	Current FY Change (%)
\$	5,962	\$ 3,171	\$ 3,403	7.3%
	315	315	662	110.2%
	-	-	-	
	4,033	3,980	4,098	3.0%
	3,107	3,277	3,512	7.2%
	1,248	1,202	1,070	-11.0%
	-	3,192	3,424	
	-	-	-	
	120	183	75	-59.0%
	45	59	35	-40.7%
	-	-	-	
	843	1,978	449	-77.3%
<b>\$</b>	<b>15,673</b>	<b>\$ 17,357</b>	<b>\$ 16,728</b>	<b>-3.6%</b>
\$	10,538	\$ 11,500	\$ 12,933	12.5%
	434	-	-	
	198	126	133	5.6%
	(843)	(1,978)	(459)	-76.8%
	<b>10,327</b>	<b>9,648</b>	<b>12,607</b>	<b>30.7%</b>
<b>\$</b>	<b>26,000</b>	<b>\$ 27,005</b>	<b>\$ 29,335</b>	<b>8.6%</b>
\$	1,580	\$ 1,741	\$ 2,231	28.1%
	7,183	7,759	7,477	-3.6%
	1,031	997	1,062	6.5%
	1,254	1,374	1,283	-6.6%
	1,792	1,819	1,687	-7.3%
	186	187	138	-26.2%
	79	90	156	73.3%
	1,370	1,469	1,446	-1.6%
	216	203	180	-11.3%
<b>\$</b>	<b>14,691</b>	<b>\$ 15,639</b>	<b>\$ 15,660</b>	<b>0.1%</b>
	8,874	8,945	8,684	-2.9%
	<b>8,874</b>	<b>8,945</b>	<b>8,684</b>	<b>-2.9%</b>
<b>\$</b>	<b>23,565</b>	<b>\$ 24,584</b>	<b>\$ 24,344</b>	<b>-1.0%</b>
\$	982	\$ 1,718	\$ 1,068	-37.8%
	1,453	703	3,922	457.9%
<b>\$</b>	<b>2,435</b>	<b>\$ 2,421</b>	<b>\$ 4,990</b>	<b>106.1%</b>

CITY OF BORGER, TEXAS  
Fund Balance Comparison

	FY 2015	Fy 2016	FY 2017
<b>Government Activities</b>			
Unrestricted General Fund	\$ 3,272,807	\$ 3,584,229	\$ 3,698,148
<b>Total Governmental Activities Fund Balance</b>	<b>\$ 3,272,807</b>	<b>\$ 3,584,229</b>	<b>\$ 3,698,148</b>
<b>Business-type Activities</b>			
Unrestricted Water/Sewer Fund	\$ 3,826,613	\$ 2,961,582	\$ 3,590,571
Restricted Meter Deposits	367,164	370,429	363,704
<b>Total Business-type Activities Fund Balance</b>	<b>\$ 4,193,777</b>	<b>\$ 3,332,011</b>	<b>\$ 3,954,275</b>
<b>Capital Project Funds (Restricted)</b>			
Capital Equipment Fund	\$ 396,998	\$ 448,551	\$ 455,888
<b>Total Governmental Activities Fund Balance</b>	<b>\$ 396,998</b>	<b>\$ 448,551</b>	<b>\$ 455,888</b>
<b>Special Revenue Funds (Restricted)</b>			
City Tourism Fund	\$ 931,212	\$ 348,266	\$ 378,739
Central Supply Fund	49,927	21,911	31,361
Park Recreation & Special Projects Fund	(7,042)	2,753	22,181
Police Club 100 Fund	67	1,111	1,136
Fire Training/Equipment Fund	120,718	265,361	254,274
Emergency Operations Fund	3,131	3,131	3,131
Municipal Court Security Fund	58,558	61,085	58,978
Debt Service Fund	309,870	278,713	199,284
Fire Benevolent Fund	-	-	8,282
Police Benevolent Fund	6,060	6,060	6,103
Municipal Court Technology Fund	7,420	7,677	5,664
Hotel/Motel Occupancy Tax Fund	-	-	-
Multi-Purpose Events Center Fund	100,135	1,603,215	1,600,636
Borger Community Designated Fund	7,199	23,778	26,280
Special Crimes Fund	15,833	18,329	16,585
<b>Total Special Revenue Fund Balances</b>	<b>1,603,088</b>	<b>2,641,390</b>	<b>2,612,634</b>
<b>Total Primary Government Fund Balance</b>	<b>\$ 9,466,670</b>	<b>\$ 10,006,181</b>	<b>\$ 10,720,945</b>



FY 2018	FY 2019	FY 2020	Current FY Change (%)
\$ 3,749,141	\$ 3,724,523	\$ 3,908,315	4.2%
<b>\$ 3,749,141</b>	<b>\$ 3,724,523</b>	<b>\$ 3,908,315</b>	<b>4.2%</b>
\$ 4,571,911	\$ 5,278,230	\$ 7,264,850	58.9%
364,384	344,465	343,848	-5.6%
<b>\$ 4,936,295</b>	<b>\$ 5,622,695</b>	<b>\$ 7,608,697</b>	<b>54.1%</b>
\$ 258,254	\$ 218,372	\$ 793,356	207.2%
<b>\$ 258,254</b>	<b>\$ 218,372</b>	<b>\$ 793,356</b>	<b>207.2%</b>
\$ 1,235,486	\$ 1,216,258	\$ 1,221,411	0.4%
31,361	31,361	33,649	7.3%
17,275	16,117	29,168	81.0%
1,136	1,136	1,436	26.4%
286,882	313,113	329,998	5.4%
3,131	3,131	7,110	127.1%
48,067	51,110	53,629	4.9%
273,816	239,710	241,736	0.8%
6,282	6,282	6,432	2.4%
6,196	6,196	6,343	2.4%
3,503	4,516	4,274	-5.4%
-	-	-	N/A
-	-	-	N/A
98,507	98,507	97,535	-1.0%
14,186	14,186	13,198	-7.0%
<b>2,025,828</b>	<b>2,001,623</b>	<b>2,045,919</b>	<b>1.0%</b>
<b>\$ 10,969,518</b>	<b>\$ 11,567,213</b>	<b>\$ 14,356,287</b>	<b>30.9%</b>

CITY OF BORGER, TEXAS  
Changes in Governmental Fund Balance Comparison

	FY 2015	FY 2016	FY 2017
<b>Revenues</b>			
Taxes			
Property	\$ 3,896,823	\$ 4,122,589	\$ 4,007,813
Sales	3,305,272	3,327,951	3,272,210
Franchise	1,002,294	888,919	913,539
Occupancy	456,305	421,974	360,702
Other	22,228	10,661	11,196
Payments in Lieu of Property Taxes	-	-	-
Charges for Service	4,473,416	4,615,672	5,773,013
Penalties, Fines and Forfeitures	439,660	202,629	235,699
Licenses, Fees and Permits	40,866	23,591	27,503
Intergovernmental Grants and Subsidies	186,731	601,922	207,262
Other Grants and Contributions	167,162	222,677	100,034
Investment Income	11,125	49,716	59,687
Other Income	91,775	51,725	58,050
<b>Total Governmental Revenues</b>	<b>\$ 14,093,657</b>	<b>\$ 14,540,026</b>	<b>\$ 15,026,708</b>
<b>Expenditures</b>			
General Government			
Administration	\$ 299,438	\$ 281,972	\$ 323,830
Information Systems	59,171	62,003	78,825
Fleet Services	271,435	224,182	253,541
Engineering	107,868	102,897	114,831
Facilities Maintenance	343,473	451,185	329,176
Planning and Zoning	459,609	470,639	467,027
Total	1,540,994	1,592,878	1,567,230
Public Safety			
Animal Control	219,658	188,130	226,882
Code Enforcement	254,687	267,977	284,208
Central Dispatch	604,262	550,164	574,079
Police	2,663,946	2,621,491	2,809,559
Fire and Fire Prevention	2,154,583	2,318,292	2,755,659
Emergency Management	196,875	255,061	190,418
Municipal Court	491,460	503,192	515,413
Total	6,585,471	6,704,307	7,356,218
Public Works			
General	263,013	173,314	144,969
Streets	771,723	947,576	828,860
Sanitation	537,246	629,659	642,986
Solid Waste Transfer Station	1,212,190	1,245,733	1,338,066
Recycling	155,203	26,147	5,657
Total	2,939,375	3,022,429	2,960,538
Culture and Recreation			
Youth, Community and Recreation Centers	553,558	497,517	528,158
Parks	619,244	696,555	781,670
Total	1,172,802	1,194,072	1,309,828
Economic Development & Tourism	133,492	286,614	295,851
<b>Capital Outlay</b>	1,309,384	3,650,882	2,736,142
<b>Debt Service</b>			
Principal and Interest	1,078,397	1,327,560	1,320,847
Administrative Fees	1,250	1,250	400
<b>Total Expenditures</b>	<b>14,761,165</b>	<b>17,779,992</b>	<b>17,547,054</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(667,508)</b>	<b>(3,239,966)</b>	<b>(2,520,346)</b>
<b>Other Financing Sources (Uses)</b>			
Revenue from Issued Certificates of Obligation	-	3,900,000	-
Transfers Out	(572,594)	(1,322,224)	(816,127)
Transfers In	1,180,194	2,572,223	1,743,360
<b>Total Other Financing Sources (Uses)</b>	<b>607,600</b>	<b>5,149,999</b>	<b>927,233</b>
<b>Net change in fund balances</b>	<b>\$ (59,908)</b>	<b>\$ 1,910,033</b>	<b>\$ (1,593,113)</b>
Debt Service percentage of noncapital expenditures	9%	10%	10%

FY 2018	FY 2019	FY 2020	Current FY Change (%)
\$ 4,022,219	\$ 3,956,593	\$ 4,090,662	3.4%
3,107,365	3,277,059	3,511,748	7.2%
925,750	834,424	783,206	-6.1%
311,594	319,119	255,582	-19.9%
20,918	44,788	39,192	-12.5%
-	3,192,038	3,423,499	7.3%
5,723,836	2,902,352	3,166,875	9.1%
195,171	208,632	153,960	-26.2%
42,486	53,696	75,612	40.8%
200,390	208,110	316,916	52.3%
114,918	61,933	69,479	12.2%
120,139	183,447	75,196	-59.0%
44,961	74,060	42,644	-42.4%
<b>\$ 14,829,747</b>	<b>\$ 15,316,251</b>	<b>\$ 16,004,571</b>	<b>4.5%</b>

\$ 433,900	\$ 526,585	\$ 472,172	-10.3%
78,922	92,109	85,177	-7.5%
235,823	261,500	235,886	-9.8%
97,541	112,838	113,292	0.4%
278,587	232,165	244,560	5.3%
486,835	597,509	607,055	1.6%
1,611,608	1,822,706	1,758,142	-3.5%
234,777	234,416	236,268	0.8%
225,845	280,117	239,967	-14.3%
592,357	647,557	632,677	-2.3%
2,991,616	3,134,488	3,027,951	-3.4%
2,548,766	2,749,758	3,219,345	17.1%
201,458	108,450	136,319	25.7%
520,405	571,246	524,288	-8.2%
7,315,224	7,726,032	8,016,815	3.8%
241,056	223,155	268,560	20.3%
785,769	793,241	662,796	-16.4%
604,759	1,834,282	1,679,679	-8.4%
1,185,006	-	-	N/A
2,558	5,787	5,643	-2.5%
2,819,148	2,856,465	2,616,678	-8.4%
524,908	610,400	540,079	-11.5%
724,053	750,469	715,128	-4.7%
1,248,961	1,360,869	1,255,207	-7.8%
252,221	363,742	167,799	-53.9%
1,578,026	1,334,822	2,457,818	84.1%
954,431	955,419	899,600	-5.8%
1,300	1,300	1,300	0.0%
15,780,919	16,421,355	17,173,359	4.6%
(951,172)	(1,105,104)	(1,168,788)	5.8%
-	-	275,850	
(1,780,294)	(771,096)	(2,382,129)	208.9%
2,623,653	2,748,976	2,831,444	3.0%
843,359	1,977,880	725,165	-63.3%
<b>\$ (107,813)</b>	<b>\$ 872,776</b>	<b>\$ (443,623)</b>	<b>-150.8%</b>

7%

7%

7%

CITY OF BORGER, TEXAS  
Tax Revenue by Source

Fiscal Year	Property	Sales & Use	Franchise	Occupancy	Payments in Lieu of Taxes*	Other	Total
2015	\$ 3,896,823	\$ 3,305,272	\$ 1,002,294	\$ 456,305	\$ -	\$ 22,228	\$ 8,682,922
2016	\$ 4,122,589	\$ 3,327,951	\$ 888,919	\$ 421,974	\$ -	\$ 10,661	\$ 8,772,094
2017	\$ 4,007,813	\$ 3,272,210	\$ 913,539	\$ 360,702	\$ -	\$ 11,196	\$ 8,565,460
2018	\$ 4,022,219	\$ 3,107,365	\$ 925,750	\$ 311,594	\$ -	\$ 20,918	\$ 8,387,846
2019	\$ 3,956,593	\$ 3,277,059	\$ 834,424	\$ 319,119	\$ 3,192,038	\$ 44,788	\$ 11,624,021
2020	\$ 4,090,662	\$ 3,511,748	\$ 783,206	\$ 255,582	\$ 3,423,499	\$ 39,192	\$ 12,103,889

\* Prior to FY 2019, Payments in Lieu of Taxes were categorized as Charges for Service.

CITY OF BORGER, TEXAS  
Direct and Overlapping Property Tax Rates  
(Rate per \$100 of Assessed Value)

Tax Year	City Direct Rates			Overlapping Rates			
	Operating & Maintenance	General Obligation Debt Service	Total Direct Rate	Hutchinson County	Borger Independent School District	Hutchinson County Hospital District	Frank Phillips College District
2015	0.590524	0.269476	0.860000	0.500000	1.310000	0.099881	0.220000
2016	0.596240	0.267250	0.863490	0.520000	1.300000	0.100000	0.220000
2017	0.647575	0.215915	0.863490	0.540000	1.452900	0.099903	0.220000
2018	0.666304	0.197186	0.863490	0.580000	1.452900	0.097286	0.220000
2019	0.673450	0.190040	0.863490	0.595000	1.310000	0.099881	0.220000
2020	0.648076	0.189553	0.837629	0.595000	1.379300	0.099889	0.220000

CITY OF BORGER, TEXAS  
 Schedule of Property Tax Levies and Collections  
 September 30, 2020

Tax Year	Net Taxable Assessed Valuation	Taxes Levied	Collections			
			Current Amount	Current %	Collections in Subsequent Years	Total %
2011	\$ 348,602,430	\$ 3,079,496	\$ 2,903,965	94.30%	\$ 78,219	96.84%
2012	\$ 358,721,460	\$ 3,298,393	\$ 3,149,306	95.48%	\$ 113,135	98.91%
2013	\$ 379,315,640	\$ 3,468,425	\$ 3,342,174	96.36%	\$ 107,521	99.46%
2014	\$ 398,867,470	\$ 3,768,196	\$ 3,647,991	96.81%	\$ 122,466	100.06%
2015	\$ 402,010,800	\$ 3,878,753	\$ 3,737,566	96.36%	\$ 107,054	99.12%
2016	\$ 425,564,540	\$ 4,088,279	\$ 3,959,089	96.84%	\$ 126,737	99.94%
2017	\$ 412,900,110	\$ 4,046,263	\$ 3,874,701	95.76%	\$ 88,613	97.95%
2018	\$ 408,556,790	\$ 4,033,826	\$ 3,858,355	95.65%	\$ 139,974	99.12%
2019	\$ 420,210,330	\$ 4,122,248	\$ 3,907,891	94.80%	\$ 108,415	97.43%
2020	\$ 428,182,624	\$ 4,092,543	\$ 3,332,558	81.43%	\$ 52,794	82.72%

CITY OF BORGER, TEXAS  
 Principal Property Tax Payers  
 Current Year vs. Ten Years Ago

	FY 2020			FY 2011		
	Taxable Value	Rank	Percent of Taxable Value	Taxable Value	Rank	Percent of Taxable Value
SPS	\$ 11,842,000	1	2.54%	\$ 5,055,560	1	1.23%
Walmart Real Estate	\$ 7,380,760	2	1.76%	\$ -		
Walmart	\$ 6,733,030	3	1.59%	\$ 3,270,120	4	0.79%
RS12 Hotels, LLC	\$ 4,994,550	4	1.09%	\$ 2,533,000	14	0.61%
Amarillo National Bank	\$ 4,921,780	5	1.18%	\$ 4,866,760	2	1.18%
Panhandle Northern	\$ 4,722,160	6	1.12%	\$ 1,978,870	17	0.48%
P&B Senior Living Group	\$ 4,340,230	7	1.05%	\$ -		
Fjord Processing	\$ 3,840,615	8	0.99%	\$ -		
United Rentals	\$ 3,754,457	9	0.57%	\$ -		
GPCH	\$ 3,110,490	10	0.72%	\$ 3,575,110	3	0.87%
<b>Total:</b>	<u>\$55,640,072</u>		<u>12.61%</u>	<u>\$21,279,420</u>		<u>5.16%</u>

\* Texas Comptroller of Public Accounts

CITY OF BORGER, TEXAS  
Pledged-Revenue Coverage

Water and Sewer Revenue Bonds					
Fiscal Year	W/S Operating Revenues	W/S Operating Expenses	Net Available Revenue	Debt Service	Coverage
2011	\$ 7,240,812	\$ 4,871,741	\$ 2,369,071	\$ 964,193	2.46
2012	\$ 7,693,079	\$ 5,040,676	\$ 2,652,403	\$ 1,233,777	2.15
2013	\$ 7,671,793	\$ 5,413,712	\$ 2,258,081	\$ 1,326,482	1.70
2014	\$ 7,952,599	\$ 5,796,249	\$ 2,156,350	\$ 1,314,488	1.64
2015	\$ 8,708,853	\$ 5,841,133	\$ 2,867,720	\$ 3,910,730	0.73
2016	\$ 9,716,037	\$ 5,911,815	\$ 3,804,222	\$ 3,856,090	0.99
2017	\$ 10,119,435	\$ 6,668,809	\$ 3,450,626	\$ 3,861,342	0.89
2018	\$ 10,538,201	\$ 7,174,309	\$ 3,363,892	\$ 3,875,666	0.87
2019	\$ 11,500,365	\$ 7,121,508	\$ 4,378,857	\$ 3,409,911	1.28
2020	\$ 12,933,316	\$ 5,983,749	\$ 6,949,567	\$ 3,753,895	1.85

CITY OF BORGER, TEXAS  
Ratios of Outstanding Debt  
September 30, 2020

Tax Year	Governmental Activities		Business-type Activities		
	General Obligation Refunding Bonds	Certificates of Obligation	Certifications of Obligations	General Obligation Refunding Bonds	Water Authority Indebtedness
2015	\$ -	\$ 6,603,336	\$ 36,910,000	\$ -	\$ 10,537,191
2016	\$ 2,730,000	\$ 7,464,704	\$ 35,404,292	\$ -	\$ 9,785,485
2017	\$ 2,285,000	\$ 6,140,076	\$ 35,024,953	\$ -	\$ 9,008,448
2018	\$ 1,845,000	\$ 5,842,881	\$ 33,983,350	\$ -	\$ 7,992,820
2019	\$ 1,395,000	\$ 5,538,655	\$ 32,840,452	\$ -	\$ 7,235,629
2020	\$ 940,000	\$ 5,010,000	\$ 31,375,000	\$ -	\$ 6,407,635

Tax Year	Total Primary Government	Percentage of Personal Income	Total Debt Per Capita	Total Property Tax Supported Debt Per Capita	% of Actual Appraised Value
2015	\$ 54,050,527	18.51%	\$ 4,164.46	\$ 508.77	13%
2016	\$ 55,384,481	18.54%	\$ 4,309.07	\$ 793.18	13%
2017	\$ 52,458,477	18.02%	\$ 4,115.36	\$ 660.95	13%
2018	\$ 49,664,051	17.41%	\$ 3,935.03	\$ 609.13	12%
2019	\$ 47,009,736	17.00%	\$ 3,786.53	\$ 558.49	11%
2020	\$ 43,732,635	N/A*	N/A*	N/A*	10%

\*2019 Personal Income and Population Estimates not available at this time.

CITY OF BORGER, TEXAS  
 Direct and Overlapping Debt  
 September 30, 2020

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Direct & Overlapping
<b>Debt Repaid with Property Taxes</b>			
City of Borger	\$ 5,115,000	100%	\$ 5,115,000
Hutchinson County	\$ -	22%	\$ -
Borger Independent School District	\$ 65,246,811	49%	\$ 32,081,857
			<u>\$ 37,196,857</u>
<b>Revenue Supported Debt</b>			
City of Borger	\$ 30,215,000.00	100%	\$ 30,215,000.00
Hutchinson County	\$ -	22%	\$ -
Borger Independent School District	\$ -	49%	\$ -
Hutchinson County Hospital District	\$ 24,910,000.00	16%	\$ 4,030,438.00
Frank Phillips College District	\$ 405,000.00	38%	\$ 153,900.00
			<u>\$ 34,399,338.00</u>
<b>Total Tax Supported Overlapping Debt:</b>			<u><b>\$ 37,196,857</b></u>
<b>Total Revenue Supported Overlapping Debt:</b>			<u><b>\$ 34,399,338</b></u>
<b>Total Direct and Overlapping Debt:</b>			<u><u><b>\$ 71,596,195</b></u></u>

CITY OF BORGER, TEXAS  
 Demographic & Economic Statistics  
 September 30, 2020

Calendar Year	City of Borger Population	Hutchinson County Population	City of Borger Median Household Income	City of Borger Per capita Income	City of Borger School Enrollment	City of Borger Unemployment Rate
2010	13,324	22,094	\$ 39,545	\$ 19,482	3,685	4.6%
2011	13,156	22,088	\$ 40,986	\$ 20,705	3,745	4.9%
2012	13,136	21,992	\$ 43,829	\$ 21,321	3,904	5.0%
2013	13,065	21,986	\$ 40,904	\$ 21,534	3,845	5.0%
2014	13,059	21,947	\$ 42,792	\$ 22,909	3,488	3.8%
2015	12,979	21,858	\$ 44,918	\$ 22,499	3,507	3.1%
2016	12,853	21,782	\$ 44,821	\$ 23,243	3,465	2.3%
2017	12,747	21,704	\$ 44,213	\$ 22,836	3,190	3.6%
2018	12,621	21,571	\$ 45,909	\$ 22,605	3,290	4.2%
2019	12,415	20,938	\$ 46,183	\$ 22,278	3,298	4.8%
2020	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available

U.S. Census Bureau American Communities Survey

CITY OF BORGER, TEXAS  
Full-time Employee Comparison

Department	FY 2018	FY 2019	FY 2020	Department	FY 2018	FY 2019	FY 2020
Administration	3	5	4	Building Standards	1	1	1
Human Resources	1	1	1	Police	36	36	36
Finance	5	5	5	Public Works	3	3	3
Municipal Court	5	5	5	Solid Waste	13	13	13
Fire Department	25	26	29	Parks	9	9	9
Central Dispatch	10	10	10	Street & Alley Maintenance	9	9	9
Planning & Development	2	4	4	Vehicle Service Center	3	3	3
Code Enforcement	3	3	3	Wastewater Treatment Plant	6	6	6
Information Technology	4	2	3	Water Treatment Plant	5	4	4
Johnson Park Youth Center	3	3	3	Water Maintenance	8	8	8
Emergency Management	2	2	2	Wastewater Maintenance	7	7	7
Utility Billing	7	6	6	Utility Director	1	2	2
				<b>General Government Total:</b>	<b>171</b>	<b>173</b>	<b>176</b>

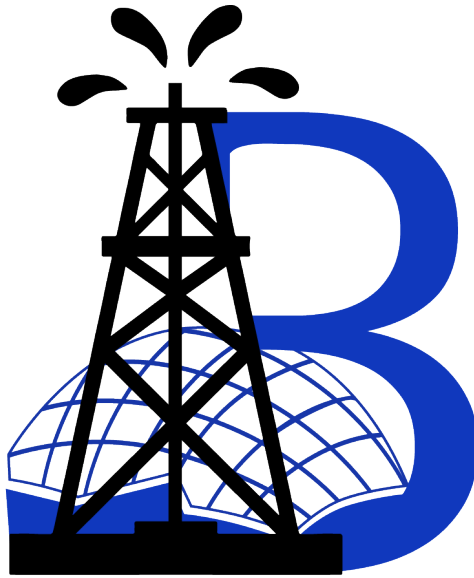
CITY OF BORGER, TEXAS  
Principal Employers

2020	2019	2018	2017
Phillips66	Phillips66	Phillips66	Phillips66
Borger ISD	Borger ISD	Borger ISD	Borger ISD
ChevronPhillips	ChevronPhillips	ChevronPhillips	ChevronPhillips
Wal-Mart	Wal-Mart	Wal-Mart	Wal-Mart
Golden Plains Hospital	Golden Plains Hospital	Golden Plains Hospital	Golden Plains Hospital
City of Borger	City of Borger	City of Borger	City of Borger
Nutrien	Orion Engineered Carbons	Orion Engineered Carbons	Orion Engineered Carbons
Tokai Carbon	Tokai Carbon	Sid Richardson Carbons	Sid Richardson Carbons
Conner Industries	Nutrien	Conner Industries	Conner Industries
Solvay Specialty Polymers	Solvay Specialty Polymers	Nutrien	Nutrien
2016	2015	2014	2013
Phillips66	Phillips66	Phillips66	Phillips66
Borger ISD	Borger ISD	Borger ISD	Borger ISD
ChevronPhillips	ChevronPhillips	ChevronPhillips	ChevronPhillips
Wal-Mart	Wal-Mart	Wal-Mart	Wal-Mart
Golden Plains Hospital	Golden Plains Hospital	Golden Plains Hospital	Golden Plains Hospital
City of Borger	City of Borger	City of Borger	City of Borger
Orion Engineered Carbons	Orion Engineered Carbons	Orion Engineered Carbons	Orion Engineered Carbons
Sid Richardson Carbons	Sid Richardson Carbons	Sid Richardson Carbons	Sid Richardson Carbons
Conner Industries	Conner Industries	Conner Industries	Conner Industries
Nutrien	Nutrien	Nutrien	Nutrien
2012	2011		
Phillips66	ConocoPhillips		
Borger ISD	Borger ISD		
ChevronPhillips	ChevronPhillips		
Wal-Mart	Wal-Mart		
Golden Plains Hospital	Golden Plains Hospital		
City of Borger	City of Borger		
Orion Engineered Carbons	Orion Engineered Carbons		
Sid Richardson Carbons	Sid Richardson Carbons		
Conner Industries	Conner Industries		
Nutrien	Nutrien		





***Compliance Information***



**BORGER**

— **TEX★S** —

WHERE OPPORTUNITY BOOMS



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Borger, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Borger, Texas (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 14, 2021. Our report includes a reference to other auditors who audited the financial statements of the Borger Economic Development Corporation, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

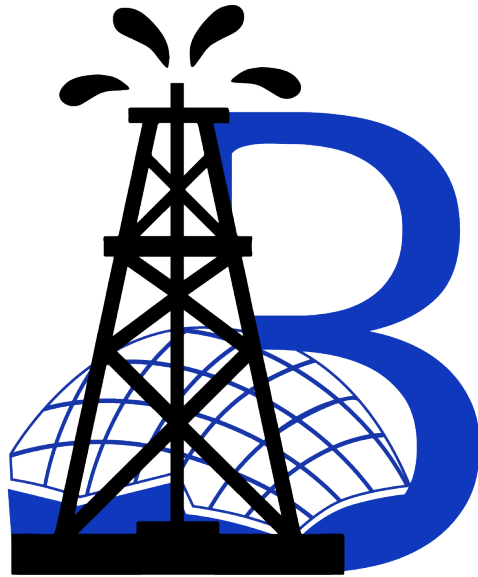
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Anderson Hill, LLP*

Lubbock, Texas

**September 14, 2021**

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**BORGER**

— **TEX★S** —

WHERE OPPORTUNITY BOOMS

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**APPENDIX E**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100



Financial Advisory Services  
Provided By:

