

**OFFICIAL STATEMENT**  
**Dated: September 19, 2023**

*In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.*

*The City has designated the Certificates as "Qualified Tax-Exempt Obligations"*

**\$2,070,000**  
**CITY OF SWEETWATER, TEXAS**  
**(Nolan County)**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023**

**Dated Date: September 1, 2023**

**Due: August 15, as shown on page 2**

The City of Sweetwater, Texas (the "City" or the "Issuer") \$2,070,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the "Ordinance") adopted by the City Council on September 19, 2023, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a limited pledge (not to exceed \$1,000) of the surplus Net Revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from September 1, 2023 (the "Dated Date") as shown above and will initially be payable on February 15, 2024, and on each August 15 and February 15 thereafter, until 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 (the "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 DTC, 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 to pay all or a portion of the City's contractual obligations incurred in connection with (i) the acquisition and equipment of public safety facilities, including the acquisition and equipment of a fire apparatus; and (ii) legal, fiscal and engineering fees in connection with such projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The Issuer reserves the right to redeem the Certificates maturing on and after August 15, 2033, on August 15, 2032, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

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

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*The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through the facilities of DTC on or about October 11, 2023.*

**\$2,070,000**  
**CITY OF SWEETWATER, TEXAS**  
**(Nolan County)**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023**

**STATED MATURITY SCHEDULE**

**(Due August 15)**  
**Base CUSIP – 870581<sup>(a)</sup>**

<b>Stated</b>					<b>Stated</b>					<b>CUSIP</b>	
<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>CUSIP</b>	<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>CUSIP</b>	<b>No.</b>	<b>Suffix<sup>(a)</sup></b>
<b><u>8/15</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>No.</u></b>	<b><u>8/15</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>No.</u></b>	<b><u>Suffix<sup>(a)</sup></u></b>	
2024	\$100,000	5.000%	3.700%	KM6	2030	\$180,000	5.000%	3.500%	KT1		
2025	110,000	5.000%	3.650%	KN4	2031	190,000	5.000%	3.550%	KU8		
2026	130,000	5.000%	3.600%	KP9	2032	200,000	5.000%	3.600%	KV6		
2027	160,000	5.000%	3.550%	KQ7	2033	210,000	5.000%	3.650% <sup>(b)</sup>	KW4		
2028	165,000	5.000%	3.500%	KR5	2034	220,000	4.000%	3.850% <sup>(b)</sup>	KX2		
2029	175,000	5.000%	3.500%	KS3	2035	230,000	4.000%	4.000%	KY0		

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after August 15, 2033, on August 15, 2032, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

<sup>(a)</sup> CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2023 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only.

<sup>(b)</sup> Yield calculated based on the assumption that the Certificates denoted and sold at premium will be redeemed on August 15, 2032, the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption.

**CITY OF SWEETWATER, TEXAS**  
**200 East 4<sup>th</sup> Street**  
**Sweetwater, Texas 79556**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires May
Jim McKenzie Mayor	16	2025
John McPherson Mayor Pro-Tem	2	2025
Kerry Baker Precinct 2	3	2024
Ricky Castro Precinct 3	16	2025
Dr. Jerod Peek Precinct 4	17	2024

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
David Vela	City Manager	7
Kirsta Koennecke*	Director of Finance	1 month

\*Previously served 8 years as the County Treasurer for Scurry County.

**CONSULTANTS AND ADVISORS**

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	Cathrine Wilks CPA LLC Sweetwater, Texas

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

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**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

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

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

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

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

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

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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 Sweetwater, Texas (the “City”), located in Nolan County, Texas, is a political subdivision of the State of Texas and operates under a Mayor-Commission-Manager form of government with a city commission comprised of five members including the Mayor (the “City Commission”). The 2023 estimated population is 10,622. (See “APPENDIX B – GENERAL INFORMATION REGARDING THE CITY OF SWEETWATER AND NOLAN COUNTY, TEXAS” herein.)
<b>The Certificates</b>	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the “State”), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the “Ordinance”) adopted by the City Council on September 19, 2023, and the City’s Home Rule Charter. (See “THE CERTIFICATES – Authority for Issuance” herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas Texas.
<b>Security</b>	The Certificates constitute direct general obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a limited pledge (not to exceed \$1,000) of the surplus Net Revenues derived from the operation of the City’s combined Waterworks and Sewer System (the “System”). (See “THE CERTIFICATES – Security for Payment” herein.)
<b>Redemption Provision</b>	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and after August 15, 2033, on August 15, 2032, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. (See “THE CERTIFICATES – Redemption Provisions” herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under “TAX MATTERS” herein. (See “Tax MATTERS” for a discussion of the Opinion of Bond Counsel and “APPENDIX C – FORM OF LEGAL OPINION OF BOND COUNSEL” herein.)
<b>Use of Certificate Proceeds</b>	Proceeds from the sale of the Certificates will be used to pay all or a portion of the City’s contractual obligations incurred in connection with (i) the acquisition and equipment of public safety facilities, including the acquisition and equipment of a fire apparatus; and (ii) legal, fiscal and engineering fees in connection with such projects. (See “THE CERTIFICATES – Use of Certificate Proceeds” herein.)
<b>Book-Entry-Only System</b>	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “Book-Entry-Only System” herein.)
<b>Rating</b>	S&P Global Ratings (“S&P”) has assigned a rating of “AA-” to the Certificates. (See “OTHER PERTINENT INFORMATION – Rating” herein.)

<b>Qualified Tax Exempt Obligations</b>	The City has designated the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein.)
<b>Issuance of Additional Debt</b>	The City does not anticipate the issuance of any additional debt within the next twelve months.
<b>Payment Record</b>	The City has never defaulted on the payment of its general obligation debt.
<b>Delivery</b>	When issued, anticipated on or about October 11, 2023.
<b>Legality</b>	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

*(The remainder of this page was intentionally left blank)*

**OFFICIAL STATEMENT**  
relating to  
**\$2,070,000**  
**CITY OF SWEETWATER, TEXAS**  
**(A political subdivision of the State of Texas located in Nolan County, Texas)**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023**

**INTRODUCTORY STATEMENT**

This Official Statement provides certain information in connection with the issuance by City of Sweetwater, Texas (the "City" or the "Issuer") of its \$2,070,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a home-rule municipality under the statutes and the constitution of the State of Texas (the "State"). The Certificates are being issued pursuant to the Constitution and general laws of the State, an ordinance (the "Ordinance") adopted by the City Council on September 19, 2023, authorizing the issuance of the Certificates, and the City's Home Rule Charter. (See "THE CERTIFICATES – Authority for Issuance" herein.)

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 from the Issuer or the Financial Advisor noted on page iii hereof.

**Future Legislation**

On January 10, 2023, the 88th Texas Legislature convened in regular session and such regular session adjourned on May 29, 2023. Immediately after the conclusion of the regular session, the Texas Governor called a special session to address property tax relief and border security that began on May 29, 2023 and adjourned on June 27, 2023. At the conclusion of the first special session, the Governor called a second special session to address property tax relief that began on June 27, 2023 and adjourned on July 13, 2023. Additional special sessions may be called by the Texas Governor. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the imposition of ad valorem taxes, the issuance of general obligation bonds, certificates of obligation and tax notes, and other legislation that may have a material effect on the City's operations and its finances. The City can make no representations or predictions regarding any actions the Legislature may take during the 88th Texas legislative session concerning the substance or the effect of any legislation that may be passed in the future or how such legislation could affect the City.

During the Second Special Session, the 88th Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "subjected property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "appraisal cap"). After the 2024 tax year, through December 31, 2026, the appraisal cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap takes effect on January 1, 2024, if the constitutional amendment proposed by House Joint Resolution 2 during the Second Special Session is approved by the voters on November 7, 2023.

**THE CERTIFICATES**

**General**

The Certificates are dated September 1, 2023 (the "Dated Date"). The Certificates are stated to mature on August 15 in the years and in the principal amounts set forth on page 2 hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on February 15, 2024, and on each August 15 and February 15 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Certificates, initially BOKF, NA, Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, 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.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See “BOOK-ENTRY-ONLY SYSTEM” below for a more complete description of such System.

#### **Authority for Issuance**

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, the Ordinance and the City’s Home Rule Charter.

#### **Security for Payment**

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a limited pledge (not to exceed \$1,000) of the surplus revenues derived from the operation of the City’s combined Waterworks and Sewer System (the “System”) remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City’s revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or a part of the revenues of the System (“Net Revenues”). (See “CITY APPLICATION OF THE PROPERTY TAX CODE” herein.)

#### **Tax Rate Limitation**

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, annual direct ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limit prescribed by law. Article XI, Section 5, of the Texas Constitution applicable to home-rule cities is applicable to the City, and limits the maximum ad valorem tax rate of the City to \$2.50 per \$100 taxable assessed valuation for all City purposes. The City’s Home Rule Charter adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 taxable assessed valuation.

Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service.

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

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City’s contractual obligations incurred in connection with (i) the acquisition and equipment of public safety facilities, including the acquisition and equipment of a fire apparatus; and (ii) legal, fiscal and engineering fees in connection with such projects. The City does not anticipate the issuance of any additional debt within the next twelve months.

#### **Redemption Provisions of the Certificates**

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after August 15, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 15, 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.

#### **Notice of Redemption**

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

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



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

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

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

#### **Payment Record**

The City has never defaulted on the payment of its general obligation debt.

#### **Legality**

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

#### **Defeasance**

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that 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 defeased Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Defeasance 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 the City authorizes the defeasance of the Certificates, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that, on the date the City authorizes the defeasance of the Certificates, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those

currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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 or redemption of Certificates have been made as described above, all rights of the City to initiate proceedings to call such Certificates for redemption or take any other action amending the terms of such Certificates are extinguished; provided, however, that the right to call such Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of such 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.

### **Amendments**

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

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

### **Default and Remedies**

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006 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." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion

to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*”, and together with *Wasson I* (“*Wasson*”), ruling 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 at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the Certificates 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 owners of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be Cede & Co., as nominee of DTC. See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the duties of DTC with regard to ownership of the Certificates.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar for the Certificates 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 bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. 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 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 to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or draft mailed on February 15, 2024, and on each February 15 and August 15 thereafter until maturity or prior redemption of the Certificates, by the Paying Agent/Registrar to the last known address of the registered owner 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 of a Certificate will be paid to the registered owner at its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar. 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 designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in “BOOK-ENTRY-ONLY SYSTEM” herein.

## **Record Date**

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any Interest Payment Date means the close of business on the fifteenth day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest 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 (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 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**

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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 designated 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 initially utilized in regard to ownership and transferability of the Certificates.)

## **Limitation on Transfer or Exchange of Certificates**

The Paying Agent/Registrar shall not be required to transfer or exchange any Certificates or any portion thereof 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 with respect to any Certificate or portion called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate called for redemption.

## **Replacement Certificates**

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the 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.

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

The following 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 DTC (defined below) 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 District, 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 District and the Underwriters cannot and do 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.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing 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 Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities 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 District or Agent, 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, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time

to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, 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.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order 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 District, printed physical Bond certificates will be issued to the respective holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

### **INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER**

The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with investment policies approved by the City Council. The City Council appoints the City Manager as the "Investment Officer" of the City. Both State law and the City's investment policies are subject to change.

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever

located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaam or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

### Current Investments

As of June 30, 2023 (unaudited), the City's investable funds were invested in the investment categories / percentage shown below:

<u>Investment Description</u>	<u>Total Invested</u>	<u>Percent of Portfolio</u>
First Financial Bank – Money Market	\$ 8,833,196	54.28%
First Financial Bank – Consolidated Investment Savings	2,122,354	13.04%
First Financial Bank – Consolidated Checking	3,217,391	19.77%
First Financial Bank – Enterprise Fund Debt Savings	<u>2,099,680</u>	<u>12.91%</u>
<b>Total</b>	<b><u>\$16,272,621</u></b>	<b><u>100.00%</u></b>

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

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

### EMPLOYEE PENSION AND RETIREMENT PLAN

The City participates as one of 901 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 agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.org](http://www.tmrs.org).

For more information see the Annual Comprehensive Financial Report, Note 8.



## AD VALOREM TAX PROCEDURES

*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 Nolan County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three 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 (the "10% Homestead Cap"). See "Table 1 – Assessed Valuation" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "Table 1 – Assessed Valuation" for the reduction in taxable valuation attributable to valuation by Productivity Value.

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 TAX PROCEDURES – Issuer 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. See "Table 1 – Assessed Valuation" for the reduction, if any, attributable to state mandated homestead exemptions.

### Local Option Homestead Exemptions

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

### 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. See "Table 1 – Assessed Valuation" for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

### 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.

See "Table 1 – Assessed Valuation" for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

### **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 Financing Zones**

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. 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 "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "CITY APPLICATION OF THE PROPERTY TAX CODE" for descriptions of any TIRZ created in the City.

### **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. See "CITY APPLICATION OF THE PROPERTY TAX CODE" for descriptions of any of the City's tax abatement agreements. For a discussion of how the various exemptions described above are applied by the City, See "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Issuer and Taxpayer Remedies**

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

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See “– Public Hearing and Maintenance and Operation Tax Rate

Limitations".) The Property Tax Code also establishes a procedure for 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.

The foregoing sections represents the City's current understanding of the recently adopted Senate Bill 2, however the City cannot represent at this time what impact such legislation may have on the City. The City may revise and update this information as more information about Senate Bill 2 and its specific impact on the City becomes available.

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

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. 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 the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

#### **CITY APPLICATION OF THE PROPERTY TAX CODE**

The City grants an exemption of \$5,000 to the market value of the residence homestead of persons 65 years of age or older. See Appendix A – Table 4 for a listing of the amounts of these exemptions.

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

The City has not 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 City does not tax "non-business" leased vehicles.

The Nolan County Tax Collector collects property taxes for the City. The Tax Collector does not allow split payments or discounts.

The City does not grant the Freeport Property Exemption.

The City does not grant the exemption for Goods-in-Transit.

The City does not participate in a Tax Increment Reinvestment Zone.

The City has not granted any tax abatements.

#### **ADDITIONAL TAX COLLECTIONS**

Texas law provides that local sales and use taxes ("sales tax") cannot exceed a combined maximum of 2%.

#### **Municipal Sales Tax Collections**

The City has adopted the provisions of Chapter 321 of the Tax Code, as amended, to provide for the levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of the Certificates or other indebtedness. Net collections on a fiscal year basis are shown in Table 8 of Appendix A – Financial Information of the Issuer.

#### **Optional Sales Tax**

The Tax Code provides certain cities and counties the option of assessing a sales 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 tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the Tax Code provides certain cities the option of assessing a sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election.

At an election held in October 1990, registered voters of the City approved the imposition of a one-half percent (1/2%) additional sales tax for property tax reduction and an additional sales and use tax of one-half percent (1/2%) for economic development effective October 1990 through December 2018. **Such sales tax proceeds are not pledged for the payment of the Certificates.**

The City has not held an election regarding an additional sales tax for economic development purposes in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended (Type A economic development corporation).

## **TAX MATTERS**

### **Opinion**

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Issuer, including information and representations contained in the Issuer's federal tax certificate, and (b) covenants of the Issuer contained in the Certificate documents relating to certain matters, including arbitrage, and the use of the proceeds of the Certificates and the property financed or refinanced therewith. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance of the Certificates.

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

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Owner may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

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

Under Existing Law, any owner who has purchased an Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for accrual period and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

### **Collateral Federal Income Tax Consequences**

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

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

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

Interest on the Certificates may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

### **Future and Proposed Legislation**

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

### **State, Local and Foreign Taxes**

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

## Information Reporting and Backup Withholding

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

## Qualified Tax-Exempt Obligations for Financial Institutions

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

The Issuer has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceed \$10,00,000 there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."**

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City 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 certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

### Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement under "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER - Current Investments" herein and the information in Tables 1-12 of Appendix A. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2023.

The Issuer will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2023. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), 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 cannot be provided, the Issuer will provide notice that the audited financial statements are not available and will provide unaudited financial information of the type described in the preceding paragraph by the required time and audited financial statements when they become 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 financial information and operating data by the last day in March in each year, unless the Issuer changes its fiscal year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the Issuer changes its fiscal year, it will notify the MSRB 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; (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 trustee or the change of name of a trustee, 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 a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) of 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.

For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

#### **Availability of Information from MSRB**

The Issuer has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Limitations and Amendments**

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer 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 Issuer 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 Issuer 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 Issuer to comply with its agreement.

The Issuer may amend its 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 Issuer, 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, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering



of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer 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.

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

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the SEC Rule 15c2-12.

### **OTHER PERTINENT INFORMATION**

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

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

#### **Litigation**

In the opinion of the City Attorney, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the City.

#### **Future Debt Issuance**

The City does not anticipate the issuance of any additional debt within the next twelve months.

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

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real 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. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. 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 capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes. Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

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

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations 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 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 excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Certificates, including the alternative minimum tax on corporations. 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. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. Though it may represent the Financial Advisor and certain entities that may bid on the Certificates from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates.

The 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 opened 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 from the transaction.

### **Rating**

S&P Global Ratings ("S&P") has assigned a rating of "AA-" to the Certificates. An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company 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 such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

### **Financial Advisor**

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

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

### **Winning Bidder**

After requesting competitive bids for the Certificates, the City accepted the bid of Robert W. Baird & Co., Incorporated (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of \$121,251.85, less an underwriting discount of \$19,453.07, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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

At the time of payment for and delivery of the Certificates, the Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Certificates, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City and its 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, 2022, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

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

**Links to Websites**

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

**Forward-Looking Statements Disclaimer**

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

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

**Concluding Statement**

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and 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. Reference is made to original statutes, documents and ordinances in all respects.

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the SEC Rule 15c2-12.

**CITY OF SWEETWATER, TEXAS**

/s/Jim McKenzie  
Mayor  
City of Sweetwater, Texas

ATTEST:

/s/Becky Jimenez  
City Secretary  
City of Sweetwater, Texas

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## **APPENDIX A**

### **FINANCIAL INFORMATION OF THE ISSUER**

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

2023 Market Value of Taxable Property (100% of Market Value).....	\$	804,097,057
Less Exemptions:		
Local Optional Over-65 or Disabled Exemption.....	\$	4,824,230
Disabled and Deceased Veterans'.....		5,299,380
Productivity Value Loss.....		1,176,460
Other Exemptions.....		153,032,067
10% Per Year Cap on Residential Homestead.....		24,723,220
Pollution Control Loss.....		4,240
<b>TOTAL EXEMPTIONS</b> .....		<u>189,059,597</u>
2023 Certified Net Assessed Value of Taxable Property.....	\$	615,037,460

Source: Nolan County Appraisal District.

**GENERAL OBLIGATION BONDED DEBT**

(as of September 1, 2023)

**General Obligation Debt Principal Outstanding**

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014	\$	1,080,000
Combination Tax and Revenue Refunding Bonds, Series 2015		2,720,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016		3,285,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2021A		1,981,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2021B		2,175,000
Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates")		<u>2,070,000</u>
Total Gross General Obligation Debt	\$	13,311,000
Less: Self Supporting Debt		
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014 (100% Utility System)	\$	1,080,000
Combination Tax and Revenue Refunding Bonds, Series 2015 (100% Utility System)		2,720,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016 (100% Utility System)		3,285,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2021A (100% Utility System)		1,981,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2021B (100% Utility System)		<u>2,175,000</u>
Total Self-Supporting Debt	\$	<u>11,241,000</u>
Total Net General Obligation Debt Outstanding	\$	<u>2,070,000</u>

2023 Certified Net Assessed Valuation	\$	615,037,460
Ratio of Total Gross General Obligation Debt Principal to 2023 Net Taxable Assessed Valuation		2.16%
Ratio of Net General Obligation Debt to 2023 Net Taxable Assessed Valuation		0.34%

Population: 1990 - 11,967; 2000 - 11,415; 2010 - 10,906; est. 2023 -10,622  
Per Capita Certified Net Taxable Assessed Valuation - \$57,902  
Per Capita Gross General Obligation Debt Principal - \$1,253  
Per Capita Net General Obligation Debt Principal - \$195

**NOTE:** The City has not historically levied an ad valorem tax for debt service but will for repayment of the Certificates. Although the City intends to pay such self supporting debt referenced above from water and sewer revenues, in the event such revenues are not sufficient or the City determines not to appropriate or otherwise provide for payment of such obligation from those revenues or other sources, the City will be required to levy an increased ad valorem tax to pay the debt.

**OTHER OBLIGATIONS****TABLE 2**

At September 30, 2022, leases payable consisted of the following:

*Governmental Activities:*

US Bank Lease payable, dated November 2019 for the acquisition and use of internal service equipment in the amount of \$747,105 for five years due in annual installments through November 2024, bearing an interest rate of 2.48%. The City will acquire the equipment at the end of the lease. Right-to-use Leased equipment under capital leases in capital assets is \$740,165 with accumulated depreciation of \$160,315. Amortization of this leased equipment is included in depreciation in the internal service fund.

Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 149,331	\$ 11,388	\$ 160,719
2024	153,034	7,685	160,719
2025	<u>156,830</u>	<u>3,889</u>	<u>160,719</u>
	<u>\$ 459,195</u>	<u>\$ 22,962</u>	<u>\$ 482,157</u>

Axon lease payable, dated March 10, 2022 for the acquisition and use of police taser equipment. An initial lease liability of \$222,486 was recorded this fiscal year. There was no interest rate specified in the original lease agreement. The City has used the City's effective interest for borrowings, which is 3.25%. Annual requirements to amortize this lease liability and related interest are as follows:

Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 41,697	\$ 5,691	\$ 47,388
2024	43,053	4,335	47,388
2025	44,452	2,936	47,388
2026	<u>45,896</u>	<u>1,492</u>	<u>47,388</u>
	<u>\$ 175,098</u>	<u>\$ 14,454</u>	<u>\$ 189,552</u>

Axon lease payable, dated January 15, 2020 for the acquisition and use of police fleet camera equipment. An initial lease liability of \$144,723 would have been recorded in fiscal year 2020. There was no interest rate specified in the original lease agreement. The City has used the City's effective interest for borrowings, which is 3.25%. Annual requirements to amortize this lease liability and related interest are as follows:

Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 25,395	\$ 2,470	\$ 27,865
2024	<u>26,600</u>	<u>1,265</u>	<u>27,865</u>
	<u>\$ 51,995</u>	<u>\$ 3,735</u>	<u>\$ 55,730</u>



**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

**TABLE 3**

FYE 9/30	Outstanding Debt Service	The Certificates			Total	Combined Debt Service	Less: Self-Supporting Debt	Total Net Debt Service
		Principal	Interest	Total				
2024	\$ 2,072,410	\$ 100,000	\$ 94,600	\$ 194,600	\$ 2,267,010	\$ 2,072,410	\$ 194,600	
2025	2,073,421	110,000	94,000	204,000	2,277,421	2,073,421	204,000	
2026	641,305	130,000	88,500	218,500	859,805	641,305	218,500	
2027	643,265	160,000	82,000	242,000	885,265	643,265	242,000	
2028	639,650	165,000	74,000	239,000	878,650	639,650	239,000	
2029	639,782	175,000	65,750	240,750	880,532	639,782	240,750	
2030	640,541	180,000	57,000	237,000	877,541	640,541	237,000	
2031	646,029	190,000	48,000	238,000	884,029	646,029	238,000	
2032	640,151	200,000	38,500	238,500	878,651	640,151	238,500	
2033	640,043	210,000	28,500	238,500	878,543	640,043	238,500	
2034	519,593	220,000	18,000	238,000	757,593	519,593	238,000	
2035	516,117	230,000	9,200	239,200	755,317	516,117	239,200	
2036	518,175	-	-	-	518,175	518,175	-	
2037	254,720	-	-	-	254,720	254,720	-	
2038	252,980	-	-	-	252,980	252,980	-	
2039	255,943	-	-	-	255,943	255,943	-	
2040	254,556	-	-	-	254,556	254,556	-	
2041	251,896	-	-	-	251,896	251,896	-	
Total	\$ 12,100,577	\$ 2,070,000	\$ 698,050	\$ 2,768,050	\$ 14,868,627	\$ 12,100,577	\$ 2,768,050	

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

2023 Certified Assessed Value of Taxable Property \$ 615,037,460  
 Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2025) \$ 2,277,421  
 Indicated Required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service Requirements \$ 0.3778

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

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

2023 Certified Assessed Value of Taxable Property \$ 615,037,460  
 Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2027) \$ 242,000  
 Indicated Required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service Requirements \$ 0.0402

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

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

(as of September 1, 2023)

Fiscal Year						Percent of Principal
Ending 9/30	Currently Outstanding <sup>(a)</sup>	The Certificates	Total	Principal Unpaid at End of the Year		Retired (%)
2024	\$ 1,899,000	\$ 100,000	\$ 1,999,000	\$ 11,312,000		15%
2025	1,950,000	110,000	2,060,000	9,252,000		30%
2026	570,000	130,000	700,000	8,552,000		36%
2027	576,000	160,000	736,000	7,816,000		41%
2028	577,000	165,000	742,000	7,074,000		47%
2029	582,000	175,000	757,000	6,317,000		53%
2030	588,000	180,000	768,000	5,549,000		58%
2031	599,000	190,000	789,000	4,760,000		64%
2032	599,000	200,000	799,000	3,961,000		70%
2033	605,000	210,000	815,000	3,146,000		76%
2034	491,000	220,000	711,000	2,435,000		82%
2035	491,000	230,000	721,000	1,714,000		87%
2036	497,000	-	497,000	1,217,000		91%
2037	238,000	-	238,000	979,000		93%
2038	239,000	-	239,000	740,000		94%
2039	245,000	-	245,000	495,000		96%
2040	247,000	-	247,000	248,000		98%
2041	248,000	-	248,000	-		100%
Total	<u>\$ 11,241,000</u>	<u>\$ 2,070,000</u>	<u>\$ 13,311,000</u>			

<sup>(a)</sup> Includes self-supporting debt. See TABLE 1 - General Obligation Bonded Debt for a detail of the City's self-supported debt outstanding.

<b>Category</b>	<b>2023</b>	<b>% of Total</b>	<b>2022</b>	<b>% of Total</b>	<b>2021</b>	<b>% of Total</b>
Real, Residential, Single-Family	\$ 322,845,810	40.15%	\$ 281,187,377	38.77%	\$ 253,901,671	37.66%
Real, Residential, Multi-Family	12,995,476	1.62%	10,808,821	1.49%	11,043,883	1.64%
Real, Vacant Lots/Tracts	10,529,860	1.31%	10,151,690	1.40%	10,997,100	1.63%
Real, Acreage (Land Only)	113,120	0.01%	139,610	0.02%	125,070	0.02%
Farm and Ranch Improvements	3,856,820	0.48%	3,333,900	0.46%	2,985,010	0.44%
Real, Commercial & Industrial	142,827,951	17.76%	125,152,097	17.26%	108,760,567	16.13%
Real; Minerals	1,718,310	0.21%	3,708,460	0.51%	2,111,540	0.31%
Real & Tangible, Personal Utilities	34,013,490	4.23%	31,611,780	4.36%	30,454,110	4.52%
Tangible Personal, Commercial and Industrial	115,986,321	14.42%	98,016,513	13.51%	95,631,462	14.18%
Tangible Personal/Mobile Homes	4,465,980	0.56%	3,926,400	0.54%	2,902,480	0.43%
Real Property Inventory	3,859,650	0.48%	4,513,190	0.62%	3,739,660	0.55%
Other	150,884,269	18.76%	152,713,867	21.06%	151,594,260	22.48%
<b>Total Market Value</b>	<b>\$ 804,097,057</b>	<b>100.00%</b>	<b>\$ 725,263,705</b>	<b>100.00%</b>	<b>\$ 674,246,813</b>	<b>100.00%</b>
<b>Less Exemptions:</b>						
Local Option Over-65 /Disabled	\$ 4,824,230		\$ 4,855,410		\$ 4,882,070	
Disabled and Deceased Veterans'	5,299,380		4,702,970		4,217,080	
Productivity Loss	1,176,460		956,440		992,550	
Other Exemptions	153,032,067		153,212,897		159,741,179	
10% Homestead Cap Loss	24,723,220		12,441,020		7,042,050	
TCEQ/Pollution Control Loss	4,240		3,260		4,410	
<b>Total Exemptions</b>	<b>\$ 189,059,597</b>		<b>\$ 176,171,997</b>		<b>\$ 176,879,339</b>	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 615,037,460</b>		<b>\$ 549,091,708</b>		<b>\$ 497,367,474</b>	

<sup>(a)</sup> See "AD VALOREM TAX PROCEDURES - Property Tax Code and Countywide Appraisal District" herein.

Source: Nolan County Appraisal District

Note: Assessed Valuations shown here are July Certified Valuations and may change during the year due to various supplements and protests.

**PROPERTY TAX RATES AND COLLECTIONS**

**TABLE 5**

Tax Year	Net Taxable Assessed		Tax Levy	% Collections		Year Ended
	Valuation			Current	Total	
2013	\$ 395,589,610		\$1,909,117	97.19%	97.19%	9-30-14
2014	427,879,890		2,053,823	96.76%	99.54%	9-30-15
2015	465,192,840		2,232,971	96.69%	99.15%	9-30-16
2016	462,659,282		2,219,828	94.68%	98.83%	9-30-17
2017	447,364,550		2,225,365	95.67%	98.22%	9-30-18
2018	454,939,623		2,262,601	95.08%	98.30%	9-30-19
2019	467,031,440		2,517,299	95.59%	97.34%	9-30-20
2020	483,468,233		2,605,894	96.07%	99.04%	9-30-21
2021	497,367,474		2,705,679	97.06%	99.76%	9-30-22
2022	549,091,708		2,987,059	94.92%	97.66%	9-30-23*
2023	615,037,460		3,119,162	<i>(In process of collecting)</i>		9-30-24

\*Collections as of August 31, 2023.

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Nolan County Appraisal District and the Issuer's 2022 Comprehensive Annual Financial Report.

**PRINCIPAL TAXPAYERS - 2023**

**TABLE 6**

Name	Type of Business or Property	2023 Total Net Assessed Valuation	% of Total 2023 Net Assessed Valuation
Ludlum Measurements Inc.	Local Government	23,458,110	3.81%
CSI Acquisition Company	Electric Utility	21,959,410	3.57%
ONCOR Electric Delivery Company	Housing	11,013,640	1.79%
Crest Pumping Technologies LLC	Construction	8,652,200	1.41%
Loves Hospitality LLC	Hospitality	6,565,720	1.07%
Union Pacific Railroad	Railroad	6,376,640	1.04%
Atmos Energy /Mid Tx Dist	Local Government	6,214,580	1.01%
Suddenlink Communications	Television/Internet Service Provider	5,384,480	0.88%
Wal Mart Stores LP	Retail	4,842,520	0.79%
West Teks LPG Pipeline Lp	Pipeline System	4,452,130	0.72%
<b>Total</b>		<b>\$ 98,919,430</b>	<b>16.08%</b>

The total combined top ten taxpayers in the City currently account for over 16% of the City's tax base. Any adverse development related to these taxpayers and their ability to conduct business at their respective locations within the City's boundaries may result in less local tax revenue, thereby affecting the City's finances and its ability to repay outstanding indebtedness.

Source: Nolan County Appraisal District

**TAX RATE DISTRIBUTION**

**TABLE 7**

The City levies an ad valorem tax for maintenance and operations but has historically not levied an ad valorem tax for debt service. The Certificates are expected to be repaid from ad valorem taxes.

	2023	2022	2021	2020	2019
M&O	\$0.47432	\$0.5075	\$0.5480	\$0.5440	\$0.5390
I&S	<u>\$0.03283</u>	<u>\$0.0000</u>	<u>\$0.0000</u>	<u>\$0.0000</u>	<u>\$0.0000</u>
	<u>\$0.50715</u>	<u>\$0.5075</u>	<u>\$0.5480</u>	<u>\$0.5440</u>	<u>\$0.5390</u>

\*Beginning in Tax Year 2023 the City will levy an I&S Tax for repayment of the Certificates.

**OVERLAPPING DEBT INFORMATION**

*(As of September 1, 2023)*

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

Taxing Body	Gross Debt (As of 9/1/2023)	% Overlapping	Amount Overlapping
Nolan County	\$ 7,593,000	22.28%	\$ 1,691,720
Nolan County Hospital District	18,849,752	22.28%	4,199,725
Sweetwater Independent School District	42,543,000	47.21%	20,084,550
Total Gross Overlapping Debt			<u>\$ 25,975,995</u>
City of Sweetwater			\$ 13,311,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 39,286,995 *</u>
Ratio of Gross Direct and Overlapping Debt to 2023 Net Assessed Taxable Value			6.39% *
Per Capita Gross Direct and Overlapping Debt			\$ 3,699 *

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is \$2,070,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 28,045,995 *
Ratio of Net Direct and Overlapping Debt to 2023 Net Assessed Taxable Value	4.56% *
Per Capita Net Direct and Overlapping Debt	\$2,640.37 *

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

\* Includes the Certificates.

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

Governmental Subdivision	2023 Assessed Valuation	% of Actual	2023 Tax Rate
Nolan County *	\$ 2,787,106,143	100%	\$ 0.4652
Nolan County Hospital District **	2,553,066,076	100%	0.3900
Sweetwater ISD	1,094,405,181	100%	0.9708

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

\* Includes Farm to Market Tax of \$.0747566.

\*\* 2022 Tax Rate.

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

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Nolan County	None		-	-	-
Nolan County Hospital District	None		-	-	-
Sweetwater ISD	5/6/2023	School Building	\$ 49,500,000	\$ 40,000,000	\$ 9,500,000
Sweetwater, City of	None				

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

**MUNICIPAL SALES TAX**

**TABLE 8**

The City has adopted the provisions of Municipal Sales and Use Tax Act, Texas Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City. The proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Voters approved an additional sales and use tax of 1/2 of 1% for property tax reduction, effective October 1990 and an additional sales and use tax of 1/2 of 1% for economic development (Type A) effective October of 1990 through December 2018.

<u>Calendar Year</u>	<u>Total City Collections</u> <sup>(a)</sup>	<u>% of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>	<u>Sweetwater Municipal Development District</u> <sup>(b)</sup>
2013	\$ 3,424,054	179.35%	\$0.87	\$ -
2014	3,668,512	178.62%	0.86	-
2015	3,803,765	170.35%	0.82	-
2016	4,445,812	200.28%	0.96	-
2017	3,722,961	167.30%	0.83	-
2018	3,963,310	175.17%	0.87	-
2019	2,959,518	117.57%	0.63	821,575
2020	2,849,078	109.33%	0.59	1,021,294
2021	3,099,698	114.56%	0.62	1,092,673
2022	3,613,310	120.97%	0.66	1,285,347
2023	2,669,846	(Collections as of September 15, 2023)		934,032

<sup>(a)</sup> The City levied a sales tax rate of 2.00% from 2013 to 2018 and reduced to 1.50% in 2019. Includes 1/2 of 1% for property tax reduction.

<sup>(b)</sup> Based on rate of 1/2 of 1%. 2019 collections March to December.

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

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

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
AND ANALYSIS OF CHANGES IN FUND BALANCES**

**TABLE 9**

	Fiscal Year Ended September 30				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>					
Property Taxes	\$ 2,705,437	\$ 2,620,725	\$ 2,464,658	\$ 2,230,381	\$ 2,234,299
Sales Taxes	3,558,272	3,040,622	2,842,706	2,791,806	2,972,679
Occupancy	-	-	-	-	-
Alcoholic Beverage Taxes	11,970	13,809	9,232	11,979	9,558
Franchise Fees	1,082,083	1,058,911	1,201,782	1,103,867	1,071,082
Intergovernmental	1,336,018	144,802	942,223	45,664	506,567
Charges for Services	2,230,823	1,963,207	1,827,697	1,795,678	1,811,095
Rents and Royalties	680,489	558,804	694,252	761,953	754,909
Contributions and Donations	639,735	327,400	746,427	100	1,400
Licenses and Permits	102,711	91,054	61,525	40,374	50,532
Investment Income	29,687	47,239	57,134	94,730	74,948
Fines and Forfeitures	92,077	50,316	47,256	44,744	42,137
Miscellaneous	577,202	513,412	637,501	475,282	399,691
Total Revenues	<u>\$ 13,046,504</u>	<u>\$ 10,430,301</u>	<u>\$ 11,532,393</u>	<u>\$ 9,396,558</u>	<u>\$ 9,928,897</u>
<b>Expenditures</b>					
Current:					
General Government	\$ 2,327,326	\$ 2,038,949	\$ 1,873,355	\$ 1,807,932	\$ 1,694,033
Public Safety	6,576,908	5,759,349	5,373,302	5,221,288	5,340,082
Public Works	1,176,823	929,398	1,082,168	1,061,504	1,052,145
Culture and Recreation	796,300	819,362	733,256	769,527	736,391
Community Services	73,617	68,166	67,115	68,385	66,702
Airport	301,310	204,070	193,891	232,286	245,650
Debt Service:					
Principal	71,631	-	-	-	-
Interest	3,621	-	-	-	-
Capital Outlay:					
General Government	-	-	82,497	170,585	8,900
Public Safety	291,886	222,480	392,811	40,440	-
Public Works	58,173	7,820	10,875	-	-
Culture and Recreation	169,115	-	756,527	-	-
Airport	1,330,906	17,484	473,038	40,835	134,034
Total Expenditures	<u>13,177,616</u>	<u>10,067,078</u>	<u>11,038,835</u>	<u>9,412,782</u>	<u>9,277,937</u>
<b>Other Financing Sources (Uses):</b>					
Leases (as lesee)	\$ 175,098	\$ -	\$ -	\$ -	\$ -
Operating Transfers In	\$ 1,256,356	675,250	-	600,000	-
Operating Transfers Out	(944,651)	(901,965)	(831,925)	(730,385)	(683,703)
Proceeds from Sale of Assets	-	-	-	-	-
Total Other Financing Sources (Uses):	<u>\$ 486,803</u>	<u>\$ (226,715)</u>	<u>\$ (831,925)</u>	<u>\$ (130,385)</u>	<u>\$ (683,703)</u>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	\$ (131,112)	\$ 136,508	\$ (338,367)	\$ (146,609)	\$ (32,743)
Fund Balance - October 1	<u>\$ 3,498,510</u>	<u>\$ 3,362,002</u>	<u>\$ 3,700,555</u>	<u>\$ 3,897,164</u>	<u>\$ 3,929,907</u>
Fund Balance - September 30	<u>\$ 3,854,201</u> *	<u>\$ 3,498,510</u>	<u>\$ 3,362,187</u>	<u>\$ 3,750,555</u>	<u>\$ 3,897,164</u>

Source: The Issuer's Comprehensive Annual Financial Reports.

\* The City anticipates closing the fiscal year ending September 30, 2023 with an unaudited general fund balance of \$3,882,778.



**CONDENSED WATERWORKS AND SEWER SYSTEM OPERATING STATEMENTS**

**TABLE 9**

	Fiscal Year Ended September 30				
	2022	2021	2020	2019	2018
Revenues (Including Investment Income)	\$ 9,372,995	\$ 8,494,285	\$ 8,075,202	\$ 7,576,944	\$ 7,741,646
Expenses	5,233,482	4,674,891	5,024,384	4,829,180	4,667,000
Net Revenues Available for Debt Service	<u>\$ 4,139,513</u>	<u>\$ 3,819,394</u>	<u>\$ 3,050,818</u>	<u>\$ 2,747,764</u>	<u>\$ 3,074,646</u>
Debt Service Requirements	\$ 2,070,807	\$ 1,826,419	\$ 1,815,714	\$ 1,815,076	\$ 1,802,926
Debt Service Coverage	2.00X	2.09X	1.68X	1.51X	1.71X
Water Connections	4,390	4,377	4,418	4,373	4,391
Sewer Connections	3,684	3,982	4,000	3,953	3,978

**WATER RATES**

**TABLE 10**

*(Based on Monthly Billing)*

**New Rates  
(Effective October 1, 2022)**

**INSIDE CITY LIMITS**

**Residential:**

First 2,000 Gallons	\$	19.61 per month
Next 23,000 Gallons		8.47 per 1,000 gallons
Next 25,000 Gallons		9.11 per 1,000 gallons

**Apartments and Trailer Parks:**

The computation for this classification is based on 80% of the number of Rental units per metered complex, times the minimum charge per unit. Plus, a meter charge based on the size of the meter account.

Minimum unit charge	\$	29.36
---------------------	----	-------

All usage above the minimum allowed on a per computed unit basis per thousand up to 25,000 gallons	\$	8.47
--	----	------

Any usage above 25,000 gallons	\$	9.11
--------------------------------	----	------

Meter charges are identical to commercial accounts

**OUTSIDE CITY LIMITS**

**Residential:** \$34.31 minimum for the first 2,000 gallons plus \$12.85 per 1,000 gallons for all over 2,000 gallons

**Apartments and Trailer Parks:**

The computed units are based on 80% of the rental units per metered complex rounded to the nearest whole unit. Rate per unit are the same as the residential charge \$34.31 with a minimum based on the number of Computed units times the minimum allowed on a per computed unit basis will be charged \$12.85 per thousand gallons.

**Commercial (excluding large industrial plants and other municipalities)**

Commercial users will be charged a minimum based on meter size plus \$12.83 per 1,000 gallons usage. See in-City commercial meter size schedule.

Large Industrial users are charged the same as inside city and other municipalities are charged by contract.

Large dock fee of \$52.50 plus \$13.27 per 1,000 gallons.

Fire Hydrant Meter (Construction) - \$78.75 per month, plus \$13.27 per 1,000 gallons.

**Old Rates  
(Effective October 1, 2021)**

**INSIDE CITY LIMITS**

**Residential:**

First 2,000 Gallons	\$	18.68	per month
Next 23,000 Gallons		8.07	per 1,000 gallons
Next 25,000 Gallons		8.68	per 1,000 gallons

**Apartments and Trailer Parks:**

The computation for this classification is based on 80% of the number of Rental units per metered complex, times the minimum charge per unit. Plus, a meter charge based on the size of the meter account.

Minimum unit charge	\$	27.96	
---------------------	----	-------	--

All usage above the minimum allowed on a per computed unit basis per thousand up to 25,000 gallons	\$	8.07	
--	----	------	--

Any usage above 25,000 gallons	\$	8.68	
--------------------------------	----	------	--

Meter charges are identical to commercial accounts

**Commercial and Industrial:**

Minimum charge based on meter size plus \$7.99 per 1,000 gallons usage

		<u>Minimum Charge</u>	
Meter size up to 1 inch	\$	25.45	per month
Greater than 1" up to 2"		35.26	
Greater than 2" up to 3"		66.16	
Greater than 3" up to 4"		102.77	
Greater than 4" up to 6"		218.96	
Greater than 6" up to 8"		348.54	
Greater than 8" up to 10"		576.45	

**OUTSIDE CITY LIMITS**

**Residential:** \$32.68 minimum for the first 2,000 gallons plus \$12.24 per 1,000 gallons for all over 2,000 gallons

**Apartments and Trailer Parks:**

The computed units are based on 80% of the rental units per metered complex rounded to the nearest whole unit. Rates per unit are the same as the residential charge \$32.68 with a minimum based on the number of Computed units times the minimum allowed on a per computed unit basis will be charged \$12.24 per thousand gallons.

**Commercial (excluding large industrial plants and other municipalities)**

Commercial users will be charged a minimum based on meter size plus \$12.83 per 1,000 gallons usage. See in-City commercial meter size schedule.

Large Industrial users are charged the same as inside city and other municipalities are charged by contract.

Large dock fee of \$52.50 plus \$12.64 per 1,000 gallons.

Fire Hydrant Meter (Construction) - \$78.75 per month, plus \$12.64 per 1,000 gallons.

## **SEWER RATES**

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*(Based on Monthly Billing)*

### **New Rates (Effective October 1, 2022)**

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#### **Inside City Limits**

##### **Residential:**

- \$34.92 minimum for first 2,000 gallons
- \$3.36 per 1,000 gallons thereafter up to a maximum of 10,000 gallons
- \$61.82 Maximum Charge

##### **Apartments and Trailer Parks:**

The computation for the classification is based on 80% of the number of rental units per metered complex rounded to the nearest whole unit. Rates per unit are the same as the residential charge \$34.92 with a minimum based on the number of computed units times the minimum charge per unit and maximum based on usage up to 10,000 gallons per computed units at \$3.36 per thousand gallons above the minimum allowance based on aggregate usage.

##### **Commercial and Industrial:**

- \$40.07 minimum for first 2,000 gallons
- \$3.86 per 1,000 gallons thereafter up to 50,000 gallons
- \$2.85 per 1,000 gallons for all over 50,000 gallons with no maximum

Where sewer is available to in-city customers who are not connected to the system, they shall be charged a minimum of \$40.07 per month.

#### **Outside City Limits**

##### **Residential:**

- \$57.74 minimum for first 2,000 gallons
- \$6.69 per 1,000 gallons thereafter up to 10,000 gallons
- \$111.28 Maximum Charge

##### **Apartments and Trailer Parks:**

The computed units are based on 80% of rental units per metered complex rounded to the nearest whole unit. Rates per unit are the same as the residential charge of \$57.74 with a minimum based on the number of computed units times the minimum charge per unit and maximum based on usage up to 10,000 gallons per computed units at \$6.69 per thousand gallons above the minimum allowance based on aggregate usage.

##### **Commercial and Industrial:**

- \$66.25 minimum for first 2,000 gallons
  - \$7.68 per 1,000 gallons thereafter up to 50,000 gallons
  - \$5.65 per 1,000 gallons for all over 50,000 gallons with no maximum
- All industrial customers using water in direct manufacturing process will be prorated on an individual basis by the City Administration upon presentation of acceptable data to compute such proration.

**Old Rates  
(Effective October 1, 2021)**

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**Inside City Limits**

**Residential:**

\$33.26 minimum for first 2,000 gallons  
\$3.20 per 1,000 gallons thereafter up to a maximum of 10,000 gallons  
\$58.88 Maximum Charge

**Apartments and Trailer Parks:**

The computation for this classification is based on 80% of the number of rental units per metered complex rounded to the nearest whole unit. Rates per unit are the same as the residential charge \$33.26 with a minimum based on the number of computed units times the minimum charge per unit and maximum based on usage up to 10,000 gallons per computed units at \$3.20 per thousand gallons above the minimum allowance based on aggregate usage.

**Commercial and Industrial:**

\$40.07 minimum for first 2,000 gallons  
\$3.86 per 1,000 gallons thereafter up to 50,000 gallons  
\$2.85 per 1,000 gallons for all over 50,000 gallons with no maximum

Where sewer is available to in-city customers who are not connected to the system, they shall be charged a minimum of \$40.07 per month.

**Outside City Limits**

**Residential:**

\$54.99 minimum for first 2,000 gallons  
\$6.37 per 1,000 gallons thereafter up to 10,000 gallons  
\$105.98 Maximum Charge

**Apartments and Trailer Parks:**

The computed units are based on 80% of rental units per metered complex rounded to the nearest whole unit. Rates per unit are the same as the residential charge \$54.99 with a minimum based on the number of computed units times the minimum charge per unit and maximum based on usage up to 10,000 gallons per computed units at \$6.37 per thousand gallons above the minimum allowance based on aggregate usage.

**Commercial and Industrial:**

\$66.25 minimum for first 2,000 gallons  
\$7.68 per 1,000 gallons thereafter up to 50,000 gallons  
\$5.65 per 1,000 gallons for all over 50,000 gallons with no maximum  
All industrial customers using water in direct manufacturing process will be prorated on an individual basis by the City Administration upon presentation of acceptable data to compute such proration.

<u>Name of Customer</u>	<u>Annual Consumption (1000's Gallons)</u>	<u>Annual Bill</u>
United States Gypsum	108,663	\$ 899,874
Georgia Pacific	61,503	531,368
City of Roby	50,958	351,111
Sweetwater Housing Authority	12,843	202,937
Sweetwater Independent School District	12,747	124,737
City of Trent	8,235	56,001
Rolling Plains Hospital	6,842	71,919
Texas State Technical College	4,729	79,718
Mustang Heights Apts	3,799	57,724
Apple Creek Apts	2,274	53,669
City of Bronte*	135,472	7,624
Total	<u>408,065</u>	<u>\$ 2,436,682</u>

\*City of Bronte is a significant water consumer but not significant to revenue.

Source: The City.

<u>Name of Customer</u>	<u>Annual Consumption (1000's Gallons)</u>	<u>Annual Bill</u>
United States Gypsum	108,574	\$ 66,224
Sweetwater Housing Authority	12,843	124,121
Rolling Plains Hospital	7,601	21,565
Sweetwater Independent School District	6,880	29,873
Texas State Technical College	4,729	33,124
Sweetwater Mustang Heights	4,242	33,314
Love's Truck Stop	4,004	12,406
Nolan County Jail	3,896	12,098
Sweetwater 76 Truck Stop	3,283	10,259
DCN Investments	3,186	10,075
Total	<u>\$ 159,238</u>	<u>\$ 353,059</u>

Source: The City.

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF SWEETWATER AND NOLAN COUNTY, TEXAS**

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## General Information regarding the City of Sweetwater, and Nolan County

### The City

The City of Sweetwater, Texas (the “City”) is the county seat and principal commercial center of Nolan County, Texas (the “County”), a northwest Texas County. The City is located 40 miles west of Abilene, Texas and 100 miles east of Midland, Texas on Interstate Highway 20. The City was incorporated in 1902 and has operated under the council-manager form of government since 1902. Policy-making and legislative authority are vested in a City Council consisting of the Mayor and four other members, all elected on a non-partisan basis. The City Council appoints the government’s manager, who in turn appoints the heads of various departments. The Council is elected from single member districts. Council members serve two-year staggered terms, with two council members elected every year. The Mayor is elected to serve a two-year term and is elected at-large.

Some of the City’s attractions include two historical museums and the world’s largest rattlesnake round up. The City also homes the Nolan County Coliseum Complex and the Sweetwater Municipal Auditorium and Henderson Gallery. The Coliseum can accommodate a variety of events and regularly hosts large crowds for equine and livestock events.

### Economy

The City is a center for manufacturing, oil, transportation, wind and solar energy generation and agriculture. The area is a center for livestock, ranching and farming with cotton, grains and sorghum being the principal crops.

Several manufacturing companies are located in close proximity to the City of Sweetwater. A cement production facility, two gypsum-based sheetrock production plants and growing wind energy industry provide a tremendous economic boost to the City and help maintain employment rates at a level that is consistently higher than the state average. The largest employer is a radioactive detection equipment manufacturing company, Ludlum Measurements.

### 2022 Principal Employers

<b>Employer</b>	<b>Employees</b>	<b>% of Total County Employment</b>
Ludlum Measurements	410	6.1%
Sweetwater ISD	399	5.9%
Rolling Plains Hospital	340	5.0%
United States Gypsum	240	3.6%
Wal-Mart	190	2.8%
City of Sweetwater	141	2.1%
Nolan County	113	1.7%
Buzzi Unicem/Lone Star Cement	105	1.6%
Texas State Technical College	104	1.5%
MHMR	100	1.5%

Source: The City’s 2022 Comprehensive Annual Financial Report.

## Nolan County

Nolan County (the “County”) was created in 1876 and organized in 1881. The county seat is the City of Sweetwater. The County is located in west central Texas and has a total area of 914 Square miles. The County is traversed by IH-20, as well as State Highways 70 and 153, and US Route 84.

### Labor Force Statistics

	2023 <sup>(2)</sup>	2022 <sup>(3)</sup>	2021 <sup>(3)</sup>	2020 <sup>(3)</sup>
Civilian Labor Force	6766	6,782	7,214	7,048
Total Employed	6495	6,528	6,872	6,670
Total Unemployed	271	254	342	378
%Unemployed	4.0%	3.7%	4.7%	5.4%
% Unemployed (Texas)				

(1) Source: Texas Workforce Commission.

(2) As of June 2023.

(3) Average Annual Statistics.

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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**PROPOSED FORM OF OPINION OF BOND COUNSEL**

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

**CITY OF SWEETWATER, TEXAS  
COMBINATION TAX AND REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2023  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,070,000**

---

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

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number T-1.

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

IT IS FURTHER OUR OPINION THAT, except as discussed below, the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not “specified private activity bonds” and that, accordingly, interest on the Certificates will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”).

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined



to be inaccurate or upon if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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

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

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

Respectfully,

**APPENDIX D**

***EXCERPTS FROM THE CITY OF SWEETWATER AUDITED FINANCIAL STATEMENTS FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2022***

(Independent Auditor's Report, Management's Discussion and Analysis, 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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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Jim McKinzie and  
Members of the City Council  
Sweetwater, Texas 79556

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

I have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sweetwater, Texas, (City) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's, basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

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

### ***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and schedules, other schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated February 20, 2023, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Cathrine Wilks CPA LLC*

Sweetwater, Texas  
February 20, 2023

**“We lead with trust and respect to provide a vibrant,  
secure community for all”**



**PROFESSIONALISM    INTEGRITY    CONTINUOUS IMPROVEMENT    TEAMWORK**

**CITY OF SWEETWATER, TEXAS**  
**Management's Discussion and Analysis**

As management of the City of Sweetwater, we offer readers of the City of Sweetwater's financial statements this narrative overview and analysis of the financial activities of the City of Sweetwater for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-5 of this report. All amounts in this analysis, unless otherwise indicated, are expressed in **thousands** of dollars.

**Financial Highlights**

- The primary government's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$37,706 (*net position*). The majority of the City's net position, \$27,642 (73%), is net investment in capital assets and is not available for future spending. The City's total net position increased \$2,769 in part due to an American Rescue Plan Act capital grant for infrastructure, a capital grant from Sweetwater Economic Development for the construction of an adequate waterline to supply a manufacturing company, and a healthy increase of sales and franchise tax revenue. The unrestricted net position is \$5,199 and may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Sweetwater's governmental funds reported combined ending fund balances of \$5,244 an increase of \$387 compared to the previous year; of this amount, \$3,310, or 63%, is *available for spending* at the government's discretion (*unassigned fund balance*), \$1,463, or 28%, is committed, \$450, or 8%, is restricted and \$21, or less than 1%, is non-spendable.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of fund balance) for the General Fund was \$3,391 or approximately 26% of total general fund expenditures.
- On a budgetary-basis the City's General Fund revenues were above budget by \$1,857 or 14% and total expenditures were above budget by \$1,864 thousand or 14%.
- Three prior period adjustments were necessary for the following reasons: The implementation of GASB statement 87, which increased net position by \$19,039; the implementation of statement 84 as amended by GASB statement 97 necessitating the addition of the pension trust fund as a fiduciary component unit with a beginning net position of \$9,741,932; and a \$2,594,071 prior period adjustment in CSLFRF funds was required after further clarification of guidance on reporting.

**Overview of the Financial Statements**

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

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

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

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

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

**CITY OF SWEETWATER, TEXAS**  
**Management's Discussion and Analysis**

of Sweetwater include the Water and Wastewater Fund, Solid Waste Management Fund and the Ambulance Fund.

The government-wide financial statements include not only the City of Sweetwater itself (known as the *primary government*), but also Sweetwater Enterprise for Economic Development - Municipal Development District (SEED-MDD) a legally separate political subdivision of the State of Texas and the City. Financial information for this *component unit* has been discretely reported with the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 26 and 27 of this report.

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

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

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

The City of Sweetwater maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other five governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The City of Sweetwater adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 28-31 of this report.

**Proprietary funds.** The City of Sweetwater maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Sweetwater uses enterprise funds to account for its Water and Wastewater, Solid Waste Management and Ambulance activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Sweetwater's various functions. The City of Sweetwater uses internal service funds to account for its Central Garage and Stores and for its Self-Insured Employee Benefit (health care) services. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Fund, the Solid Waste Management and Ambulance Funds, which are all considered to be major funds. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of *combining statements* elsewhere in this report. The basic proprietary fund financial statements can be found on pages 32-34 of this report.

**Fiduciary fund.** The City is the trustee, or fiduciary, for assets held and managed for others. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds

**CITY OF SWEETWATER, TEXAS**  
**Management's Discussion and Analysis**

are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City is only responsible for ensuring that the assets reported in this fund are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary activity is reported in a separate Statement of Net Position located on pages 35-36 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 37 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Sweetwater's pension plans. Required supplementary information can be found on pages 72-78 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 81-89 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sweetwater, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$37,706 at the close of the most recent fiscal year.

<b>City of Sweetwater's Net position</b>						
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>
<b>Assets:</b>						
Current & other assets	\$ 7,922	\$ 8,470	\$ 20,809	\$ 19,650	\$ 28,731	\$ 28,120
Capital assets	8,723	9,924	26,505	27,409	35,228	37,333
Total assets	16,645	18,394	47,314	47,059	63,959	65,453
Deferred outflows of resources	939	1,103	573	655	1,512	1,758
<b>Liabilities:</b>						
Long-term liabilities outstanding	6,736	5,403	19,808	17,471	26,544	22,874
Other liabilities	643	520	1,427	2,941	2,070	3,461
Total liabilities	7,379	5,923	21,235	20,412	28,614	26,335
Deferred inflows of resources	1,253	2,139	667	1,031	1,920	3,170
<b>Net position:</b>						
Net investment in capital assets	8,118	9,237	15,635	18,405	23,753	27,642
Restricted	315	759	2,802	4,106	3,117	4,865
Unrestricted	519	1,439	7,548	3,760	8,067	5,199
Total net position	\$ 8,952	\$ 11,435	\$ 25,985	\$ 26,271	\$ 34,937	\$ 37,706

A significant portion of the City of Sweetwater's net position \$27,642 (73%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Sweetwater uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Sweetwater's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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An additional portion of the City of Sweetwater's net position, \$4,865 (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$5,199 may be used to meet the government's ongoing obligations to citizens and creditors.

There was a \$2,464 increase in the ending net position of governmental activities and an increase of \$2,880 in the ending net position of business-type activities. The total primary government's ending net position increased from the previous year by \$5,344. This increase was primarily due to \$464 American Rescue Plan non-restricted grant, \$1,795 capital grant from the Sweetwater Economic Development MDD for a waterline to a major manufacturing plant, and an increase of \$540 in sales and franchise tax revenue.

At the end of the current fiscal year, the City of Sweetwater can report a government-wide positive balance of \$37,706 in ending net position. The governmental activities had a positive unrestricted net position of \$1,439. This was an increase of \$920 over the previous fiscal year. Details of this swing are discussed further below under the Governmental activities' key elements. The government's separate governmental and business-type activities had positive ending fund balances or net position, except for the ambulance activity which had a deficit net position due to the implementation of GASB 68 in a prior fiscal year. Previous to the implementation, the entity reported all positive balances net position.

**City of Sweetwater's Changes in Net position**

	Governmental activities		Business type activities		Total	
	2021	2022	2021	2022	2021	2022
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 2,540	\$ 2,908	*\$ 10,171	\$ 10,951	\$ 13,291	\$ 13,859
Operating Grants and Contributions	609	812	*639	578	668	1,390
Capital Grants and Contributions	18	1,331	3,598	1,795	3,616	3,126
General Revenues:						
Property Taxes	2,640	2,731	-	-	2,640	2,731
Sales Taxes	3,041	3,558	-	-	3,041	3,558
Other Taxes	1,638	1,803	-	-	1,638	1,803
Grants and Contrib. not Restricted	-	-	-	464	-	464
Other	718	837	495	738	1,213	1,575
<b>Total Revenues</b>	<b>11,204</b>	<b>13,980</b>	<b>14,903</b>	<b>14,526</b>	<b>26,107</b>	<b>28,506</b>
<b>Expenses:</b>						
General Government	1,892	2,127	-	-	1,892	2,127
Public Safety	5,732	6,285	-	-	5,732	6,285
Public Works	899	1,095	-	-	899	1,095
Culture and Recreation	1,434	1,558	-	-	1,434	1,558
Community Services	551	584	-	-	551	584
Airport	444	535	-	-	444	535
Water and Sewer	-	-	6,729	7,104	6,729	7,104
Solid Waste	-	-	1,979	1,920	1,979	1,920
Emergency Medical Services	-	-	2,057	1,954	2,057	1,954
<b>Total Expenses</b>	<b>10,952</b>	<b>12,184</b>	<b>10,765</b>	<b>10,978</b>	<b>21,717</b>	<b>23,162</b>
<b>Increase in Net position Before Transfers and Special items</b>	<b>252</b>	<b>1,796</b>	<b>4,138</b>	<b>3,548</b>	<b>4,390</b>	<b>5,344</b>
Transfers	102	668	(102)	(668)	-	-
<b>Increase (decrease) in net position</b>	<b>354</b>	<b>2,464</b>	<b>4,036</b>	<b>2,880</b>	<b>4,390</b>	<b>5,344</b>
Net position - beginning	8,598	8,952	21,949	25,985	30,547	34,937
Prior Period Adjustment	-	19	-	(2,594)	-	(2,575)
<b>Net position</b>	<b>\$ 8,952</b>	<b>\$ 11,435</b>	<b>\$ 25,985</b>	<b>\$ 26,271</b>	<b>\$ 34,937</b>	<b>\$ 37,706</b>

*\*Reclassified previous year's intergovernmental operating grant for comparison.*

The key elements of the increase to the City of Sweetwater's combined net position by \$5,344 are as follows:



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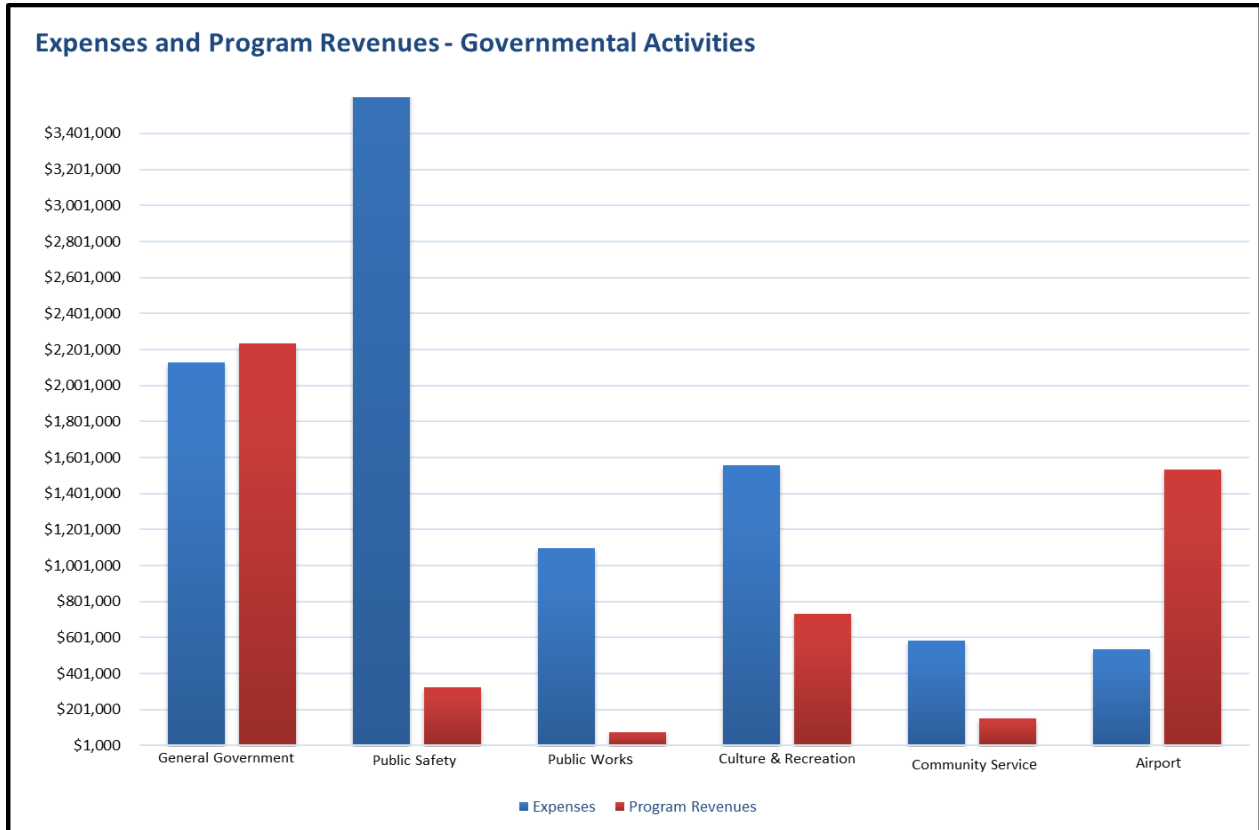
**Governmental activities.** Governmental activities increased the City of Sweetwater's ending net position by \$2,464. Key elements of this increase are as follows:

- The City's charges for services increased \$368, primarily from increased administrative fees to enterprise funds
- The City's total tax collections, including property, sales, and franchise taxes, increased by \$773. The increase in tax collections was primarily due to the healthy sales tax increase of \$517. The property net taxable values for 2022 increased by \$19 million. This resulted in a \$91 thousand increase in property taxes to be used for general governmental services.
- The increase of \$1,516 in the operating and capital grants and contributions categories was due to the completion of a major airport project and donated capital grants.
- Governmental-type expenses increased from previous year by \$1,232. The increase was over all sectors and was due to the increased cost of supplies to maintain city activities and a turnover of police and fire personnel. Purchase requests were carefully considered for necessity before approval was given.
- Net investment in capital assets increased by \$1,119, primarily due to the completion of a federal funded CIP paving project at the airport.

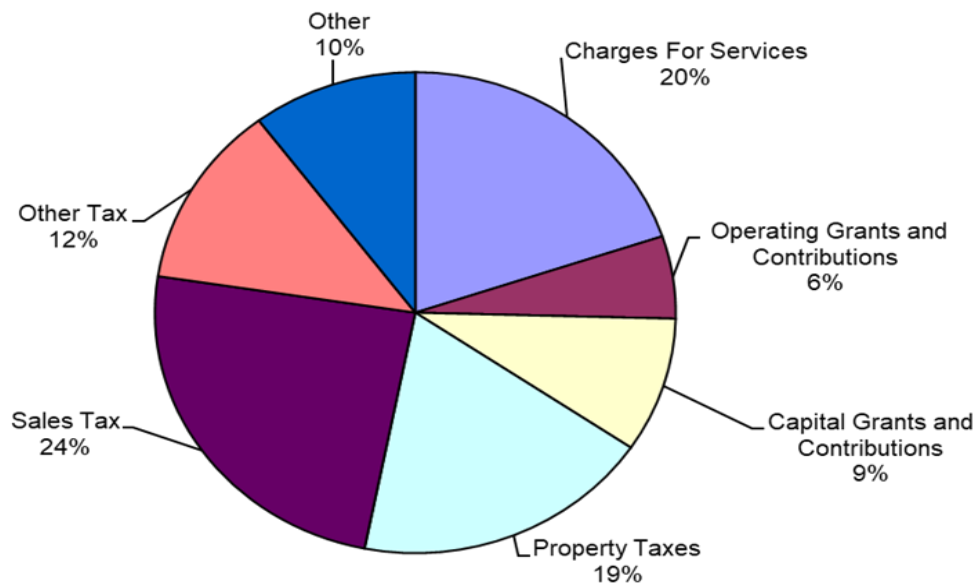
**Business-type activities.** Business-type activities increased the City of Sweetwater's ending net position by \$2,880. Key elements of this increase are as follows:

- Business type total revenues had an overall decrease of \$377 (2.5%) and expenditures increased \$213 (2%).
- Charges for services for the business-type activities increased by \$780 (8%).
  - An increase of \$668 water and sewer revenues reflect a 5% increase in residential rates.
  - There was a \$125 (9%) increase in Refuse charges due to a 4% rate increase.
  - Ambulance charges decreased by 1.7% or \$12.
- There was a decrease of \$1,803 in capital grant revenue for water system and infrastructure projects and a decrease in ambulance operating grant revenue of \$61.
- Transfers from the general fund into the ambulance department increased by \$15.
- Transfers from the water and sewer fund into the general fund to assist with public safety increased \$501 and into the refuse fund for its support was an increase of \$19.

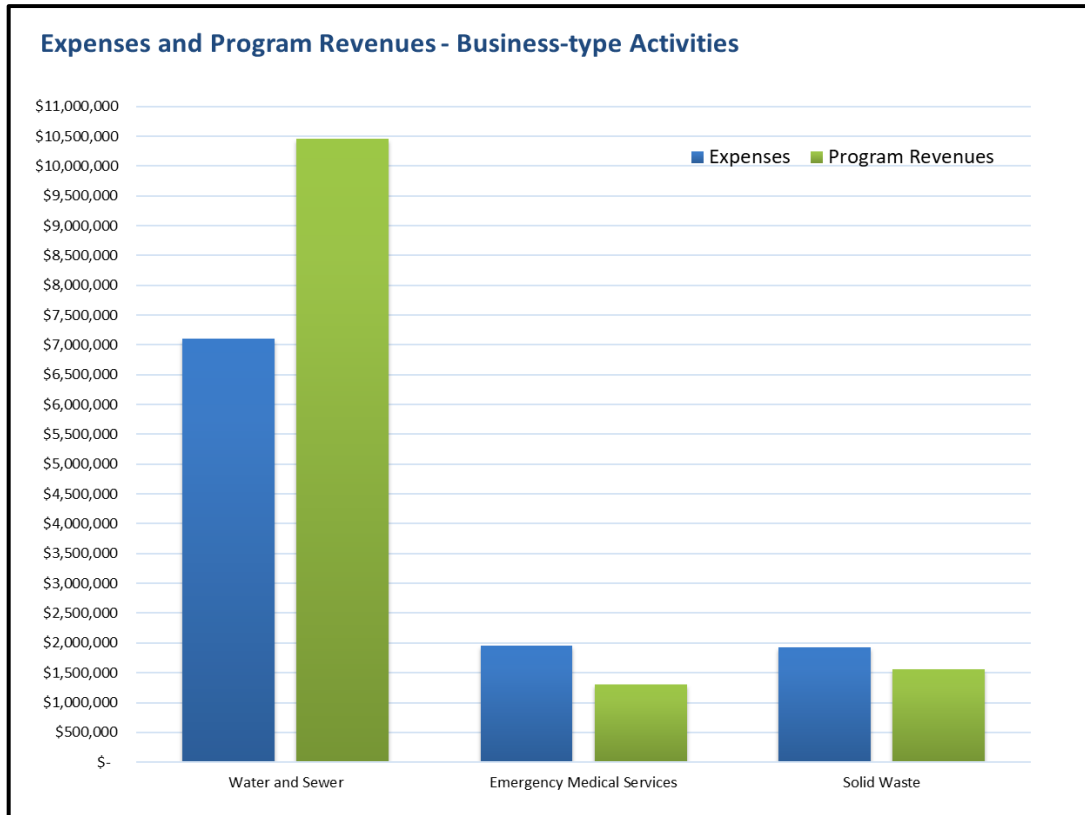
**CITY OF SWEETWATER, TEXAS**  
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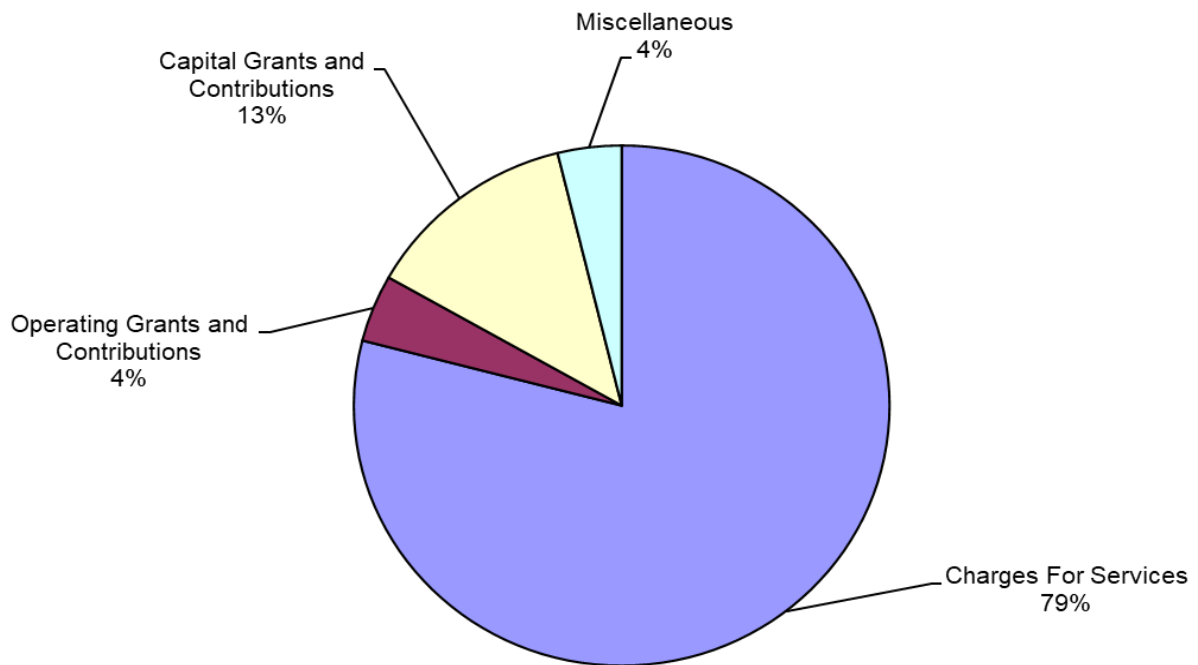
**Revenue by Source - Governmental Activities**



**CITY OF SWEETWATER, TEXAS**  
**Management's Discussion and Analysis**



**Revenues by Source - Business-type Activities**



**CITY OF SWEETWATER, TEXAS**  
**Management's Discussion and Analysis**

## **Individual Fund Reporting**

### **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Sweetwater's governmental funds reported combined ending fund balances of \$5,244. The combined ending fund balances consist of \$3,310 in unassigned fund balance, which is available for spending at the government's discretion and \$1,934 in committed, restricted, and non-spendable fund balances, which must be spent for the purpose in which the designation is intended.

The general fund is the chief operating fund of the City of Sweetwater. At the end of the current fiscal year, total fund balance of the general fund was \$3,854 of which \$3,310 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 29% of total general fund expenditures.

The fund balance of the City of Sweetwater's general fund increased by \$356 during the current fiscal year. The key factors in this increase are as follows:

- General fund revenues increased by \$2,617. This increase was primarily due to the \$1,191 increase in capital and operating grants from the previous year. Also, the city had a healthy increase of \$517 in sales tax collections; charges for services and permits increased by \$268; other donations and contributions primarily for public safety increased over the previous year by \$313; The government's property taxes increased from the previous year by \$84 due to a 4% increase in taxable values; and the other General revenues increased \$244.
- General fund current expenditures increased \$3,111 from fiscal year 2021 primarily due to increases in expenditures in public safety of \$818, general government of \$288, public works of \$248 and airport of \$97 and community services of \$6. Culture and recreation expenditures decreased \$23.
- Capital Outlay increased by \$1,601 from the previous year due to completion of 2021 projects.
- Transfers from the general fund increased \$42 from 2021. The increase was primarily from increases in transfers to the Ambulance fund of \$15 and the SNAP and cemetery funds of \$27.
- The Water and Wastewater Fund transferred \$1,176 into General Fund to help with its support of public safety.

**Proprietary funds.** The City of Sweetwater's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Wastewater Fund at the end of the year amounted to \$6,652. The total increase in net position for this Fund was \$3,046. The Solid Waste Management Fund had a decrease in net position of \$108 even after the \$306 transfers in from the Water Wastewater Fund. The Ambulance Fund had a decrease in net position of \$58 which includes \$588 transfers from the General Fund.

### **General Fund Budgetary Highlights**

The city prepares its annual operating budget on a basis which differs from U.S. generally accepted accounting principles (GAAP basis). See Note 2 of the notes to financial statements for further explanation of the differences in methods. There was one amendment to the budget passed during the year which had the effect of increasing the general fund's budgeted revenues by \$531 and increased its budgeted expenditures by \$784. Following are the main components of the amendments:

- Increase in contributions and donations for police, fire, animal control and park departments from generous citizens and partners.

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- Decrease in intergovernmental revenues due to ineligible grant project.
- Increase in planning and development contracted services for professional services.
- Increase in contracted expenditures for city-wide software development and change.
- Increase in personnel expenditures for additional police and fire department positions.
- Increase in capital outlay for police, fire, animal control and parks equipment grant projects.
- Increase in transfers out to the SNAP funds.

The General Fund's actual budget basis revenues, expenditures, and other financing sources (uses) for fiscal year 2022 resulted in an increase in fund balance of \$356. The actual budget basis total revenues were \$13,047 while budgeted total revenues were \$11,189. The positive variance of \$1,858 was primarily due to intergovernmental revenues exceeding expectations when a Texas Department of Transportation airport paving project resolved its contractor issues and the project was completed in late fiscal year 2022.

General Fund's fiscal year 2022 actual budget basis expenditures before other financing sources (uses) were \$13,178 while budgeted expenditures were \$11,314. The negative variance of \$1,864 was primarily due to the proceeding of the previously postponed unbudgeted airport pavement project referred to above.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Sweetwater's investment in capital assets for its governmental and business type activities as of September 30, 2022 amounts to \$37,333 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, streets, and bridges.

**City of Sweetwater's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Land	\$ 178	\$ 178	\$ 2,416	\$ 2,416	\$ 2,594	\$ 2,594
Buildings	3,518	3,253	6,007	5,685	9,525	8,938
Improvement other than buildings	2,370	3,385	16,573	15,555	18,943	18,940
Machinery and equipment	2,640	2,794	623	599	3,263	3,393
Leased equipment	-	314	-	-	-	314
Construction in progress	17	-	887	3,154	904	3,154
<b>Total</b>	<b>\$ 8,723</b>	<b>\$ 9,924</b>	<b>\$ 26,506</b>	<b>\$ 27,409</b>	<b>\$ 35,229</b>	<b>\$ 37,333</b>

Additional information on the City of Sweetwater's capital assets can be found in Note (4) starting on page 46 of this report.

**City of Sweetwater's Long-Term Obligations**

	Governmental activities		Business-type activities		Total	
	2021	2022	2021	2022	2021	2022
Leases	\$ 605	\$ 687	\$ -	\$ -	\$ 605	\$ 687
Net pension liability	5,083	3,642	3,930	3,447	9,013	7,089
Net OPEB liability	364	390	148	157	512	547
Note Payable	-	-	10	5	10	5
Compensated Absences	684	684	176	203	860	887
General Obligation Bonds	-	-	5,265	4,015	5,265	4,015
Certificates of Obligation	-	-	9,632	9,079	9,632	9,079
Bond premium	-	-	341	246	341	246
Landfill Post-Closure	-	-	306	319	306	319
<b>Total</b>	<b>\$ 6,736</b>	<b>\$ 5,403</b>	<b>\$ 19,808</b>	<b>\$ 17,471</b>	<b>\$ 26,544</b>	<b>\$ 22,874</b>

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**Long-term Obligations.** At the end of the current fiscal year, the City of Sweetwater had \$22,874 of long-term obligations, a decrease of \$3,670. Included in the long-term obligations is bonded debt outstanding of \$13,340, which represents bonds secured by revenue and tax sources.

The City of Sweetwater's decrease in total long-term obligations of \$3,670 (14%) during the current fiscal year was due to a decreased net pension liability and bonded debt. There were no new capital leases or bonded debt obligations issued during the fiscal year.

The City of Sweetwater maintains an "AA-" rating from Standard & Poor's and Fitch for its revenue and tax certificates of obligation debt.

Additional information on the City of Sweetwater's long-term debt can be found in Note (5) starting on page 48 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City's County, Nolan, at year end was 3.3%, a decrease from the 4% rate a year ago. This decrease compares favorably to the state's average unemployment rate for the same period of 4% and the United States rate of 3.5%. The decrease of unemployment reflects the city's optimism in major expansions of two manufacturing plants located just outside of the city's limit, several smaller new business startups, and new business and residential construction projects. It should be mentioned that efforts of the Sweetwater Enterprise for Economic Development – MDD have had an enormous impact in generating more interest in our small town.
- With more activity being generated by the new business and construction projects mentioned above, there is a demand for more city services such as public safety and the maintenance of the City's aging infrastructure. Due to a \$19 million increase in the city's taxable valuation, the City Council set the FY 2023 property tax rate at \$0.5075 per \$100 of valuation to meet the community's needs. This rate is just slightly under the rollback rate.

All of these factors were considered in preparing the City of Sweetwater's budget for the 2023 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Sweetwater's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report for the City or its component unit, Sweetwater Enterprise for Economic Development - Municipal Development District, or requests for additional financial information should be addressed to the Office of the City Comptroller, P.O. Box 450, Sweetwater, Texas 79556-0450.

# BASIC FINANCIAL STATEMENTS

**CITY OF SWEETWATER, TEXAS**

Statement of Net Position  
September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SEED MDD
<b>Assets</b>				
Current cash and cash equivalents	\$ 6,875,228	\$ 9,241,444	\$ 16,116,672	\$ 6,763,315
Receivables (net of allowance for uncollectibles)	632,149	1,454,877	2,087,026	77,246
Internal balances	71,121	(71,121)	-	-
Due from other governments	45,909	99,317	145,226	-
Inventories	94,493	478,600	573,093	-
Other assets	-	308	308	-
Restricted assets:				
Cash and cash equivalents	751,079	8,446,858	9,197,937	-
Capital assets (net of accumulated depreciation):				
Land	178,332	2,415,757	2,594,089	305,439
Construction in-progress	-	3,153,551	3,153,551	-
Buildings	3,252,830	5,685,258	8,938,088	-
Improvements other than buildings	3,384,511	15,554,896	18,939,407	-
Machinery and equipment	2,214,337	599,316	2,813,653	-
Right-tio-use leased equipment	893,394	-	893,394	-
Total assets	<u>18,393,383</u>	<u>47,059,061</u>	<u>65,452,444</u>	<u>7,146,000</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension outflow	1,047,189	633,515	1,680,704	-
Deferred OPEB outflow	55,838	21,501	77,339	-
Total deferred outflows of resources	<u>1,103,027</u>	<u>655,016</u>	<u>1,758,043</u>	<u>-</u>
<b>Liabilities</b>				
Accounts payable	374,227	314,923	689,150	32,689
Customer security deposits	-	459,587	459,587	-
Accrued liabilities	14,785	30,953	45,738	-
Due to other governments	130,947	-	130,947	-
Unearned revenue	-	2,135,476	2,135,476	-
Long-term liabilities:				
Due within one year	284,833	1,973,317	2,258,150	-
Due in more than one year	5,117,674	15,497,923	20,615,597	-
Total liabilities	<u>5,922,466</u>	<u>20,412,179</u>	<u>26,334,645</u>	<u>32,689</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension inflow	2,124,677	1,024,161	3,148,838	-
Deferred OPEB inflow	14,598	6,640	21,238	-
Total deferred inflows of resources	<u>2,139,275</u>	<u>1,030,801</u>	<u>3,170,076</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	9,237,116	18,405,341	27,642,457	305,439
Restricted for:				
Community services	4,578	-	4,578	-
Drug enforcement	2,620	-	2,620	-
PEG capital costs	211,951	-	211,951	-
Public safety	61,510	-	61,510	-
Debt service	308,545	634,725	943,270	-
Court costs	12,446	-	12,446	-
Capital improvements	156,627	3,470,734	3,627,361	-
Development projects	-	-	-	4,239,349
Unrestricted (deficit)	1,439,276	3,760,297	5,199,573	2,568,523
Total Net Position	<u>\$ 11,434,669</u>	<u>\$ 26,271,097</u>	<u>\$ 37,705,766</u>	<u>\$ 7,113,311</u>

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



**CITY OF SWEETWATER, TEXAS**

Statement of Activities  
For the Year Ended September 30, 2022

	Net (Expenses) Revenues and Changes in Net Position						Component Unit
	Program Revenues		Primary Government		SEED MDD		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Function/Program Activities</b>							
<b>Primary Government:</b>							
General government	\$ 2,127,090	\$ 15,388	\$ -	\$ 106,654	\$ -	\$ 106,654	\$ -
Public safety	6,285,284	323,958	-	(5,961,326)	-	(5,961,326)	-
Public works	1,095,161	8,150	-	(1,022,011)	-	(1,022,011)	-
Culture and recreation	1,558,045	253,000	-	(823,225)	-	(823,225)	-
Community services	583,670	151,568	-	(432,102)	-	(432,102)	-
Airport	534,584	200,032	2,890	999,244	-	999,244	-
<b>Total governmental activities</b>	<b>12,183,834</b>	<b>2,908,358</b>	<b>811,804</b>	<b>(7,132,766)</b>	<b>-</b>	<b>(7,132,766)</b>	<b>-</b>
<b>Business-type Activities:</b>							
Water and wastewater	7,103,511	-	1,794,815	-	3,359,152	3,359,152	-
Solid waste management	1,920,303	-	-	-	(357,372)	(357,372)	-
Ambulance	1,953,533	720,232	-	-	(655,422)	(655,422)	-
<b>Total business-type activities</b>	<b>10,977,347</b>	<b>10,951,012</b>	<b>1,794,815</b>	<b>-</b>	<b>2,346,358</b>	<b>2,346,358</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 23,161,181</b>	<b>\$ 13,859,370</b>	<b>\$ 1,389,683</b>	<b>\$ (7,132,766)</b>	<b>\$ 2,346,358</b>	<b>\$ (4,786,408)</b>	<b>\$ -</b>
<b>Component Unit:</b>							
SEED - Municipal Development District	2,464,503	-	-	-	-	-	(2,464,503)
<b>Total component units</b>	<b>\$ 2,464,503</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,464,503)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes				2,731,290	-	2,731,290	-
Sales tax				3,558,271	-	3,558,271	1,273,774
Franchise tax				1,082,083	-	1,082,083	-
Occupancy tax				709,081	-	709,081	-
Alcohol beverage				11,970	-	11,970	-
Grants and contributions not restricted to specific program				-	463,722	463,722	-
Investment earnings				37,590	101,107	138,697	46,317
Other				798,025	637,091	1,435,116	16,095
Transfers				668,126	(668,126)	-	-
Total general revenues, special item and transfers				9,596,437	533,794	10,130,231	1,336,186
Change in net position				2,463,671	2,880,153	5,343,824	(1,128,317)
Net position - beginning				8,951,959	25,985,015	34,936,974	8,241,628
Prior period adjustment				19,039	(2,594,071)	(2,575,032)	-
Net position - ending				\$ 11,434,669	\$ 26,271,097	\$ 37,705,766	\$ 7,113,311

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

## CITY OF SWEETWATER, TEXAS

### Balance Sheet Governmental Funds September 30, 2022

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Current cash and cash equivalents	\$ 3,354,044	\$ 1,524,904	\$ 4,878,948
Receivables, net of allowance for uncollectibles	632,149	-	632,149
Due from other funds	-	2,042	2,042
Due from other governments	27,543	18,136	45,679
Inventories	20,597	-	20,597
Restricted cash and cash equivalents	442,534	-	442,534
Total assets	\$ 4,476,867	\$ 1,545,082	\$ 6,021,949
<b>Liabilities, Deferred Inflows and Fund Balances</b>			
Liabilities:			
Accounts payable	164,022	21,370	185,392
Due to other funds	118,275	3,131	121,406
Due to other governments	-	130,947	130,947
Total liabilities	282,297	155,448	437,745
Deferred inflow of resources:			
Unavailable revenue - property taxes	340,369	-	340,369
Fund balances:			
Non-spendable	20,597	-	20,597
Restricted	442,534	7,198	449,732
Committed	80,736	1,382,436	1,463,172
Unassigned	3,310,334	-	3,310,334
Total fund balances	3,854,201	1,389,634	5,243,835
Total liabilities, deferred inflows, and fund balances	\$ 4,476,867	\$ 1,545,082	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,892,628
Deferred outflows of resources are not reported in the governmental funds.	1,025,905
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(4,683,023)
Deferred inflows of resources are not reported in the governmental funds.	(1,926,714)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	340,369
Internal service funds are used by management to charge the costs of central garage and stores as well as employee benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,541,669
Net position of governmental activities	\$ 11,434,669

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

## CITY OF SWEETWATER, TEXAS

### Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended September 30, 2022

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes:			
Property	\$ 2,705,437	\$ -	\$ 2,705,437
Sales	3,558,272	-	3,558,272
Occupancy	-	709,081	709,081
Alcoholic beverage	11,970	-	11,970
Franchise Fees	1,082,083	-	1,082,083
Intergovernmental	1,336,018	133,392	1,469,410
Charges for services	2,230,823	3,300	2,234,123
Rents and royalties	680,489	-	680,489
Contributions and donations	639,735	18,177	657,912
Licenses and permits	102,711	-	102,711
Investment income	29,687	7,903	37,590
Fines and forfeitures	92,077	-	92,077
Miscellaneous	577,202	35,169	612,371
Total revenues	<u>13,046,504</u>	<u>907,022</u>	<u>13,953,527</u>
<b>Expenditures</b>			
Current:			
General government	2,327,326	-	2,327,326
Public safety	6,576,908	-	6,576,908
Public works	1,176,823	-	1,176,823
Culture and recreation	796,300	709,081	1,505,381
Community services	73,617	523,038	596,655
Airport	301,310	-	301,310
Debt service:			
Principal	71,631	-	71,631
Interest	3,621	-	3,621
Capital outlay:			
Public safety	291,886	-	291,886
Public works	58,173	-	58,173
Culture and recreation	169,115	-	169,115
Airport	1,330,906	-	1,330,906
Total expenditures	<u>13,177,616</u>	<u>1,232,119</u>	<u>14,409,736</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(131,112)</u>	<u>(325,097)</u>	<u>(456,209)</u>
<b>Other financing sources (uses)</b>			
Leases (as lessee)	175,098	-	175,098
Transfers in	1,256,356	356,421	1,612,777
Transfers out	(944,651)	-	(944,651)
Total other financing sources and uses	<u>486,803</u>	<u>356,421</u>	<u>843,224</u>
Net change in fund balances	355,691	31,324	387,015
Fund balances - beginning	3,498,510	1,358,310	4,856,820
Fund balances - ending	<u>\$ 3,854,201</u>	<u>\$ 1,389,634</u>	<u>\$ 5,243,835</u>

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

## CITY OF SWEETWATER, TEXAS

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Year Ended September 30, 2022

Amounts reported for governmental activities in the statement of activities (page 25) are different because:

Net change in fund balances - total governmental funds (page 27)	\$ 387,015
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$2,167,842 exceeded depreciation (846,132) in the current year.	1,321,710
Governmental funds reported the addition of leased equipment from a prior year of (\$144,723), which would have already had accumulated depreciation of \$49,447 and had an outstanding debt balance of \$76,237. The net effect on the statement of activities	(19,039)
Governmental funds report additions and reductions in debt as revenue and expenditures. These payments are reclassified to reduce the long-term liability on the statement of activities.	(229,890)
Included in the changes related to debt is the recognition of deferred outflows of resources of \$148,102, deferred inflows of resources of (\$810,838) and net pension and OPEB liability of \$1,267,909 associated with pension and other post-employment benefit plans.	605,173
Reclassification entries to convert modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, and adjusting current year revenue to show revenue earned from the current year's tax levy, as well as revenue earned on a current year contract yet not available in the current year.	25,853
The net gain of certain activities of internal service funds is reported with governmental activities.	<u>372,849</u>
Change in net position of governmental activities (page 25)	<u><u>\$ 2,463,671</u></u>

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

**CITY OF SWEETWATER, TEXAS**

General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property	\$ 2,716,852	\$ 2,716,852	\$ 2,705,437	\$ (11,415)
Sales	2,897,900	2,897,900	3,558,272	660,372
Alcoholic beverage	15,000	15,000	11,970	(3,030)
Franchise tax	1,054,012	1,054,012	1,082,083	28,071
Intergovernmental	97,100	47,100	1,336,018	1,288,918
Charges for services	2,196,129	2,196,129	2,230,823	34,694
Rents and royalties	745,400	745,400	680,489	(64,911)
Contributions and donations	2,000	583,200	639,735	56,535
Licenses and permits	97,300	97,300	102,711	5,411
Investment income	25,000	25,000	29,687	4,687
Fines and forfeitures	67,910	67,910	92,077	24,167
Miscellaneous	743,300	743,300	577,202	(166,098)
Total revenues	<u>10,657,903</u>	<u>11,189,103</u>	<u>13,046,504</u>	<u>1,857,401</u>
<b>Expenditures</b>				
Current:				
General government:				
Mayor and commission	34,634	34,634	28,523	6,111
City administration	569,365	569,365	541,569	27,796
City finance	372,871	393,871	438,783	(44,912)
Municipal court	137,695	143,695	138,197	5,498
Code enforcement	556,379	574,379	570,802	3,577
Non-departmental	511,197	511,197	609,452	(98,255)
Public safety:				
Police department	3,731,216	4,156,216	4,641,975	(485,759)
Fire department	2,131,762	2,221,087	2,302,071	(80,984)
Public works:				
Streets and signals	1,116,976	1,116,976	1,010,294	106,682
Animal control	158,547	223,547	224,702	(1,155)
Culture and recreation:				
Parks and cemetery	594,216	736,566	758,034	(21,468)
Golf course	94,707	112,512	92,835	19,677
Aquatics	133,695	133,695	114,546	19,149
Community services	68,500	68,500	73,617	(5,117)
Airport	317,533	317,533	1,632,216	(1,314,683)
Total expenditures	<u>10,529,293</u>	<u>11,313,773</u>	<u>13,177,616</u>	<u>(1,863,842)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>128,610</u>	<u>(124,670)</u>	<u>(131,112)</u>	<u>(6,441)</u>
<b>Other financing sources (uses)</b>				
Leases (as lessee)	-	-	175,098	(175,098)
Transfers in	756,000	716,000	1,256,356	(540,356)
Transfers out	(858,306)	(938,306)	(944,651)	6,345
Total other financing sources and uses	<u>(102,306)</u>	<u>(222,306)</u>	<u>486,803</u>	<u>(709,109)</u>
Net change in fund balances	26,304	(346,976)	355,691	(715,550)
Fund balances - beginning	3,498,510	3,498,510	3,498,510	-
Fund balances - ending	<u>\$ 3,524,814</u>	<u>\$ 3,151,534</u>	<u>\$ 3,854,201</u>	<u>\$ (715,550)</u>

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

**CITY OF SWEETWATER, TEXAS**

Statement of Net Position  
Proprietary Funds  
September 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance	Totals	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 8,752,480	\$ 457,272	\$ 31,692	\$ 9,241,444	\$ 1,996,280
Investments	-	-	-	-	-
Due from other funds	-	-	-	-	190,485
Due from other governments	-	-	99,317	99,317	230
Accounts receivable (net of allowance for uncollectibles)	1,175,321	192,357	87,199	1,454,877	-
Inventories	478,600	-	-	478,600	73,896
Other assets	-	-	308	308	-
Restricted assets:					
Cash and cash equivalents	8,446,858	-	-	8,446,858	308,545
Total current assets	<u>18,853,259</u>	<u>649,629</u>	<u>218,516</u>	<u>19,721,404</u>	<u>2,569,436</u>
Noncurrent assets:					
Capital assets:					
Land	2,097,901	317,856	-	2,415,757	-
Construction in-progress	3,153,551	-	-	3,153,551	-
Buildings	13,902,466	108,187	-	14,010,653	145,573
Improvements other than buildings	37,344,495	120,408	-	37,464,903	49,726
Machinery and equipment	4,537,531	980,933	334,274	5,852,738	6,225,573
Right-to-use leased equipment	-	-	-	-	740,165
Less accumulated depreciation	(34,343,236)	(879,360)	(266,228)	(35,488,824)	(5,130,261)
Total capital assets ( net of accumulated depreciation)	<u>26,692,708</u>	<u>648,024</u>	<u>68,046</u>	<u>27,408,778</u>	<u>2,030,776</u>
Total assets	<u>45,545,967</u>	<u>1,297,653</u>	<u>286,562</u>	<u>47,130,182</u>	<u>4,600,212</u>
<b>Deferred Outflows of Resources</b>					
Pension Plans	164,157	29,252	440,106	633,515	70,154
OPEB	16,574	4,290	637	21,501	6,968
Total deferred outflows of resources	<u>180,731</u>	<u>33,542</u>	<u>440,743</u>	<u>655,016</u>	<u>77,122</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	201,930	101,365	11,628	314,923	188,835
Customer security deposits	459,587	-	-	459,587	-
Due to other funds	39,491	15,317	16,313	71,121	-
Accrued interest payable	30,953	-	-	30,953	9,859
Compensated absences-Current	5,188	1,124	14,027	20,339	3,104
Lease payable	-	-	-	-	149,331
Note payable	-	-	4,699	4,699	-
Bond obligations-Current	1,898,279	-	-	1,898,279	-
Unearned revenue	2,135,476	-	-	2,135,476	-
Total current liabilities	<u>4,770,904</u>	<u>117,806</u>	<u>46,667</u>	<u>4,935,377</u>	<u>351,129</u>
Noncurrent liabilities:					
Compensated absences	46,696	10,112	126,245	183,053	27,936
Net pension liability	437,085	272,031	2,738,488	3,447,604	184,618
OPEB liability	118,877	33,402	4,517	156,796	49,557
Landfill post-closure	-	318,612	-	318,612	-
Lease payable	-	-	-	-	309,865
Note payable	-	-	-	-	-
Bond obligations	11,441,858	-	-	11,441,858	-
Total noncurrent liabilities	<u>12,044,516</u>	<u>634,157</u>	<u>2,869,250</u>	<u>15,547,923</u>	<u>571,976</u>
Total liabilities	<u>16,815,420</u>	<u>751,963</u>	<u>2,915,917</u>	<u>20,483,300</u>	<u>923,105</u>
<b>Deferred Inflows of Resources</b>					
Pension Plans	455,585	122,492	446,084	1,024,161	210,252
OPEB	4,363	2,111	166	6,640	2,309
Total deferred inflows of resources	<u>459,948</u>	<u>124,603</u>	<u>446,250</u>	<u>1,030,801</u>	<u>212,561</u>
<b>Net Position</b>					
Net investment in capital assets	17,693,970	648,024	63,347	18,405,341	1,571,580
Restricted for debt service	634,725	-	-	634,725	308,545
Restricted for capital improvements	3,470,734	-	-	3,470,734	-
Unrestricted	6,651,901	(193,395)	(2,698,209)	3,760,297	1,661,543
Total net position	<u>\$ 28,451,330</u>	<u>\$ 454,629</u>	<u>\$ (2,634,862)</u>	<u>\$ 26,271,097</u>	<u>\$ 3,541,668</u>

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

**CITY OF SWEETWATER, TEXAS**

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended September 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance	Totals	
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 5,925,248	\$ -	\$ -	\$ 5,925,248	\$ -
Sewer charges	2,649,072	-	-	2,649,072	-
Delinquent penalties	51,652	-	-	51,652	-
Water and sewer taps	18,025	-	-	18,025	-
Intergovernmental	-	-	577,879	577,879	-
Other charges for services	-	1,411,188	720,232	2,131,420	4,218,700
Other revenue	23,852	151,743	-	175,595	24,316
Total operating income	<u>8,667,849</u>	<u>1,562,931</u>	<u>1,298,111</u>	<u>11,528,891</u>	<u>4,243,016</u>
Operating expenses:					
Personal services	1,772,817	431,301	1,057,966	3,262,084	746,260
Supplies	572,404	99,159	363,821	1,035,384	28,463
Other services and charges	2,888,261	1,355,660	512,747	4,756,668	2,639,301
Depreciation	1,681,987	34,183	18,691	1,734,861	435,057
Total operating expenses	<u>6,915,469</u>	<u>1,920,303</u>	<u>1,953,225</u>	<u>10,788,997</u>	<u>3,849,081</u>
Operating income (loss)	<u>1,752,380</u>	<u>(357,372)</u>	<u>(655,114)</u>	<u>739,894</u>	<u>393,935</u>
Nonoperating revenues (expenses):					
Interest income	95,080	4,719	1,308	101,107	15,012
Rents and royalties	609,867	-	-	609,867	-
Intergovernmental	463,722	-	-	463,722	-
Miscellaneous income	199	19,082	7,943	27,224	-
Loss on disposal of property	(15,881)	-	-	(15,881)	(24,225)
Bond issuance costs	-	-	-	-	-
Interest expense	(172,161)	-	(308)	(172,469)	(11,873)
Total nonoperating revenue (expense)	<u>980,826</u>	<u>23,801</u>	<u>8,943</u>	<u>1,013,570</u>	<u>(21,086)</u>
Net income (loss) before capital contributions and transfers	2,733,206	(333,571)	(646,171)	1,753,464	372,849
Capital contributions	1,794,815	-	-	1,794,815	-
Transfers in	-	306,000	588,230	894,230	-
Transfers out	(1,482,000)	(80,356)	-	(1,562,356)	-
Change in net position	<u>3,046,021</u>	<u>(107,927)</u>	<u>(57,941)</u>	<u>2,880,153</u>	<u>372,849</u>
Total net position - beginning	27,999,380	562,556	(2,576,921)	25,985,015	3,168,819
Prior period adjustment	(2,594,071)	-	-	(2,594,071)	-
Total net position - ending	<u>\$ 28,451,330</u>	<u>\$ 454,629</u>	<u>\$ (2,634,862)</u>	<u>\$ 26,271,097</u>	<u>\$ 3,541,668</u>

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

**CITY OF SWEETWATER, TEXAS**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance	Totals	
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 11,327,843	\$ 1,560,104	\$ 1,318,691	\$ 14,206,638	\$ 507,688
Receipts from interfund services provided	-	-	-	-	3,728,327
Payments to suppliers	(3,932,104)	(1,423,503)	(882,939)	(6,238,546)	(1,304,960)
Payments for claims	-	-	-	-	(1,557,652)
Payments to employees	(1,972,957)	(458,460)	(995,284)	(3,426,701)	(832,036)
Net cash provided by operating activities	<u>3,627,967</u>	<u>(321,859)</u>	<u>(559,532)</u>	<u>2,746,576</u>	<u>541,367</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Rents and royalties	609,867	-	-	609,867	-
Intergovernmental	463,722	-	-	463,722	-
Miscellaneous revenue	199	19,082	7,943	27,224	-
Transfers between funds	(1,482,000)	225,644	588,230	(668,126)	-
Net cash provided (used) by noncapital financing activities	<u>(408,212)</u>	<u>244,726</u>	<u>596,173</u>	<u>432,687</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Acquisition and construction of capital assets	(2,652,617)	-	(1,250)	(2,653,867)	(337,638)
Principal paid on capital obligations	(1,898,279)	-	(4,699)	(1,902,978)	(145,718)
Interest and paying agent fees	(172,161)	-	(308)	(172,469)	(11,873)
Net cash provided (used) by capital and related financing activities	<u>(4,723,057)</u>	<u>-</u>	<u>(6,257)</u>	<u>(4,729,314)</u>	<u>(495,229)</u>
<b>Cash Flows From Investing Activities</b>					
Interest and dividends received	95,080	4,719	1,308	101,107	15,012
Net cash provided (used) by investing activities	<u>95,080</u>	<u>4,719</u>	<u>1,308</u>	<u>101,107</u>	<u>15,012</u>
Net increase (decrease) in cash and cash equivalents	(1,408,222)	(72,414)	31,692	(1,448,944)	61,150
Cash and cash equivalents at beginning of year	16,812,745	529,686	-	17,342,431	2,243,675
Cash and cash equivalents at end of year	<u>\$ 15,404,523</u>	<u>\$ 457,272</u>	<u>\$ 31,692</u>	<u>\$ 15,893,487</u>	<u>\$ 2,304,825</u>
As reported on balance sheet:					
Cash	\$ 8,752,480	\$ 457,272	\$ 31,692	\$ 9,241,444	\$ 1,996,280
Restricted Cash	8,446,858	-	-	8,446,858	308,545
Total cash and cash equivalents at end of year	<u>\$ 17,199,338</u>	<u>\$ 457,272</u>	<u>\$ 31,692</u>	<u>\$ 17,688,302</u>	<u>\$ 2,304,825</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	1,752,380	(357,372)	(655,114)	739,894	393,935
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,681,987	34,183	18,691	1,734,861	435,057
(Increase) decrease in accounts receivable	(16,481)	(2,827)	19,806	498	79,030
(Increase) in due from other governments	(1,297,035)	-	774	(1,296,261)	(200)
(Increase) in due from other funds	239,974	873	403	241,250	(422)
(Increase) in other assets	-	-	308	308	-
(Increase) decrease in inventories	(29,236)	-	-	(29,236)	(41,892)
(Increase) decrease in deferred outflows of resources	(13,451)	(1,741)	(66,460)	(81,652)	(16,407)
Increase (decrease) in accounts payable	(666,317)	16,549	(8,740)	(658,508)	(228,857)
Increase (decrease) in accrued liabilities	(6,467)	-	-	(6,467)	(3,129)
Increase (decrease) in customer deposits	43,219	-	-	43,219	-
Increase (decrease) in compensated absences	1,996	(1,608)	26,623	27,011	1,863
Increase (decrease) in unearned revenue	2,135,476	-	-	2,135,476	-
Increase (decrease) in net pension liability	(395,415)	(49,896)	(36,635)	(481,946)	(149,312)
Increase (decrease) in total OPEB liability	7,304	920	302	8,526	2,778
Increase (decrease) in landfill post-closure	-	12,548	-	12,548	-
Increase (decrease) in due to other funds	(9,393)	1,346	1,658	(6,389)	(6,379)
Increase (decrease) in deferred inflows of resources	199,426	25,166	138,852	363,444	75,302
Total adjustments	1,875,587	35,513	95,582	2,006,682	147,432
Net cash provided by operating activities	<u>\$ 3,627,967</u>	<u>\$ (321,859)</u>	<u>\$ (559,532)</u>	<u>\$ 2,746,576</u>	<u>\$ 541,367</u>

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



**CITY OF SWEETWATER, TEXAS**

Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2022

	Pension Trust Fund	Custodial Funds Evidence Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 120,349	\$ 22,977
Investments		
Westwood large cap value equity fund	1,030,121	-
JOHCM International Select I	307,727	-
Baron Emerging Markets Fund	715,070	-
Westwood all cap growth fund	1,013,772	-
iShares Core MSCI Emerging Markets	616,807	-
Westwood smid cap value equity fund	517,289	-
Westwood small cap value equity fund	722,524	-
Vanguard FTSE Developed Markets	611,597	-
Vanguard Scottsdal Russell 2000	202,014	-
Westwood core investment grade bond fund	1,512,432	-
Westwood high income bond fund	706,991	-
Westwood total return fund	1,009,608	-
Westwood alternative income fund	504,177	-
Westwood income opportunity fund	711,165	-
Contributions receivable	24,458	-
Total assets	10,326,101	22,977
<b>Liabilities</b>		
Accounts payable	14,694	-
Payable to participants	82,693	-
Total liabilities	97,387	-
<b>Net Position</b>		
Restricted for:		
Individuals and organizations	-	22,977
Defined benefit pension plan	10,228,714	-
Total net position	\$ 10,228,714	\$ 22,977

**CITY OF SWEETWATER, TEXAS**

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended September 30, 2022

	Pension Trust Fund	Custodial Funds <u>Evidence Funds</u>
<b>Additions</b>		
Contributions		
Employer - defined benefit plan	\$ 351,021	\$ -
Employees - defined benefit plan	308,920	-
Funds received as evidence	<u>-</u>	<u>51</u>
Total Contributions	<u>659,941</u>	<u>51</u>
Investment income		
Net appreciation in fair value of investments	782,898	-
Interest and dividends	263,321	153
Less: investment income	<u>(60,129)</u>	<u>-</u>
Net investment income	<u>986,090</u>	<u>153</u>
Total Additions	<u>1,646,031</u>	<u>204</u>
<b>Deductions</b>		
Benefits paid including refunds of plan member contributions	1,106,936	-
Benefits paid to individuals	-	948
Administrative expenses	<u>52,313</u>	<u>-</u>
Total Deductions	<u>1,159,249</u>	<u>948</u>
Change in net position	486,782	(744)
Net position - beginning	<u>9,741,932</u>	<u>23,721</u>
Net position - ending	<u><u>\$ 10,228,714</u></u>	<u><u>\$ 22,977</u></u>

## CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements  
September 30, 2022

### (1) Summary of Significant Accounting Policies

#### A. General Statement

The City of Sweetwater, Texas, is a municipal corporation incorporated under Article IX, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The enabling legislation for home rule cities is Article 1175 V.A.T.C.S. The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance welfare, health, morale, comfort, safety, and convenience of the City and its inhabitants.

#### B. Financial Reporting Entity

The City's combined financial statements include the accounts of all City operations.

**Discretely presented component unit.** The Sweetwater Enterprise for Economic Development – Municipal Development District (SEED-MDD) is a legally separate nonprofit corporation. It is a political subdivision of the State of Texas and the City, created in accordance with Chapter 377 of the Texas Local Government Code, as amended (the "Act"), and other applicable laws. SEED-MDD was created for the purpose of developing and financing all development projects as that term is defined in Section 377.001(3) of the ACT, as amended (a "Development Project"). The City appoints a voting majority of the organization's board. The City is able to impose its will on the organization and SEED-MDD has the potential to impose a financial benefit/burden on the City.

Condensed statements of the discretely presented component units are shown on the Statement of Net Position and the Statement of Activities in separate component unit columns.

Financial statements for SEED-MDD may be obtained by writing the City's finance office in City Hall at 200 East 4<sup>th</sup> Street, Sweetwater, Texas 79556.

**Fiduciary Component Unit.** The Sweetwater Firemen's Relief and Retirement Fund (the "Fund") is established and controlled through various State of Texas legislative enactments. The Fund is administered locally by a seven-member Board of Trustees, composed of three members elected from and by the fund members, two representatives of the City of Sweetwater, Texas, and two citizen members. The Board of Trustees are subject to the administrative supervision of and report to the Texas Pension Review Board. The Pension Fund is funded by contributions from firefighters and the City. Title to assets is vested in the fund and not the City. There is a fiscal dependency on the City, and there is a potential that exclusion would result in misleading financial reporting.

**Related Organizations.** The Housing Authority of the City of Sweetwater, Texas (the Authority), created October 10, 1949, is a political sub-division of the State of Texas pursuant to the Constitution and laws of the State of Texas, particularly the Housing Authorities Law, and Texas Civil Statutes (now codified as Chapter 392 of the Local Government Code.) The Authority was authorized by a duly adopted and proper resolution of the City of Sweetwater City Council to transact business and exercise its powers under the Housing Authorities Law. The purpose of the Authority is to, among other things, undertake activities, including the construction, maintenance, or operation of decent, safe, and sanitary housing for persons of low income in the City of Sweetwater, Texas. The Authority was also organized to administer and receive grant funds from the U.S. Department of Housing and Urban Development (HUD) for the benefit of these low-income persons. The Authority, through its component unit the Sweetwater Housing Development Corporation (SHDC) can issue revenue bonds for the construction of Section 8 housing. The component unit SHDC shares the same governing board. The powers of the Authority are vested in the commissioners of the Authority, who are appointed by the City Council. However, the City is not financially accountable for the Authority, because the Authority's operations are subsidized by the federal government, it sets its own budget subject to federal approval, sets its rental rate, and it can issue debt in its own name. The City is not responsible for deficits or liabilities of the Authority or its component unit, SHDC. The operations of the Authority are not a part of the City and thus are

## CITY OF SWEETWATER, TEXAS

### Notes to the Financial Statements September 30, 2022

excluded from the accompanying financial statements.

The City Council is responsible for appointing some members to various other boards of organizations, but the City's accountability for those organizations does not extend beyond making the appointments.

#### C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of Interfund activity has been removed from these statements. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 purchase, use, or directly benefit from goods, services, or privileges provided by a given function or 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*.

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

#### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, sales taxes, intergovernmental revenues, other taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

## CITY OF SWEETWATER, TEXAS

### Notes to the Financial Statements September 30, 2022

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following nonmajor governmental funds:

*Special Revenue funds* are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes or funds with restrictions imposed by the governing body.

The government reports the following major proprietary fund:

The *water and wastewater fund* accounts for the activities of the City. The City of Sweetwater supplies water to city residents, some smaller municipalities, and a non-profit corporation; disposal of wastewater is primarily limited to the citizens of Sweetwater.

The *solid waste management* fund provides solid waste collection and disposal within the City.

The *ambulance* fund provides emergency medical services for all of Nolan County.

The government reports the following non-major proprietary fund types:

*Internal service funds* account for central garage and stores, information technology services performed for other departments, as well as employee benefits provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

The government reports the following fiduciary funds:

*Pension Trust Fund* is used to account for the assets held in trust for members and beneficiaries of the Sweetwater Firefighter's Relief and Retirement Fund.

*Custodial Funds* are used to account for assets held by the City as an agent for individuals, private organizations, and other governmental units. Custodial funds include evidence funds that the police department holds for individuals. These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results or operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's general fund and the private purpose trust fund. 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, including special assessments. 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 *nonoperating* 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 enterprise fund and the government's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses

## CITY OF SWEETWATER, TEXAS

### Notes to the Financial Statements September 30, 2022

not meeting this definition are reported as nonoperating revenues and expenses.

#### E. Budgetary Control

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15. Governmental funds with legally adopted budgets are the General Operating fund, Senior Nutrition Activities Program, Hotel and Motel fund, and the Cemetery Perpetual Care fund.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance Publication and after the first Monday in September.

Prior to October 1, the budget is legally adopted or is amended by the City Council on a basis consistent with generally accepted accounting principles. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

There was one amendment approved this past year and it is material in relation to the original appropriations which were adopted. This amendment increased revenue by \$491,200 and increased expenditures by \$864,480 in the general fund. The revenue accounts were increased for contributions in the amount of \$581,200 with grant revenue and transfers in decreasing \$90,000. The main expenditure accounts associated with the general fund portion of the amendment were the police departments for additional salaries and equipment. The parks department also had a budget increase for \$142,350 for national fitness equipment. The water and wastewater fund had a water line project implemented midyear which necessitated adding revenue of \$2,000,000 in SEED-MDD contributions and expenditures for engineering and other construction related costs of \$1,125,000. Oil and gas royalty income of \$625,000 was an additional revenue increase as well as \$478,000 in CSLFRF grant expenditures. The same budget amendment adjusted other funds, but these amendments were not material in relation to the original appropriations which were adopted.

#### F. Cash and Investments

Cash of all funds, including restricted cash, but excluding the payroll fund, employee benefit, SEED-MDD, drug enforcement, debt service funds, and construction funds are pooled into one common pooled account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash account has an equity interest therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements.

For purposes of the statement of cash flows, the Enterprise and Internal Service Funds consider all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

##### Investments – Abilene Firemen's Relief and Retirement Fund

Investments are valued at fair value and consist of money market funds, mutual funds, common trust funds, and securities traded on a national exchange. Investments are valued at the last reported sales price. Net appreciation (depreciation) in fair value of investments includes net unrealized appreciation (depreciation) of investments and net realized gains (losses) on the sale of investments during the period.

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

G. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

H. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories are controlled and reported by an Internal Service Fund as well as the Water and Wastewater Fund. Most purchases, other than water and wastewater purchases, are recorded as inventory in the Internal Service Fund, and are recorded as an expenditure or expense in the appropriate fund when issued. The Internal Service Fund is then reimbursed through an interfund transfer.

Airport fuel is recorded using the purchases method through the general fund. Inventories still on hand at year-end are recorded in the years the amount is considered significant.

I. Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds".

J. Restricted Assets

The City has funds with the following restricted cash and cash equivalents:

General Fund	\$ 442,534
Internal Service Fund	\$ 308,545
Water and Wastewater Fund	\$ 8,446,858

Monies received from a state issued franchise, which includes a one-percent fee are restricted for capital costs related to public, educational, and governmental (PEG) channels. These funds were \$211,951 at year-end. The general fund has restricted funds for local court costs in the amount of \$12,446. The general fund has donor designated funds of \$218,137 for the police, fire, parks and animal control departments. Certain resources set aside for enterprise fund and internal service fund debt repayment, are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is limited by applicable debt covenants. This restricted cash balance in the enterprise funds was \$634,725 at year-end, and \$308,545 in the internal service fund. The City has funds restricted for construction from their 2021 bond issues in the amount of \$5,311,186. These funds will be used for improvements to the City's water and waterworks systems. Lastly, the City's water and wastewater fund has operating grants restricted and American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds (CSLFRF) restricted for infrastructure improvements in the amount of \$2,500,947.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	3 – 5
Machinery and Equipment	6 – 30
Buildings	40 – 60
Improvements	27.5 – 60

L. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is not liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements and each governmental fund will liquidate their obligation.

M. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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. The same is true for the Sweetwater Firemen's Relief and Retirement Fund (FRR). 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. Each fund is responsible for liquidating their share of net pension liability.

Total OPEB Liability

For purposes of measuring Total OPEB Liability (TOL) and deferred outflows of resources and OPEB expense have been determined on the same basis as they are reported by TMRS. The City reports as a member municipality of the Supplemental Death Benefit Fund (SDBF).

N. Deferred Inflows/Outflows 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 assets that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City has two items that qualify for reporting in this category; the deferred outflow related to pension and the deferred outflow related to OPEB. Both of these are reported in the government-wide Statement of Net Position, Proprietary fund financial statements, and Internal Service fund financial statements.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of



**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify as deferred inflows of resources. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow is reclassified to revenue on the government-wide financial statements. The second is the deferred inflow related to pensions reported in the government-wide Statement of Net Position, Proprietary fund financial statements, and Internal Service fund financial statements.

The components of the City’s deferred outflows of resources and deferred inflows of resources are as follows:

	Governmental Activities	Business Activities			Total	Total Primary Government
		Water and Wastewater	Solid Waste Management	Ambulance		
<b>Deferred Outflows of Resources:</b>						
Pension activities TMRS	\$ 639,229	\$ 164,157	\$ 29,252	\$ 6,696	\$ 200,105	\$ 839,334
Pension activities FRR	407,960	-	-	433,410	433,410	841,370
OPEB activities	55,838	16,574	4,290	637	21,501	77,339
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,103,027</b>	<b>\$ 180,731</b>	<b>\$ 33,542</b>	<b>\$ 440,743</b>	<b>\$ 655,016</b>	<b>\$ 1,758,043</b>
<b>Deferred Inflows of Resources:</b>						
Pension activities TMRS	\$ 1,556,318	\$ 455,585	\$ 122,492	\$ 18,081	\$ 596,158	\$ 2,152,476
Pension activities FRR	568,359	-	-	428,003	428,003	996,362
OPEB activities	14,598	4,363	2,111	166	6,640	21,238
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,139,275</b>	<b>\$ 459,948</b>	<b>\$ 124,603</b>	<b>\$ 446,250</b>	<b>\$ 1,030,801</b>	<b>\$ 3,170,076</b>

**O. Payments Between the City and Component Units**

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

**P. Nature and Purpose of Classifications of Fund Equity**

In the fund financial statements, governmental funds report the following classifications of fund balance:

*Nonspendable* – amounts that are either not in a spendable form or are legally or contractually required to remain intact.

*Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

*Committed* – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.

*Unassigned* - all other spendable amounts. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

As of September 30, 2022, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Non-spendable:			
Inventories	\$ 20,597	\$ -	\$ 20,597
Restricted:			
PEG capital costs	211,951	-	211,951
Court costs	12,446	-	12,446
Public safety	61,510	-	61,510
Public works	6,627	-	6,627
Culture and recreation	150,000	-	150,000
Drug enforcement	-	2,620	2,620
Senior nutrition program	-	4,578	4,578
Committed:			
Property abatement	80,736	-	80,736
Cemetery care	-	1,382,436	1,382,436
Unassigned Fund Balances	<u>3,310,334</u>	<u>-</u>	<u>3,310,334</u>
Total Fund Balances	<u>\$ 3,854,201</u>	<u>\$ 1,389,634</u>	<u>\$ 5,243,835</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

**Q. Minimum Fund Balance Policy**

The General Fund unrestricted fund balance should be at least 25% of the General Fund annual expenditures. This percentage is the equivalent of 92 days expenditures. The circumstances in which the unrestricted balance can be "spent down" include unforeseen revenue shortfalls, unpredicted one-time expenditures or a deliberate spending of accumulated funds in the Committed or Assigned fund balance categories. The balances would be replenished with budgetary measures in the following fiscal year as appropriate.

**R. Net Position**

In the government-wide financial statements and proprietary fund financial statements, the net position is reported in three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. Net investment in capital assets represents the City's total investment in capital assets, net of depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restriction imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net position of the primary government reported restricted net position of \$4,863,736, of which \$224,397 of net position is restricted by enabling legislation.

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

**(2) Deposits and Investments**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits:

At September 30, 2022, the City's deposits were fully secured at year-end as required by the state statutes. The deposits of the component unit were fully secured by Federal Depository Insurance and pledged assets. At year-end, the carrying amount of the City's deposits totaled \$25,337,586 and its component unit's carrying amount of deposits totaled \$6,763,315. The respective bank balances totaled \$25,515,474 and \$6,782,323.

Of the City's First Financial Bank balances of \$20,214,408, \$250,000 was covered by Federal Depository Insurance and pledged collateral with a market value of \$21,231,865. The City's other funds of \$5,123,178 are bond escrow funds held by BOK Financial. The component unit's bank balances were fully covered by Federal Depository Insurance in the amount of \$250,000 with the balance covered by pledged securities. The collateral is held by First Financial Bank of Abilene, Texas. All collateral is in the City's or SEED-MDD's name under a joint safekeeping agreement with Frost National Bank.

The carrying amounts of the deposits as of September 30, 2022 is reported in the financial statements as follows:

Government-wide Statement of Net Position	
Governmental Activities unrestricted	\$6,875,228
Governmental Activities restricted	751,079
Business-type Activities unrestricted	9,241,444
Business-type Activities restricted	8,466,858
Fiduciary Funds Statement of Net Position	
Custodial Funds – Evidence funds	<u>22,977</u>
Total carrying amount of deposits	<u>\$25,357,586</u>

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies. The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City did not have any investments at September 30, 2022.

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

**(3) Receivables**

Receivables as of year-end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water Wastewater Fund	Solid Waste Management	Ambulance Fund	Total
Receivables:					
Accounts	\$ 39,732	\$ 1,249,230	\$ 209,145	\$ 198,670	\$ 1,696,777
Taxes	610,331	-	-	-	610,331
Gross Receivables	650,063	1,249,230	209,145	198,670	2,307,108
Less: allowance for uncollectibles	(17,914)	(73,909)	(16,788)	(111,471)	(220,082)
Net total receivables	<u>\$ 632,149</u>	<u>\$ 1,175,321</u>	<u>\$ 192,357</u>	<u>\$ 87,199</u>	<u>\$ 2,087,026</u>

Intergovernmental receivables are classified separately in the accompanying financial statements. All significant receivables are expected to be collected within one year.

**(4) Capital Assets**

Capital asset activity for the year ended September 30, 2022 was as follows:

<b>Primary Government</b>	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 178,332	\$ -	\$ -	\$ 178,332
Construction in-progress	17,484	1,330,906	(1,348,390)	-
Total capital assets, not being depreciated:	<u>195,816</u>	<u>1,330,906</u>	<u>(1,348,390)</u>	<u>178,332</u>
Capital assets, being depreciated:				
Buildings	7,750,320	17,805	(7,122)	7,761,003
Improvements other than buildings	8,698,501	1,366,579	-	10,065,080
Machinery and equipment	8,171,643	820,817	(159,660)	8,832,799
Right-to-use leased equipment	740,165	367,209	-	1,107,374
Total capital assets being depreciated	<u>25,360,629</u>	<u>2,572,411</u>	<u>(166,782)</u>	<u>27,766,257</u>
Less accumulated depreciation for:				
Buildings	(4,232,757)	(282,539)	7,122	(4,508,173)
Improvements other than buildings	(6,328,771)	(351,799)	-	(6,680,569)
Machinery and equipment	(6,234,727)	(519,170)	135,435	(6,618,462)
Right-to-use leased equipment	(86,299)	(127,681)	-	(213,980)
Total accumulated depreciation	<u>(16,882,553)</u>	<u>(1,281,189)</u>	<u>142,557</u>	<u>(18,021,185)</u>
Total capital assets, being depreciated, net	<u>8,478,076</u>	<u>1,291,222</u>	<u>(24,225)</u>	<u>9,745,072</u>
Governmental activities capital assets, net	<u>\$ 8,673,892</u>	<u>\$ 2,622,127</u>	<u>\$ (1,372,615)</u>	<u>\$ 9,923,404</u>

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

<b>Business-type activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,415,757	\$ -	\$ -	\$ 2,415,757
Construction in-progress	887,155	2,266,396	-	3,153,551
Total capital assets, not being depreciated	<u>3,302,912</u>	<u>2,266,396</u>	<u>-</u>	<u>5,569,308</u>
Capital assets, being depreciated:				
Buildings and system	14,007,335	46,600	(43,282)	14,010,653
Improvements other than buildings	37,240,878	228,156	(4,132)	37,464,903
Machinery and equipment	5,776,365	112,715	(36,343)	5,852,738
Total capital assets being depreciated	<u>57,024,578</u>	<u>387,471</u>	<u>(83,757)</u>	<u>57,328,294</u>
Less accumulated depreciation for:				
Buildings and system	(8,000,524)	(368,153)	43,282	(8,325,395)
Improvements other than buildings	(20,668,339)	(1,245,800)	4,132	(21,910,007)
Machinery and equipment	(5,152,977)	(120,906)	0,462	(5,253,421)
Total accumulated depreciation	<u>(33,821,840)</u>	<u>(1,734,859)</u>	<u>67,876</u>	<u>(35,488,824)</u>
Total capital assets, being depreciated, net	<u>23,202,738</u>	<u>(1,347,388)</u>	<u>(15,881)</u>	<u>21,839,470</u>
Business-type activities capital assets, net	<u>\$ 26,505,650</u>	<u>\$ 919,008</u>	<u>\$ (15,881)</u>	<u>\$ 27,408,778</u>

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

Governmental activities:	
General government	\$ 39,151
Public safety	440,685
Public works	9,006
Culture and recreation	99,368
Community services	22,315
Airport	235,607
Internal Service	435,057
Total depreciation expense – governmental activities	<u>\$1,281,189</u>
Business-type activities:	
Water and Wastewater	\$1,681,986
Solid waste management	34,182
Ambulance	18,691
Total depreciation expense – business-type activities	<u>\$1,734,859</u>

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

**Discretely Presented Component Unit**

Activity for SEED-MDD for the year ended September 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 305,439	\$ -	\$ -	\$ 305,439
Total capital assets, not being depreciated	<u>305,439</u>	<u>-</u>	<u>-</u>	<u>305,439</u>
Capital assets, being depreciated:				
Machinery and equipment	-	-	-	-
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation for:				
Machinery and equipment	-	-	-	-
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SEED-MDD capital assets, net	<u>\$ 305,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,439</u>

**(5) Leases**

At September 30, 2022, leases payable consisted of the following:

Governmental Activities:

US Bank lease payable, dated November 2019 for the acquisition and use of internal service equipment in the amount of \$747,105 for five years due in annual installments through November 2024, bearing an interest rate of 2.48%. The City will acquire the equipment at the end of the lease. Right-to-use leased equipment under capital leases in capital assets is \$740,165 with accumulated depreciation of \$160,315. Amortization of this leased equipment is included in depreciation in the internal service fund.

Annual requirements to amortize this lease liability and related interest are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 149,331	\$ 11,388	\$ 160,719
2024	153,034	7,685	160,719
2025	156,830	3,889	160,719
	<u>\$ 459,195</u>	<u>\$ 22,962</u>	<u>\$ 482,157</u>

Axon lease payable, dated March 10, 2022 for the acquisition and use of police taser equipment. An initial lease liability of \$222,486 was recorded this fiscal year. There was no interest rate specified in the original lease agreement. The City has used the City's effective interest for borrowings, which is 3.25%. Annual requirements to amortize this lease liability and related interest are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 41,697	\$ 5,691	\$ 47,388
2024	43,053	4,335	47,388
2025	44,452	2,936	47,388
2026	45,896	1,492	47,388
	<u>\$175,098</u>	<u>\$ 14,454</u>	<u>\$189,552</u>

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

Axon lease payable, dated January 15, 2020 for the acquisition and use of police fleet camera equipment. An initial lease liability of \$144,723 would have been recorded in fiscal year 2020. There was no interest rate specified in the original lease agreement. The City has used the City's effective interest for borrowings, which is 3.25%. Annual requirements to amortize this lease liability and related interest are as follows:

Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 25,395	\$ 2,470	\$ 27,865
2024	<u>26,600</u>	<u>1,265</u>	<u>27,865</u>
	<u>\$ 51,995</u>	<u>\$ 3,735</u>	<u>\$ 55,730</u>

Right-to-use leased equipment under these two police department leases included in capital assets is \$367,209 with accumulated depreciation of \$103,113. Amortization of this leased equipment is included in depreciation in public safety depreciation on the government wide statements.

**(5) Long-Term Obligations**

At September 30, 2022, notes payable, and bonds payable consisted of the following:

Business-Type Activities:

2014 Combination Tax & Surplus Revenue Certificates of Obligation, dated January 1, 2014 for \$1,935,000 due in annual installments through August 15, 2033, bearing interest rates of 0% to 2.78%.	1,175,000
2015 Combination Tax & Revenue Refunding Bonds, dated May 1, 2015 for \$8,480,000 due in annual installments through August 15, 2025, bearing interest rates of 2% to 3.5%.	4,015,000
2016 Combination Tax & Revenue Certificates of Obligation, dated July 15, 2016 for \$5,000,000 due in annual installments through August 15, 2036, bearing interest rates of 0% to 0.8%.	3,530,000
2021A Combination Tax and Surplus Revenue Certificates of Obligation, Dated May 1, 2021 for \$2,187,000 due in annual installments through August 15, 2041, bearing interest rates of .60% to 1.44%.	2,084,000
2021B Combination Tax and Surplus Revenue Certificates of Obligation, Dated May 1, 2021 for \$2,400,000 due in annual installments through August 15, 2041, bearing interest rates of .60% to 1.69%.	<u>2,290,000</u>
<b>Total Bonds Payable</b>	<b><u>\$ 13,094,000</u></b>

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

Annual requirements to retire the bonds and related interest are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,853,000	\$ 221,525	\$ 2,074,525
2024	1,899,000	173,410	2,072,410
2025	1,950,000	123,421	2,073,421
2026	570,000	71,305	641,305
2027	576,000	67,265	643,265
2028 - 2032	2,945,000	261,153	3,206,153
2033 - 2037	2,322,000	126,648	2,448,648
2038 - 2041	979,000	36,375	1,015,375
	<u>\$13,094,000</u>	<u>\$ 1,081,102</u>	<u>\$14,179,802</u>

Note payable to Stryker Flex Financial for the purchase of Emergency Medical Service equipment dated January 23, 2019. Payable in annual installments through January 2023, imputed interest rate of 2.30%. \$ 4,699

This note will be paid next fiscal year.

All five bond issues constitute direct obligations of the City secured by a pledge of ad valorem taxes levied against all taxable property located within the City, within the limits prescribed by law. The Certificates are additionally secured by a first lien pledge of the Net Revenues of the Water and Wastewater System. If the City has sufficient surplus revenues set aside and available in advance of the time when ad valorem taxes are scheduled to be levied for any year, they have the option of reducing the required tax levy required to be deposited in the interest and sinking fund. The City has chosen to set aside adequate surplus water revenues, thus reducing the required ad valorem tax requirement to zero. The City has not adopted an interest and sinking tax rate and considers all debt to be enterprise fund debt to be repaid by enterprise fund revenue. Net Revenues consist of the gross revenues of the system less the expenses of operation and maintenance of the system to render adequate service to the users.

The note to Stryker Flex Financial is for the purchase of ambulance equipment. No interest and sinking fund is required and the equipment is collateral on the loan. This is a seller financed note with a stated interest rate of 0%. The City has imputed an interest rate of 2.30%.

The City is in compliance with all significant financial requirements as of September 30, 2022.



**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
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**Changes in Outstanding Obligations**

Transactions for the year ended September 30, 2022 are summarized as follows:

	Balance September 30, 2021	New Issue or Additions	Payments or Expenditures	Balance September 30, 2022	Due Within One Year
<u>Governmental Activities</u>					
Leases	\$ 604,914	\$ 298,723	\$ 217,349	\$ 686,288	\$ 216,423
Net pension liability	5,082,625	-	1,440,645	3,641,980	-
Total OPEB liability	363,934	26,201	-	390,135	-
Compensated Absences	684,367	27,164	27,428	684,103	68,410
Total Governmental Activities	<u>\$ 6,735,840</u>	<u>\$ 352,088</u>	<u>\$ 1,685,422</u>	<u>\$ 5,402,506</u>	<u>\$ 284,833</u>
<u>Business-type Activities</u>					
General Obligation Bonds	5,265,000	-	1,250,000	4,015,000	1,295,000
Certificates of Obligation	9,632,000	-	553,000	9,079,000	558,000
Bond premium	341,416	-	95,279	246,137	95,279
Total bonds payable	15,238,416	-	1,898,279	13,340,137	1,948,279
Landfill post-closure	306,064	12,548	-	318,612	-
Net pension liability	3,929,550	-	481,946	3,447,604	-
Total OPEB liability	148,270	8,526	-	156,796	-
Notes payable	9,398	-	4,699	4,699	4,699
Compensated Absences	176,379	28,620	1,607	203,392	20,339
Total Business-type Activities	<u>\$19,808,077</u>	<u>\$ 49,694</u>	<u>\$ 2,386,531</u>	<u>\$17,471,240</u>	<u>\$ 1,973,317</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Compensated absences and net pension liability that pertain to internal service employees will be liquidated by Central Garage and Stores fund. For the other governmental activities, compensated absences and net pension liabilities are mainly liquidated by the general fund.

**Default Provisions**

Default provisions on the Stryker Flex Financial provisions are that upon default, Stryker may declare the entire balance of unpaid payments for full term immediately due and payable.

**Restricted Asset Account for Debt**

Below is a summary of the business-type restricted asset account for debt:

Bond Accrued Interest Payable	\$ 30,953
Current Maturities of Bonds	<u>603,772</u>
Total Interest and Sinking Fund	<u>\$ 634,725</u>

**Direct Interest**

The bonds listed in note (5) were issued for the creation or continuing existence of specific programs for the City's water and wastewater system. Interest on those bonds is reported in the water and wastewater fund as direct expenses on the Statement of Activities.

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

**(6) Net Investment in Capital Assets**

Net investment in capital assets is composed of the following:

	<u>Capital Assets - Net</u>	<u>Related Debt</u>	<u>Unspent Debt Proceeds</u>	<u>Total</u>
Governmental Activities	\$ 9,923,404	\$ 686,288	\$ -	\$ 9,237,116
Business-type Activities:				
Water and Wastewater Fund	26,692,708	13,340,137	4,341,399	17,693,970
Solid Waste Management	648,024	-	-	648,024
Ambulance Fund	68,046	4,699	-	63,347
Total Business-type Activities	<u>\$ 27,408,778</u>	<u>\$ 13,344,836</u>	<u>\$ 4,341,399</u>	<u>\$ 18,405,341</u>

**(7) Property Tax**

The City's property tax is levied and becomes a lien each October 1, on 100 percent of assessed value listed for all real and personal property located in the City as of the prior January 1. Assessed values are established by the Nolan County Central Appraisal District and certified by the Board of Review.

The City is permitted by Article II, Section 5 of the State of Texas constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. Taxes are due on the levy date and are delinquent on January 31, following the October 1, levy date. Current tax collections for the year ended September 30, 2022 were 95 percent of the tax levy.

Property tax revenues are recognized when they become available. Available means collected within the current period and the amount expected to be collected soon after year-end to pay liabilities of the current period not to exceed 60 days. The amount of taxes collected in the balance of taxes receivable, net of allowance, is recorded as deferred revenue.

Beginning in 1982, the Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100 percent of its appraised market value and is prohibited from applying any assessment ratios. The value of property within the Appraisal District must be reviewed every four years; however, the City may at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and if necessary, legal action. Under this legislation the City continues to set tax rates on City property. However, if the effective tax rates, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the calculated tax rate of the previous year levy and the current year valuation.

**(8) Employee Retirement Systems  
Texas Municipal Retirement System**

**Plan Description**

The City participates as one of 901 member cities in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Title 8, Subtitle G, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
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System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at [www.tmrs.com](http://www.tmrs.com). All eligible employees of the city are required to participate in TMRS.

**Benefits Provided**

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

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

**Vesting and Retirement Eligibility**

TMRS members vest after 5 years of service. If a vested member leaves covered employment before reaching retirement eligibility, the member may leave his or her deposits with TMRS, earn interest on the deposits, and, upon reaching age 60, apply for and receive a monthly retirement payment. A member becomes eligible for service retirement based on various combinations of age and service, depending on which provisions have been adopted by the employing municipality. The City of Sweetwater has adopted a 5 yrs/age 60, 25 yrs/any age provision for their service retirement eligibilities.

**Cost of Living adjustments**

Cost-of-living adjustments are calculated at 1% for a recurring COLA and .90% for a No Recurring COLA.

**Employees covered by benefit terms**

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	92
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>106</u>
Total	<u>238</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 1:1 (1 to 1), 1.5:1 (1.5 to 1), or 2:1 (2 to 1), 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 City’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City of Sweetwater were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.35% and 16.18% in calendar years 2021 and 2022, respectively. The City’s contributions to TMRS for the year ended September 30, 2022 were \$1,016,763 and were equal to the required contributions.

## CITY OF SWEETWATER, TEXAS

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### Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

### Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period December 31, 2014 through 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 Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

**CITY OF SWEETWATER, TEXAS**

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<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Real Return	12.0%	7.22%
Real estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	<u>100.0%</u>	

**Discount Rate**

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

**Changes in the Net Pension Liability**

	<b>Total Pension Liability</b> [a]	<b>Plan Fiduciary Net Position</b> [b]	<b>Net Pension Liability</b> [a] – [b]
Balance at 12/31/2020	\$ 35,922,280	\$ 32,099,121	\$ 3,823,159
Changes for the year:			
Service cost	977,779	-	977,779
Interest	2,392,302	-	2,392,302
Difference between expected and actual experience	332,265	-	332,265
Changes in assumptions	-	-	-
Contributions – employer	-	989,564	(989,564)
Contributions – employee	-	423,805	(423,805)
Net investment income	-	4,183,990	(4,183,990)
Benefit payments, including refunds of employee contributions	(1,939,304 )	(1,939,304 )	-
Administrative expense	-	(19,362)	19,362
Other changes	-	133	(133)
Net changes	<u>\$ 1,763,042</u>	<u>\$ 3,638,825</u>	<u>\$ (1,875,783)</u>
Balance at 12/31/2021	\$ 37,685,322	\$ 35,737,946	\$ 1,947,376

**CITY OF SWEETWATER, TEXAS**

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**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:

	<b>Discount rate</b>	<b>Net pension liability</b>
1% decrease	5.75%	\$ 6,939,075
Current discount rate	6.75%	\$ 1,947,376
1% increase	7.75%	\$ (2,154,490)

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2022 the city recognized pension income of \$17,429. At September 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between projected and actual economic experience	\$ 92,929	\$ -
Changes in actuarial assumptions	8,757	-
Differences between projected and actual investment earnings	-	2,152,476
Contributions subsequent to the measurement date	737,648	-
Total	<u>\$ 839,334</u>	<u>\$ 2,152,476</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement dates of \$737,648 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2022 (i.e. recognized in the city's financial statements September 30, 2023).

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Plan Year ending Dec 31:</b>	
2022	\$ (414,961)
2023	(814,731)
2024	(417,639)
2025	(403,459)
2026	-
Thereafter	-
Total	<u>\$ (2,050,790)</u>



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**The assumptions are summarized below:**

Inflation	2.5% per year
Salary increases	3.5% to 11.5% including inflation
Discount rate*	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB 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, 2021.

**The SDBF required contribution rates, based on these assumptions, are as follows:**

For the Plan Year Ended	Total SDBF Contribution	Retiree Portion of SDBF Contribution
	Rate	Rate
2022	0.30%	0.18%
2021	0.26%	0.14%
2020	0.24%	0.06%
2019	0.26%	0.07%
2018	0.23%	0.07%

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

The following presents the Total OPEB liability of the City, calculated using the discount rate of 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	Discount rate	Total OPEB liability
1% decrease	.84%	\$ 659,383
Current discount rate	1.84%	\$ 546,931
1% increase	2.84%	\$ 459,152



**CITY OF SWEETWATER, TEXAS**

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The City's Total OPEB expense as of December 31, 2021 was calculated as follows:

Service cost	<u>\$ 24,823</u>
Interest on total OPEB liability	10,408
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources;	
Differences between expected and actual	
experience	(12,833)
Changes in assumptions or other inputs <sup>1</sup>	<u>31,482</u>
Total OPEB expense	<u>\$ 53,880</u>

<sup>1</sup>. Generally, this will only be the annual change in the municipal bond index rate.

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

**OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended September 30, 2022 the city recognized OPEB expense of \$53,880. The City also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 21,238
Changes in assumptions and other inputs	69,133	-
Contributions subsequent to the measurement date	<u>8,206</u>	<u>-</u>
Total	<u>\$ 77,339</u>	<u>\$ 21,238</u>

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$8,206 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2022 (i.e. recognized in the city's financial statements September 30, 2023).

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan Year ending Dec 31:	<u>Net deferred outflows (inflows) of resources</u>
2022	\$ 13,635
2023	24,359
2024	9,212
2025	689
2026	-
Thereafter	<u>-</u>
Total	<u>\$ 47,895</u>

## CITY OF SWEETWATER, TEXAS

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### **Sweetwater Firemen's Relief and Retirement Fund Plan Description**

The Board of Trustees is the administrator of the Sweetwater Firemen's Relief and Retirement Fund, a single-employer defined benefit pension plan. The plan is an independent entity for financial reporting purposes. The city of Sweetwater, Texas is the only contributing employer. Members of the fund also contribute to the plan. The plan covers current and former fire fighters of the City of Sweetwater, Texas as well as certain beneficiaries of former fire fighters. The plan is open to new entrants. The plan's benefit provisions are established under the authority of the Texas Local Fire Fighters Retirement Act (TLFFRA). Specific plan provisions are governed by a plan document executed by the Board of Trustees. The fund was established November 3, 1941 and was most recently amended August 1, 2017. The plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The report is available by writing P.O. Box 450, Sweetwater, Texas 79556.

### **Authority for the Fund and Definitions**

The Sweetwater Firemen's Relief and Retirement Fund is established under the authority of the Texas Local Fire Fighter's Retirement Act (TLFFRA). The fund is administered by a Board of Trustees. The Board is made up of three members elected from and by the fund's members, two representatives of the City of Sweetwater, Texas, and two citizen members.

The City of Sweetwater contributes 18% of each member's total pay (including regular, longevity and overtime pay, but excluding lump sum distributions for unused sick leave, or vacation) and members contributed 17%.

Employee contributions are "picked up" by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a member's contributions are excluded from taxable income when paid into the fund.

Fund members receive credit for service for the period during which they pay into, and keep on deposit in the fund, the contributions required by the fund. Service is also granted for certain periods during which a member received disability benefits from the fund; however, service granted during periods of disability is limited to the amount of service, if any, needed to bring a member's service up to 20 years.

Retirement, death, disability, and termination benefits are calculated based upon a member's average monthly salary for the highest 3 years, of the 72 consecutive pay periods which will produce the highest average.

### **Eligibility**

All active employees of the Fire Department of the City of Sweetwater, Texas, are members of the Sweetwater Firemen's Relief and Retirement Fund.

### **Service Retirement Benefits**

A member is eligible for service retirement upon termination of credited service after completion of 20 years of service and attainment of age 50. A member who retires under the service retirement provisions of the fund will receive a monthly benefit equal to the sum of a. and b., below, where:

- a. Members starting service before August 1, 2017 equals 3.95% of the member's high three-year average monthly salary multiplied by his years of service, not in excess of 20. Members starting service after August 1, 2017 equals 3.5% of the member's high five-year average monthly salary multiplied by his year of service, not in excess of 20, and
- b. Equals \$50.00 per month for each year of service in excess of 20.

## CITY OF SWEETWATER, TEXAS

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Service retirement benefits are payable for the member's lifetime. In the event the member's death precedes that of his spouse, two-thirds of the member's pension will be continued to the spouse for her lifetime. A member may elect at the time of his retirement to receive a modified monthly amount payable for as long as either he or his spouse is living.

### **Disability Benefits**

An active member who becomes disabled will receive a monthly disability benefit. Disability benefits are payable in the same form as service retirement benefits. However, disability benefits stop if the member recovers to the point that he no longer meets the definition of disability under the fund. The application for continuing disability benefits must also be made in accordance with procedures adopted by the board of trustees.

#### Definition of Disability

For the first two and one-half years, the member need only be disabled to the extent of being unable to perform the duties of a position offered him in the fire department providing equal or greater pay. After two and one-half years, the member must be unable to perform the duties of any occupation for which he is reasonably suited by reason of education, training or experience.

#### Amount of Disability Benefit

The amount of monthly disability benefit payable under the fund will equal the sum of a. and b., below, where:

- a. Members service starting before August 1, 2017 equals 79.0% of the member's high three-year average monthly salary. Members service starting after August 1, 2017 equals 70.0% of the member's high five-year average monthly salary, and
- b. Equals the \$50.00 multiplied by his number of years of service in excess of 20.

A member's disability benefit will commence once his regular salary, including vacation and sick leave pay, has ceased. Disability benefits are payable in the same joint-and-survivor form as service retirement benefits. A member may elect at the time of his disability retirement to receive a modified monthly amount payable for as long as either he or his spouse is living.

If a disabled member receives workers' compensation benefits, Social Security benefits or a combination of these two benefits, the monthly disability benefit payable under the plan will be the lesser of (i) the disability benefit specified above or (ii) 100 percent of the member's average monthly compensation less the equivalent benefit received from workers' compensation and Social Security. For members whose service begins after August 1, 2017 the average changes to high five-year average monthly compensation.

### **Death Benefits**

If a member whose service starts before August 1, 2018 dies while in active service, after completing at least 10 years of credited service, his widow will receive an immediate monthly benefit, payable for as long as she is living. The amount of the benefit will be equal to the sum of (i) a standard benefit equal to 52.67% of his average salary; plus (ii) two-thirds (2/3) of any additional service benefit the member had earned as of the date of his death.

If a member whose service starts after August 1, 2017 dies while in active service, after completing at least 10 years of credited service, his widow will receive an immediate monthly benefit, payable for as long as she is living. The amount of the benefit will be equal to the sum of (1) a standard benefit equal to 46.67% of his average salary; plus (ii) two-thirds (2/3) of any additional service benefit the member had earned as of the date of his death.

## CITY OF SWEETWATER, TEXAS

### Notes to the Financial Statements September 30, 2022

If a member dies while in active service prior to completing at least 10 years of credited service, his widow will receive an immediate monthly benefit of \$100, payable for as long as she is living and does not remarry. In addition, such widow will receive a one-time payment of \$40,000.

In addition to the above widow's benefit, each unmarried child of the member will receive a monthly benefit of 10.53% of the fire fighter's high three-year average monthly salary and members service starting after August 1, 2017 the monthly benefit is 9.33% of the high five-year average monthly compensation. Orphan benefits continue until the child reaches age 18. However, benefits will continue until age 22 for a child who is a full-time student. Orphan benefits are continued for life to disabled children.

The total of all benefits paid as a result of the death of an active fund member may not exceed the disability or retirement benefit such member had earned as of the date of his death. The total of all benefits paid as a result of the death of a retired member may not exceed the retirement benefit the member was receiving as of the date of his death. Benefits are reduced pro rata, if necessary, in order to satisfy these limitations.

#### **Termination Benefits**

##### Members with at Least Ten Years of Service

A fund member who terminates employment after completing at least 10 years of credited service, but prior to the date he becomes eligible for a service retirement benefit, will be entitled to receive a monthly benefit starting on the date he would have both completed 20 years of credited service and attained age 50. The amount the member will receive equals the monthly service retirement benefit he had accumulated on the date he separated from service.

##### Members with Less Than Ten Years of Service

A fund member who terminates employment prior to completing 10 years of service will be entitled to the return of the excess of his contributions to the fund over the amount of any benefits he has received from the fund. such refund will not include any interest on the member's contributions.

#### **The DROP Option**

A member is eligible to receive his benefit under the plan's DROP provision after he has both completed 23 years of service and attained age 53. The election to participate in the DROP may be made at the time the member elects to retire.

##### Amount of Monthly Retirement Income to DROP Program Participants

The monthly retirement income payable to a member who retires under the DROP will equal his service retirement benefit under the plan based on average monthly salary and years of service as of the member's DROP Eligibility Date. The member's benefit will be calculated, however, using the benefit formula in effect on the member's actual date of retirement.

A member's DROP Eligibility Date is the later of (a) the date the member meets the eligibility requirements for the DROP or (b) the date is three years prior to the member's actual retirement date. Upon retirement, the member will receive - in addition to his monthly retirement benefit - a single payment equal to the total of the monthly retirement benefits the member would have received between his DROP Eligibility Date and the time he retired under the plan.

**CITY OF SWEETWATER, TEXAS**

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**Amendment of the Plan**

The plan document may be amended as provided in Section 7 of the Texas Fire Fighters' Retirement Act (Article 6243e. V.T.C.S.). Amending the plan requires approval of any proposed change by (a) an eligible actuary and (b) a majority of the participating members of the fund.

**Employees covered by the plan**

At December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	27
Terminated employees entitled to but not yet receiving benefits	2
Active members	<u>26</u>
Total	<u>55</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 8.0%, 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 (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	<u>Discount rate</u>	<u>Net pension liability</u>
1% decrease	7.0%	\$ 6,927,512
Current discount rate	8.0%	\$ 5,142,208
1% increase	9.0%	\$ 3,647,358

**Investments and the Long-term Expected rate of Return on Pension Plan Assets**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Stock	40%	4.6%
International Stock	16%	6.2%
Fixed Income	22%	2.0%
Multi-Asset	<u>22%</u>	4.4%
Total	100%	

**CITY OF SWEETWATER, TEXAS**

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**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Liability [a] – [b]
Balance at 12/31/2020	\$ 14,930,948	\$ 9,741,932	\$ 5,189,016
Changes for the year:			
Service cost	366,375	-	366,375
Interest	1,179,548	-	1,179,548
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions – employer	-	338,890	(338,890)
Contributions – employee	-	320,063	(320,063)
Net investment income	-	986,090	(986,090)
Benefit payments, including refunds of employee contributions	(1,105,949)	(1,105,949)	-
Administrative expense	-	(52,313)	52,313
Net changes	<u>\$ 439,974</u>	<u>\$ 486,781</u>	<u>\$ (46,807)</u>
Balance at 12/31/2021	<u>\$ 15,370,922</u>	<u>\$ 10,228,714</u>	<u>\$ 5,142,208</u>

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

For the year ended September 30, 2022 the city recognized pension expense of \$438,322.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 87,760	\$ 319,452
Changes of assumptions	515,424	202,578
Net difference between projected and actual earnings on Plan investments	-	474,332
Contributions subsequent to the measurement date	238,186	-
Total	<u>\$ 841,370</u>	<u>\$ 996,362</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$238,186 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2022 (i.e. recognized in the city's financial statements September 30, 2023).

**CITY OF SWEETWATER, TEXAS**

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Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending Dec 31:</b>	
2022	\$ (3,222)
2023	(247,082 )
2024	(90,150 )
2025	(52,725 )
2026	-
Thereafter	-
Total	<u>\$ (393,178 )</u>

The plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The report is available by writing P.O. Box 450, Sweetwater, Texas 79556.

**Aggregate Totals for Net Pension Liability and Pension Expense at September 30, 2022:**

	TMRS Plan	Sweetwater Firemen's Relief and Retirement Fund Plan	Total
Net Pension Liability	\$1,947,376	\$5,142,208	\$7,089,584
Pension expense (Income)	(17,429)	438,322	420,893

**(9) Fund Balance Deficit**

The Ambulance Enterprise Fund had a deficit fund balance at September 30, 2022, of \$2,634,862. Funds are budgeted in the general fund to support the fund and to reduce the deficit over future years.

The Firemen's Relief and Retirement Board has raised the contribution rates in 2017 in order to comply with the pension board guidelines necessary to get the amortization period below 40 years. This reduction will be accomplished within 10 years.

**(10) Individual Fund Disclosures**

For fiscal year ended September 30, 2022, the City has expended funds in excess of appropriations at the level of control in the following areas for those funds with budgets presented:

<u>Fund</u>	<u>Department/Control Level</u>	<u>Excess Amount</u>
General Fund	City finance	\$ 44,912
	Non-departmental	98,255
	Police department	485,759
	Fire department	80,984
	Animal control	1,155
	Parks and cemetery	21,468
	Community services	5,117
	Airport	1,314,683
	Senior Nutrition Activities Project	Community services 45,988
	Hotel and Motel Special Revenue	Culture and recreation 69,081

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These over-expenditures were mainly funded by decreased expenditures in other departments, and in some cases, revenues in excess of budgeted amounts.

**(11) Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of September 30, 2022, is as follows:

	Due From	Due To
General fund	\$ -	\$ 118,275
Non-major governmental funds	2,042	3,131
Major enterprise funds:		
Water and wastewater fund	-	39,491
Solid waste management fund	-	15,317
Ambulance	-	16,313
Internal service funds	190,485	-
	<u>\$ 192,527</u>	<u>\$ 192,527</u>

The central garage and stores is an internal service fund that makes inventory purchases for the City and is then reimbursed by the other funds through a transfer. All balances due are scheduled to be collected in the subsequent year.

	Transfers In	Transfers Out
General Fund	\$ 1,256,356	\$ 944,651
Non-major governmental funds	356,421	-
Major enterprise fund:		
Water and wastewater	-	1,482,000
Solid waste management	306,000	80,356
Ambulance	588,230	-
	<u>\$ 2,507,007</u>	<u>\$ 2,507,007</u>

Interfund transfers relate to the funding of deficits by the general fund to the senior nutrition project, cemetery fund and the ambulance fund. The water and wastewater fund transfers budgeted funds to support the general fund's aid to the ambulance fund and non-major governmental funds.

**(12) Risk Management**

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

In addition to the above insurance coverage, the City also has a self-funded employee benefit fund. This fund was established in the fiscal year 1994 for funding the City's employees' health claims and premiums. This plan is a "self-insured" minimum premium cash flow plan. The City and each covered employee make a predetermined monthly contribution to the plan. All claims are reviewed and



**CITY OF SWEETWATER, TEXAS**

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September 30, 2022

processed by an independent plan administrator. The plan administrator pays claims based on the health plan, from the City's checking account and the City releases the checks. The plan administrator charges the City a monthly fee.

The City informally budgets for current claims based on current health care statistics. The City incurred \$1,557,652 in health claims and stop-loss premiums for the year ended September 30, 2022. The City contributed \$948,841 and City employees contributed \$390,104 to the health insurance program for the year ended September 30, 2022. Administrative costs paid to the health plan program administrator are paid directly from the other funds based on their covered employees. The City obtained excess loss insurance which limited annual claims to \$55,000 for any individual participant and an aggregate limit equal to \$862,612.

Incurred but not reported estimated health claims have been accrued as a liability based on the claims submitted after September 30, 2022, and on the City's remaining exposure under the aggregate stop-loss insurance coverage. The estimated liability for health claims is \$141,500 at September 30, 2022.

	Balance at Beginning <u>Fiscal Year</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance At End of <u>Fiscal Year</u>
2019-2020	\$ 157,988	\$ 1,731,881	\$ 1,851,527	\$ 38,342
2020-2021	\$ 38,342	\$ 2,428,340	\$ 2,080,668	\$ 386,014
2021-2022	\$ 386,014	\$ 1,313,138	\$ 1,557,652	\$ 141,500

**(13) Segment Information**

The Government issued revenue bonds to finance its water treatment plant and its wastewater treatment plant. The water and wastewater fund is a major enterprise fund, therefore, the required segment information is already provided in the basic financial statements and condensed information is not required.

**(14) Contingent Liabilities**

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

**(15) Commitments**

Construction Commitments

The City has several construction projects at fiscal year-end. The City has a water transmission main replacement project that has not been completed by fiscal year-end. There are two drinking water improvements projects and a sewer system improvement project ongoing as well. The City added two additional projects this fiscal year. One is called CR 142 water line and the other is various projects being funded by the CSLFRF grant.

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

At fiscal year-end, the City's commitments with contractors and vendors are as follows:

<u>Capital Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitments</u>
<u>Enterprise Fund – Water and Wastewater Fund:</u>		
Water transmission main replacement	\$ 1,794,186	\$ 270,674
Drinking water improvements	\$ 986,889	\$ 1,082,597
Sewer system improvements	\$ 205,325	\$ 203,008
Water and wastewater improvements (CSLFRF)	\$ 463,722	\$ 1,428,509

The water transmission main replacement project is being funded by the City as well as SEED-MDD. The project is expected to be completed in 2023. The project is expected to cost a little more than 2 million dollars.

The drinking water improvements projects are being funded by \$2,187,000 in Texas Water Development bond issuance 2021A certificates of deposit and a \$913,725 TWDB grant. The 2020 DWSRF Improvement projects are expected to be completed in 2023.

The 2020 CWSRF project is being funded by \$2,400,000 2021B Certificates of Obligation bond issue. This project is expected to be completed in 2023 as well.

The CR 142 water line project was started in fiscal year 2022. Engineering costs of \$15,525 have been spent to date. At this early stage of the project, there are no contracts that have been signed. The project is expected to cost \$130,000 and is anticipated to be completed in 2023.

The CSLFRF projects were all started in fiscal year 2022 with one project being completed by year-end. All approved projects are for the water and wastewater fund. The funding received totaled \$2,599,198. The approved projects are expected to be completed in fiscal year 2023.

**(16) Landfill Closure and Post-closure Care Costs**

The City of Sweetwater Type IV landfill site was approved by TCEQ on May 9, 1995. A major amendment #50B, was approved by the TCEQ May 12, 2004. State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill site for 5 years after closure. A liability is reported in the solid waste management fund which represents the estimated remaining current cost of all post-closure care. However, due to changes in technology, laws or regulations these costs may change in the future.

The Sanitation Department opened a new landfill site this year. Municipal Solid Waste Permit No. MSW 50B has a closure cost estimate of \$107,840 and a post-closure cost estimate of \$19,786. Permit No. MSW 2385 has a closure cost estimate of \$150,554 and a post-closure cost estimate of \$40,432 for a total of \$318,612 for both locations.

As previously noted, the City of Sweetwater has two landfills. The old landfill was approved as a Type IV landfill in 1995 and the new one is also a Type IV landfill approved for receiving garbage late fiscal year 2019. The old landfill has reached capacity as of October 2019 and the post closure process has begun. The new landfill has a 120-year estimated life and began accepting garbage October 2019.

**CITY OF SWEETWATER, TEXAS**

Notes to the Financial Statements  
September 30, 2022

**(17) Tax Abatements**

Tax abatement agreements entered into directly by the City

The City has entered a Chapter 380 grant in the form of a municipal sales tax rebate. Grants are authorized under Texas Local Government Code Chapter 380. A business or entity shall be eligible to participate in the Chapter 380 Economic Development Program on terms and conditions established by the City Council on a case-by-case basis if: (a) the business or entity enters a binding contract with the City under which the business or entity (Operator) is required to make specific and verifiable employment and other commitments that serve the public purposes overseen by the City. The Operator shall deliver to the City a report by January 31 of each year stating (i) the cost of improvements, as set forth in the contract and (ii) the number of new full-time jobs and the number of new part-time jobs at the property.

Subject to the terms and conditions as set forth in the contract, the City shall pay Operator one-third of the reimbursable sales tax collected by the City for all sales generated within the project up to but not to exceed the maximum reimbursement amount of \$500,000. Such payment is due to Operator 60 days after the City's receipt of the respective payment from the State of Texas. If the recipient of a Chapter 380 award breaches any of the terms or conditions of the Economic Development Program Agreement and fails to cure such a breach in accordance with the Economic Development Grant Agreement, the City shall have the right to terminate the Agreement.

No additional commitments were made by the City as part of these agreements. The gross dollar amount, on accrual basis, by which the City sales tax revenues were reduced as a result of the abatement agreement were as follows:

<u>Fiscal Year</u>	<u>Sales tax reduction</u>
9/30/2020	\$12,044
9/30/2021	\$22,048
9/30/2022	\$19,615

Tax abatement agreements entered into by SEED-MDD

SEED-MDD is a participant in the same agreement with Operator on the above Economic Development Program Agreement pursuant to Section 377 of the Texas Local Government Code pertaining to the Project which is intended to compliment the City's agreement. Additionally, the SEED-MDD agreement contains identical development requirements to those in the City's contract. The contract requirements are universal to both agreements and not intended to be duplicated. The gross dollar amount, on the accrual basis, by which SEED-MDD sales tax revenues were reduced as a result of the abatement agreement were as follows:

<u>Fiscal Year</u>	<u>Sales tax reduction</u>
9/30/2020	\$10,210
9/30/2021	\$23,882
9/30/2022	\$19,615

**(18) Prior period adjustments**

In the implementation of GASB Statement No. 84, as amended by GASB Statement No. 97 relating to the presentation of fiduciary funds, the pension trust fund was added as a fiduciary component unit with a beginning net position of \$9,741,932.

In the implementation of GASB Statement No. 87, Governmental Activities had an increase in net position of \$19,039 on the Statement of Activities. This adjustment was from an equipment lease in the general fund.

## CITY OF SWEETWATER, TEXAS

### Notes to the Financial Statements September 30, 2022

In the prior year, the City erroneously classified their CSLFRF advances as revenue due to a misunderstanding of the revenue recognition criteria related to the funds. The amount of funds unspent as of September 30, 2021, were \$2,594,071 in the water and wastewater fund.

#### **(19) Accounting Pronouncements Implemented**

In January 2017, the GASB issued Statement No. 84, as amended by GASB 95, *Fiduciary Activities*. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activities reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting by requiring reporting of certain lease liabilities that currently are not reported. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2021. The implementation of this statement required a prior period adjustment as mentioned above.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to Statement 87 and implementation guide 2019-3 are effective upon issuance. The other requirements of the statement are effective for fiscal years beginning after June 15, 2021.

#### **(20) Recent Accounting Pronouncements**

The GASB has issued the following statements which will become effective in future years.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which improves accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The Council is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption of these statements.

# REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SWEETWATER, TEXAS**

Texas Municipal Retirement System  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 Last 10 years ( will ultimately be displayed)

	Measurement Year <u>2021</u>	Measurement Year <u>2020</u>	Measurement Year <u>2019</u>
<b>Total pension liability</b>			
Service Cost	\$ 977,779	\$ 950,245	\$ 973,702
Interest ( on the Total Pension Liability)	2,392,302	2,297,475	2,244,948
Changes of benefit terms	-	-	-
Difference between expected and actual experience	332,265	10,958	(665,254)
Change of assumptions	-	-	40,035
Benefit payments, including refunds of employee contributions	<u>(1,939,304)</u>	<u>(1,795,882)</u>	<u>(1,811,161)</u>
Net Change in Total Pension Liability	1,763,042	1,462,796	782,270
Total Pension Liability - Beginning	<u>35,922,280</u>	<u>34,459,484</u>	<u>33,677,214</u>
Total Pension Liability - Ending (a)	<u>\$ 37,685,322</u>	<u>\$ 35,922,280</u>	<u>\$ 34,459,484</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 989,564	\$ 1,037,427	\$ 1,043,464
Contributions - Employee	423,805	409,588	413,838
Net Investment Income	4,183,990	2,290,002	4,090,589
Benefit payments, including refunds of employee contributions	(1,939,304)	(1,795,882)	(1,811,161)
Administrative Expense	(19,362)	(14,820)	(23,115)
Other	<u>133</u>	<u>(578)</u>	<u>(694)</u>
Net change in Plan Fiduciary Net Position	3,638,825	1,925,736	3,712,921
Plan Fiduciary Net Position - Beginning	<u>32,099,121</u>	<u>30,173,385</u>	<u>26,460,464</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 35,737,946</u>	<u>\$ 32,099,121</u>	<u>\$ 30,173,385</u>
Net Pension Liability - Ending (a) - (b)	\$ 1,947,376	\$ 3,823,159	\$ 4,286,099
Plan Fiduciary Net Position as a % of Total Pension Liability	94.83%	89.36%	87.56%
Covered Payroll	\$ 6,054,360	\$ 5,851,259	\$ 5,911,976
Net Pension Liability as a % of Covered Payroll	32.16%	65.34%	72.50%

Notes to Schedule:

N/A

Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
\$ 920,875	\$ 892,819	\$ 860,020	\$ 792,135	\$ 671,107
2,157,453	2,079,395	1,979,740	1,976,956	1,911,569
-	-	-	-	-
(126,129)	(298,136)	248,458	(226,424)	(329,247)
-	-	-	72,076	-
<u>(1,553,626)</u>	<u>(1,509,744)</u>	<u>(1,746,755)</u>	<u>(1,376,124)</u>	<u>(1,383,552)</u>
1,398,573	1,164,334	1,341,463	1,238,619	869,877
<u>32,278,641</u>	<u>31,114,307</u>	<u>29,772,844</u>	<u>28,534,225</u>	<u>27,664,348</u>
<u>\$ 33,677,214</u>	<u>\$ 32,278,641</u>	<u>\$ 31,114,307</u>	<u>\$ 29,772,844</u>	<u>\$ 28,534,225</u>
\$ 1,007,103	\$ 967,945	\$ 962,349	\$ 967,603	\$ 930,310
389,494	381,081	371,155	352,957	326,100
(822,415)	3,364,048	1,563,907	34,208	1,262,036
(1,553,626)	(1,509,744)	(1,746,755)	(1,376,124)	(1,383,552)
(15,895)	(17,433)	(17,661)	(20,836)	(13,177)
<u>(830)</u>	<u>(884)</u>	<u>(952)</u>	<u>(1,029)</u>	<u>(1,083)</u>
(996,169)	3,185,013	1,132,043	(43,222)	1,120,634
<u>27,456,633</u>	<u>24,271,620</u>	<u>23,139,577</u>	<u>23,182,799</u>	<u>22,062,165</u>
<u>\$ 26,460,464</u>	<u>\$ 27,456,633</u>	<u>\$ 24,271,620</u>	<u>\$ 23,139,577</u>	<u>\$ 23,182,799</u>
\$ 7,216,750	\$ 4,822,008	\$ 6,842,687	\$ 6,633,267	\$ 5,351,426
78.57%	85.06%	78.01%	77.72%	81.25%
\$ 5,564,202	\$ 5,444,016	\$ 5,302,221	\$ 5,042,236	\$ 4,658,574
129.70%	88.57%	129.05%	131.55%	114.87%

**CITY OF SWEETWATER, TEXAS**

Texas Municipal Retirement System  
Schedule of Pension Contributions

Last 10 years ( will ultimately be displayed)

	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Actuarially Determined Contribution Contributions in relation to the actuarially determined contribution	\$ 1,016,763	\$ 971,152	\$ 1,052,211	\$ 1,032,752	\$ 994,574	\$ 962,349	\$ 963,144	\$ 957,565
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,266,133	\$ 5,815,781	\$ 5,941,673	\$ 5,814,837	\$ 5,548,494	\$ 5,447,328	\$ 5,229,357	\$ 4,581,299
Contributions as a % of covered payroll	16.23%	16.70%	17.71%	17.76%	17.93%	17.67%	18.42%	20.90%

**Notes to Schedule of Contributions**

**Valuation Date:**

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 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; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other information:**

Notes

There were no benefit changes during the year.



**CITY OF SWEETWATER, TEXAS**

Texas Municipal Retirement System  
 Changes in the Total OPEB Liability and Related Ratios  
 Last 10 years ( will ultimately be displayed)

	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
<b>Changes in the Total OPEB Liability</b>					
Total OPEB Liability - beginning of year	\$ 512,203	\$ 424,084	\$ 349,209	\$ 379,565	\$ 328,847
Changes for the year					
Service Cost	24,823	20,479	15,962	17,805	15,243
Interest on Total OPEB Liability	10,408	11,896	13,175	12,794	12,646
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(7,573)	(3,028)	(17,662)	(34,226)	-
Changes in assumptions or other inputs	15,546	62,284	67,538	(22,834)	26,640
Benefit payments**	(8,476)	(3,511)	(4,138)	(3,895)	(3,811)
Net changes	<u>34,728</u>	<u>88,120</u>	<u>74,875</u>	<u>(30,356)</u>	<u>50,718</u>
Total OPEB Liability - end of year	<u>\$ 546,931</u>	<u>\$ 512,203</u>	<u>\$ 424,084</u>	<u>\$ 349,209</u>	<u>\$ 379,565</u>
 Covered employee payroll	 \$ 6,054,360	 \$ 5,851,259	 \$ 5,911,976	 \$ 5,564,202	 \$ 5,444,016
 Total OPEB Liability as a % of covered payroll	 9.03%	 8.75%	 7.17%	 6.28%	 6.97%

\*\* Due to the SDBF being considered in unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to RSI:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75 to pay related benefits.

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.

**CITY OF SWEETWATER, TEXAS**

Sweetwater Firemen's Relief and Retirement Fund  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 Last 10 years ( will ultimately be displayed)

	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019
	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total pension liability</b>			
Service Cost	\$ 366,375	\$ 339,236	\$ 386,150
Interest ( on the Total Pension Liability)	1,179,548	1,141,733	1,051,335
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	(48,688)	-
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,105,949)</u>	<u>(867,523)</u>	<u>(789,512)</u>
Net Change in Total Pension Liability	439,974	564,758	647,973
Total Pension Liability - Beginning	<u>14,930,948</u>	<u>14,366,190</u>	<u>13,718,217</u>
Total Pension Liability - Ending (a)	<u>\$ 15,370,922</u>	<u>\$ 14,930,948</u>	<u>\$ 14,366,190</u>
 <b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 338,890	\$ 306,973	\$ 298,733
Contributions - Employee	320,063	289,919	282,136
Net investment income	986,090	1,016,738	1,494,775
Benefit payments, including refunds of employee contributions	(1,105,949)	(867,523)	(789,512)
Administrative Expense	(52,313)	(23,665)	(27,624)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in Plan Fiduciary Net Position	486,781	722,442	1,258,508
Plan Fiduciary Net Position - Beginning	<u>9,741,932</u>	<u>9,019,490</u>	<u>7,760,982</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,228,714</u>	<u>\$ 9,741,932</u>	<u>\$ 9,019,490</u>
 Net Pension Liability - Ending (a) - (b)	\$ 5,142,208	\$ 5,189,016	\$ 5,346,700
Plan Fiduciary Net Position as a % of Total Pension Liability	66.55%	65.25%	62.78%
Covered Payroll (Estimated)	\$ 1,882,073	\$ 1,705,405	\$ 1,659,628
Net Pension Liability as a % of Covered Payroll	273.2%	304.3%	322.2%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
\$ 386,326	\$ 371,467	\$ 357,180	\$ 341,799	\$ 327,271
1,007,032	962,131	975,941	939,280	865,092
-	-	-	-	-
204,380	-	(105,695)	-	(971,741)
306,387	-	(631,974)	-	1,473,737
(774,953)	(799,457)	(765,290)	(911,057)	(686,376)
1,129,172	534,141	(169,838)	370,022	1,007,983
12,589,045	12,054,904	12,224,742	11,854,720	10,846,737
<u>\$ 13,718,217</u>	<u>\$ 12,589,045</u>	<u>\$ 12,054,904</u>	<u>\$ 12,224,742</u>	<u>\$ 11,854,720</u>
\$ 292,460	\$ 284,446	\$ 256,845	\$ 236,832	\$ 221,847
276,212	268,643	252,797	236,832	221,847
(543,173)	1,001,682	543,748	(216,775)	412,292
(774,953)	(799,457)	(765,290)	(911,057)	(686,376)
(36,736)	(35,021)	(41,956)	(29,349)	(34,337)
-	-	69	-	-
(786,190)	720,293	246,213	(683,517)	135,273
8,547,172	7,826,879	7,580,666	8,264,183	8,128,910
<u>\$ 7,760,982</u>	<u>\$ 8,547,172</u>	<u>\$ 7,826,879</u>	<u>\$ 7,580,666</u>	<u>\$ 8,264,183</u>
\$ 5,957,235	\$ 4,041,873	\$ 4,228,025	\$ 4,644,076	\$ 3,590,537
56.63%	67.89%	61.18%	62.01%	69.71%
\$ 1,624,778	\$ 1,580,254	\$ 1,554,689	\$ 1,480,200	\$ 1,386,544
366.6%	255.8%	272.0%	313.7%	259.0%

**CITY OF SWEETWATER, TEXAS**

Sweetwater Firemen's Relief and Retirement Fund  
Schedule of Contributions  
Last 10 years ( will ultimately be displayed)

	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially Determined Contribution	\$ 331,423	\$ 325,178	\$ 302,909	\$ 298,504	\$ 290,565	\$ 283,387	\$ 247,893	\$ 231,566	\$ 199,664
Contributions in relation to the actuarially determined contribution	331,423	325,178	302,909	298,504	290,565	283,387	247,893	231,566	199,664
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,841,239	\$ 1,806,542	\$ 1,682,827	\$ 1,658,360	\$ 1,614,247	\$ 1,574,371	\$ 1,549,334	\$ 1,447,285	\$ 1,247,900
Contributions as a % of covered payroll	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	16.00%	16.00%	16.00%

**Notes to Schedule of Contributions**

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown. Fiscal year refers to the plan year.

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

Actuarial Valuation Date	December 31, 2020
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, open
Remaining Amortization Period	68.9
Asset Valuation Method	5 year smoothed market value
Inflation	3.00%
Projected Salary Increases	6.6% to 2.8% per year, compounded annually
Investment Rate of Return, Net of Expenses Compounded Annually	8.00%
Retirement Rates	Age and service related

**Significant Factors Affecting Trends in Actuarial Information**

There were not any significant changes in plan provisions and actuarial assumptions from the prior year that significantly affect the identification of trends in the amounts reported in the required schedules.

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Financial Advisory Services  
Provided By:

