

OFFICIAL STATEMENT DATED: MAY 7, 2024

NEW ISSUE  
BOOK-ENTRY-ONLY

S&P: “A+” (Unenhanced)/ “AA” (Enhanced)  
(See “BOND INSURANCE,” “BOND INSURANCE  
RISK FACTORS,” and  
“RATING” herein.)

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

**THE CERTIFICATES HAVE BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR  
FINANCIAL INSTITUTIONS.**



**\$4,570,000**

**CITY OF LITTLEFIELD, TEXAS**

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

**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024**

**Dated: May 1, 2024 (interest to accrue from Delivery Date) Due: February 15, as shown on inside cover**

The \$4,570,000 City of Littlefield, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024 (the “Certificates”) are being issued by the City of Littlefield, Texas (the “City”) pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City Home Rule Charter, and an ordinance adopted by the City Council on May 7, 2024 (the “Ordinance”). See “THE CERTIFICATES – Authority for Issuance”.

The Certificates constitute direct and general obligations of the City payable from ad valorem taxes levied annually against all taxable property within the City, within the limits prescribed by law. Additionally, the Certificates are secured with a pledge of the “Surplus Revenues”, if any, of the City’s waterworks and sewer system (see “THE CERTIFICATES – Security and Source of Payment” and “THE CERTIFICATES – Tax Rate Limitations” herein).

Interest on the Certificates will accrue from the Delivery Date (defined below) and will be payable February 15 and August 15 of each year, commencing February 15, 2025, until stated maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The City intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”) but reserves the right on its behalf or on behalf of DTC to discontinue such system. Principal of the Certificates will be payable by the paying agent/registrar (the “Paying Agent/Registrar”), initially BOKF, NA, Dallas, Texas, to Cede & Co., as nominee of DTC. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer relating to the Certificates. DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interest in the Certificates. See “BOOK-ENTRY-ONLY SYSTEM” herein. So long as the Certificates are in Book-Entry-Only form, and DTC is the securities depository therefor, Cede & Co., as nominee for DTC, will be the registered owner of the Certificates and references herein to registered owners shall mean Cede & Co. and not the beneficial owners of the Certificates.

Proceeds from the sale of the Certificates will be used for the purposes of (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the City’s waterworks and sewer system, including wells, treatment and chlorination facilities, water storage facilities, repairing and replacing water and sewer lines, lift stations, SCADA and electrical improvements, pumps, valves, hydrants, fittings, service connections and related infrastructure improvements; and (ii) paying legal, fiscal, and engineering fees in connection with such projects.



The scheduled payment of principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company. See “RATINGS,” “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.

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**SEE MATURITY SCHEDULE ON INSIDE COVER**

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*The Certificates are offered when, as and if issued and subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the City by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Disclosure Counsel for the City. Certain legal matters will be passed upon for the initial purchaser thereof (the “Underwriter”) by its counsel, Winstead PC, San Antonio, Texas. The Certificates are expected to be available for initial delivery to the Underwriter through the services of DTC on or about May 29, 2024 (the “Delivery Date”).*

**SAMCO CAPITAL MARKETS**

## MATURITY SCHEDULE

\$4,570,000

CITY OF LITTLEFIELD, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024

<b>Maturity Date (Feb. 15)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Yield<sup>(2)</sup></b>	<b>CUSIP No Suffix<sup>(1)</sup></b>
2025	\$170,000	5.000%	3.650%	FF8
2026	225,000	5.000	3.420	FG6
2027	240,000	5.000	3.280	FH4
2028	250,000	5.000	3.180	FJ0
2029	260,000	5.000	3.180	FK7
2030	275,000	5.000	3.180	FL5
2031	290,000	5.000	3.180	FM3
2032	305,000	5.000	3.190	FN1
2033	320,000	5.000	3.200	FP6
2034	335,000	5.000	3.210	FQ4
2035	350,000	4.000	3.360 <sup>(3)</sup>	FR2
2036	365,000	4.000	3.510 <sup>(3)</sup>	FS0
2037	380,000	4.000	3.730 <sup>(3)</sup>	FT8
2038	395,000	4.000	3.860 <sup>(3)</sup>	FU5
2039	410,000	4.000	3.980 <sup>(3)</sup>	FV3

**(Interest to accrue from the Delivery Date)**

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”).

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

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter, the City nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(2)</sup> Yield represents the initial offering yield to the public which has been established by the Underwriter for public offerings and may subsequently be changed from time to time at the sole discretion of the Underwriter.

<sup>(3)</sup> Yield calculated based on the assumption that the Certificates designated and sold at a premium will be redeemed on February 15, 2034, the first optional call date for the Certificates at a redemption price of par plus accrued interest to the redemption date.

## 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 by the City or the Underwriter to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a promise or guarantee of the Underwriter. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

The information and expressions of opinion contained herein 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.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

NEITHER THE CITY, THE FINANCIAL ADVISOR, NOR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM OR REGARDING ANY POTENTIAL BOND INSURER OR ITS MUNICIPAL BOND INSURANCE POLICY (SEE "BOND INSURANCE" AND "BOND INSURANCE RISK FACTORS" HEREIN).

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

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

**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 City</b>	The City of Littlefield (the “City”) is a political subdivision and municipal corporation of the State of Texas, located in Lamb County. The City covers approximately 6.3 square miles (see “Introductory Statement – Description of the City”).
<b>The Certificates</b>	\$4,570,000 Combination Tax and Revenue Certificates of Obligation, Series 2024, dated May 1, 2024, maturing as described on page ii of this Official Statement.
<b>Security for the Certificates</b>	The Certificates are payable from a continuing and direct annual ad valorem tax levied against all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance (defined below) authorizing the Certificates. The Certificates will be additionally secured by a pledge of the “Surplus Revenues”, if any, of the City’s waterworks and sewer system (the “System”), as provided in the Ordinance.
<b>Redemption Provisions of the Certificates</b>	The City reserves the right, at its sole option, to redeem Certificates having stated maturities on or after February 15, 2035, in whole or in part thereof, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE CERTIFICATES – Optional Redemption” herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date of delivery thereof, subject to matters discussed herein under “TAX MATTERS,” including the alternative minimum tax on certain corporations. (See “TAX MATTERS” and “Appendix D - Form of Opinion of Bond Counsel” herein).
<b>Qualified Tax-Exempt Obligations</b>	The City expects to designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS – Qualified Tax-Exempt Obligations”).
<b>Use of Proceeds</b>	Proceeds from the sale of the Certificates will be used for the purposes of (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the City’s waterworks and sewer system, including wells, treatment and chlorination facilities, water storage facilities, repairing and replacing water and sewer lines, lift stations, SCADA and electrical improvements, pumps, valves, hydrants, fittings, service connections and related infrastructure improvements; and (ii) paying legal, fiscal, and engineering fees in connection with such projects.
<b>Authority for Issuance</b>	The Certificates are issued pursuant to the Constitution and the general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City Home Rule Charter, and an ordinance passed by the City Council on May 7, 2024 authorizing the issuance of the Certificates (the “Ordinance”) (see “THE CERTIFICATES – Authority for Issuance”).
<b>Bond Insurance</b>	The scheduled payment of principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company. See “RATINGS,” “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.
<b>Ratings</b>	S&P Global Ratings, a division of S&P Global (“S&P”) has assigned a rating of “AA” to the Certificates based on the financial guaranty policy of BAM to be issued simultaneously with the delivery of the Certificates. The Certificates and the presently outstanding ad valorem tax debt of the City have an unenhanced rating of “A” by S&P. An explanation of the significance of such rating may be obtained from said rating agency. (See “RATING” herein).
<b>Payment Record</b>	The City has never defaulted on the payment of its bonded indebtedness.
<b>Future Bond Issues</b>	The City does not anticipate the issuance of additional tax debt during the next 12 months.
<b>Delivery</b>	When issued, anticipated on or about May 29, 2024.

**CITY OF LITTLEFIELD, TEXAS**  
**301 XIT Drive**  
**Littlefield, Texas 79339**

**ELECTED OFFICIALS**

**CITY COUNCIL**

<b>Name</b>	<b>Term Expires (May)</b>	<b>Occupation</b>
Eric Turpen Mayor	2025	Real Estate Broker
Kenny Rucker Mayor Pro Tempore and Council Member, District 4	2025	Business Owner, Metal Fabrication
Eric Saenz <sup>(1)</sup> Council Member, District 1	2026	Dry Cleaning
Michael Rangel Council Member, District 2	2026	Employee, Littlefield ISD
Buddy Holmes Council Member, District 3	2025	Business Owner, Towing

**SELECTED ADMINISTRATIVE STAFF**

<b>Name</b>	<b>Position</b>	<b>Years with the City</b>
Mr. Mitch Grant	City Manager	8
Mr. Niel Gonzalez	City Secretary	0 <sup>(2)</sup>

<sup>(1)</sup> Councilman Saenz was re-elected by the voters of the City on May 4, 2024.

<sup>(2)</sup> Mr. Gonzalez was named City Secretary of the City on December 19, 2023.

**CONSULTANTS AND ADVISORS**

**Bond Counsel/Disclosure Counsel**

McCall, Parkhurst & Horton L.L.P.  
112 E. Pecan Street, Suite 1310  
San Antonio, Texas 78205

**Certified Public Accountants**

BSGM LLP  
8215 Nashville Avenue  
Lubbock, Texas 79423

**Financial Advisor**

Stifel, Nicolaus & Company, Inc.  
805 Las Cimas Parkway, Suite 230  
Austin, Texas 78746

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<i>The Cover Page, Table of Contents, and Appendices attached hereto are part of this Official Statement</i>	

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**OFFICIAL STATEMENT**  
*relating to*  
**\$4,570,000**  
**CITY OF LITTLEFIELD, TEXAS**  
**(A political subdivision of the State of Texas located in Lamb County)**  
**Combination Tax and Revenue Certificates of Obligation, Series 2024**

**INTRODUCTORY STATEMENT**

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

There follows in this Official Statement a description of the City of Littlefield, Texas Combination Tax and Revenue Certificates of Obligation, Series 2024 (the “Certificates”) and certain information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City and, during the offering period, from the Financial Advisor, upon payment of reasonable copying, handling, and delivery charges. Certain capitalized terms used in this Official Statement have meanings assigned to them in the Ordinance (defined below) adopted by the City Council on May 7, 2024, except as otherwise indicated herein.

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

**Description of the City**

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City was incorporated in 1924, and first adopted its Home Rule Charter in 1959. The City operated under a Council/Manager form of government with a City Council comprised of the Mayor and four Councilmembers. The term of office is two years with terms of the Mayor and two of the Councilmembers’ terms expiring in odd-numbered years and the other terms of the remaining two Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 5,943, while the estimated 2023 population is 5,783. The City covers approximately 6.3 square miles.

**THE CERTIFICATES**

**General Description**

The Certificates will be dated May 1, 2024 (the “Dated Date”), and will be issued in fully-registered form, in denominations of \$5,000 or any integral multiple thereof within a maturity. Interest on the Certificates will accrue from the date of initial delivery thereof and interest will be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2025, until stated maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Certificates will mature on the dates and in the amounts as set forth on the inside cover page hereof.

Principal and interest for the Certificates will be paid by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). Subject to the requirements associated with the use of the Book-Entry-Only System (see “BOOK-ENTRY-ONLY SYSTEM” herein), interest will be paid by check dated as of the interest payment date and mailed first class, postage paid, on or before each interest payment date by the Paying Agent/Registrar to the registered owners (the “Owners”) appearing on the registration books of the Paying Agent/Registrar on the Record Date (herein defined), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of such Owner. Principal will be paid to the Owners at maturity or redemption upon presentation and surrender of the Certificates to the Paying Agent/Registrar. If the date for the payment of the principal or of interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorize to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. The City will initially use the Book-Entry Only System of The Depository Trust Company (“DTC”), New York, New York, in regard to the issuance, payment and transfer of the Certificates. Such system will affect the timing and method of payment of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” herein).

## **Authority for Issuance**

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 271, Texas Local Government Code, as amended, the City Home Rule Charter, and an ordinance adopted by the City Council on May 7, 2024 authorizing the issuance of the Certificates (the “Ordinance”).

## **Purpose**

Proceeds from the sale of the Certificates will be used for the purposes of (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the City’s waterworks and sewer system, including wells, treatment and chlorination facilities, water storage facilities, repairing and replacing water and sewer lines, lift stations, SCADA and electrical improvements, pumps, valves, hydrants, fittings, service connections and related infrastructure improvements; and (ii) paying legal, fiscal, and engineering fees in connection with such projects.

## **Legality**

The Certificates are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and the legal opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel (see “LEGAL MATTERS” herein).

## **Security and Source of Payment**

Tax Pledge . . . The Certificates constitute direct obligations of the City payable from an annual ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see “TAX RATE LIMITATIONS” below).

Pledge of Surplus Revenues. . . The Certificates are additionally secured with a pledge of “Surplus Revenues” derived from the City’s combined waterworks and sewer system (the “System”). The term “Surplus Revenues” is described in the Ordinance as the revenues of the System remaining after (a) payment of all amounts constituting operation and maintenance expenses of the System, and (b) payment of all debt service, reserve, and other requirements and amounts required to be paid under all ordinances heretofore or hereafter authorizing (i) all bonds, and (ii) all other obligations not on a parity with the Certificates which are payable from and secured by any System revenues, and (c) payment of all amounts payable from any System revenues pursuant to contracts heretofore or hereafter entered into by the City in accordance with law.

## **Optional Redemption**

The City reserves the right, at its sole option, to redeem Certificates having stated maturities on or after February 15, 2035, in whole or in part thereof, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall 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.

## **Notice of Redemption for the Certificates**

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice with respect to an optional redemption of Certificates may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

## **DTC Redemption Provisions**

The Paying Agent/Registrar and the City, 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 Direct Participant or Indirect Participant to notify the beneficial owner, shall 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 City 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 account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates



and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants, or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Certificates for redemption.

### **Defeasance of Certificates**

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, redemption, or otherwise), is provided by irrevocably depositing with a paying 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 ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the paying agent for the Certificates. Thereafter, the City will have no further responsibility with respect to amounts available to such paying agent, or other authorized escrow agent, for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent, or other authorized escrow agent, to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means (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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the 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.

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

### **Amendments**

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) make any change in the maturity of any of the outstanding Certificates; (2) reduce the rate of interest borne by any of the outstanding Certificates; (3) reduce the amount of the principal or maturity value of, or redemption premium, if any, payable on any outstanding Certificates; (4) modify the terms of payment or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; (5) affect the rights of the holders of less than all of the Certificates then outstanding; or (6) change the minimum percentage amount of the Certificates necessary to be held by registered owners for consent to such amendment.

### **Record Date**

The date for determining the person to whom the interest is payable on the Certificates on any interest payment date means the last business day of the month next preceding the date that each interest payment is due (the "Record Date").

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

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

**Limitation on Transfer of Certificates**

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable by the registered owner of the uncalled balance of a Certificate.

**Mutilated, Destroyed, Lost, or Stolen Certificates**

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfying to them that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

**Payment Record**

The City has never defaulted on the payment of its bonded indebtedness.

**SOURCES AND USES OF CERTIFICATE PROCEEDS**

The following table shows the estimated sources and uses of the proceeds of the Certificates:

<b>Sources:</b>		
	Principal Amount of the Certificates	\$4,570,000
	Original Issue Premium/Discount on the Certificates	<u>288,911.55</u>
	<b>Total Sources of Funds</b>	<b><u>\$4,858,911.55</u></b>
<b>Uses:</b>		
	Deposit to Construction Fund	\$4,710,880.00
	Municipal Bond Insurance Premium, Costs of Issuance and Underwriter's Discount	<u>148,031.55</u>
	<b>Total Uses of Funds</b>	<b><u>\$4,858,911.55</u></b>

**BOND INSURANCE**

**Bond Insurance Policy**

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

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

**Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to

revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$483.2 million, \$221.8 million and \$261.4 million, respectively.

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

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

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

#### *Additional Information Available from BAM*

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

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

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

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

### **BOND INSURANCE RISK FACTORS**

The following are risk factors relating to municipal bond insurance.

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

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "ENFORCEMENT OF REMEDIES" herein). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the holders. Additionally, the Insurer's consent may be required in connection with amendments to the Ordinance. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from a pledge of the surplus revenues of the City's Waterworks and Sewer System, as provided in the Ordinance and the ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City. In the event

the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

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

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. Neither the City, the Financial Advisor, or the Underwriter have made independent investigation into the claims-paying ability of any Insurer and no assurance or representation regarding the financial strength or projected financial strength of any Insurer is or will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of the Insurer, if any, particularly over the life of the investment.

### ENFORCEMENT OF REMEDIES

The Ordinance establishes specific events of default with respect to the Certificates. If the City (i) defaults in the payment of the principal, premium, if any, or interest on the Certificates, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in the Ordinance, the failure to perform which materially, adversely affects the rights of the holders including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for 30 days after the City has received written notice of such defaults, 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.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of governmental 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 governmental immunity from a suit for money damages, Certificateholders may not be able to bring such a suit against the City for breach of the Certificates or covenants 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- 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 in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("*Wasson*"), the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between governmental and proprietary functions is not clear, the *Wasson* opinion held that the Proprietary-Governmental Dichotomy applies in a contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgement, is justiciable against a municipality.

As noted above, the Ordinance provides that Certificateholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain

to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

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

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

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

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

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

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the identity of the Direct Participants to whose

accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

#### **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 Ordinance, will be given only to DTC.

Information concerning DTC and DTC's book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Financial Advisor or the Underwriter.

### **REGISTRATION, TRANSFER AND EXCHANGE**

#### **Paying Agent/Registrar**

The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. The Certificates are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Certificates will be payable semiannually by the Paying Agent/Registrar by check mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the address as it appears on the Paying Agent/Registrar's books on the Record Date, as defined below, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar for the Certificates. If the Paying Agent/Registrar is replaced by the City, the Paying Agent/Registrar, promptly upon the appointment of its successor, is required to deliver the registration records to the successor Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a commercial bank, or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City shall promptly cause a written notice of such change to be sent to each registered owner of the Certificates affected by the change, by United States mail, first class postage prepaid, which notice shall give the address for the new Paying Agent/Registrar.

## Future Registration

In the event the use of the "Book-Entry-Only System" for the Certificates should be discontinued, printed physical Certificates will be delivered to the registered owners of the Certificates and thereafter such Certificates may be transferred, registered and assigned on the registration books only upon their presentation and surrender 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. The Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New 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 owner's request, risk and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the 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 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 of principal amount for any one maturity or any integral multiple thereof and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer (see "BOOK-ENTRY-ONLY SYSTEM" herein).

## INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change.

### Legal Investments

Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly 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; (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 Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in the State and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or a depository institution that has its main office or a branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit 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 the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the City with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the City or cash held by the City to 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 selected and approved by the City, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) 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 (7) 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 (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the City, held in the City's name 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, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (15) investment pools if the City has authorized investment in the particular pool and the pool invests solely in investments

permitted by the Investment Act, and is continuously rated no lower than “AAA” or “AAA-m” or at an equivalent rating by at least one nationally recognized rating service; (16) guaranteed investment contracts that (1) have a defined termination date, (2) are secured by obligations which meet the requirements of the Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (3) are pledged to the City and deposited with the City or with a third party selected and approved by the City; and (17) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011, Texas Government Code, as amended.

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 date 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.

### **Investment Policies**

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

### **Additional Provisions**

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an 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 said 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 (i) is dependent on an analysis of the makeup of the City’s entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority); 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 Treasurer, Chief Financial Officer, and investment officers; (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 non-money market mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves or funds held for debt service in such mutual funds; (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.



## AD VALOREM PROPERTY TAXATION

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to, and 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 ("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 Lamb County Appraisal District (the "Appraisal District"). Except as 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.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain 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, unless extended by the State legislature, the maximum property value 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.

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

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

### State Mandated Homestead Exemptions

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

### Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

### Local Option Freeze for the Elderly and Disabled

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

## **Personal Property**

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

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

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

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

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

## **Other Exempt Property**

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

## **Tax Increment Reinvestment Zones**

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

## **Tax Abatement Agreements**

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

For a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” herein. See also “APPENDIX A – Table 1 – Valuations, Exemptions and General Obligation Debt.”

## **Chapter 380 Agreements**

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary

exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

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

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

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

Taxes levied by the City are a personal obligation of the owner of the property 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.

### **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.

### **Debt Tax Rate Limitations**

The State Constitution provides that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City’s indebtedness must not exceed \$2.50 for each \$100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the \$2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General, who must approve the issuance of the Certificates, has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of the foregoing \$2.50 maximum tax rate calculated at 90% collections. The issuance of the Certificates does not result in the City’s violation of the foregoing.

### **City and Taxpayer Remedies**

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$59.6 million for the 2024 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

### **State Legislation**

The 88th Texas Legislature began on January 10, 2023, and ended on May 29, 2023 (the “88th Regular Legislative Session”). The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the City.

Immediately after the conclusion of the 88th Texas Legislature on May 29, 2023, the Governor called the First Special Session on May 29, 2023 to request the Texas Legislature to consider legislation regarding property tax relief and border security; shortly after the conclusion of the First Special Session, the Governor called the Second Special Session on June 27, 2023 to consider additional legislation regarding property tax relief. The Second Special Session adjourned on July 13, 2023.

On July 13, 2023, during the 88th Texas Legislature, Second Special Session, the Texas Legislature passed Senate Bill 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 nonhomestead 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 maximum property value 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 constitutional amendment proposed by House Joint Resolution 2 during the Second Special Session was approved by the voters on November 7, 2023, therefore the appraisal cap became effective on January 1, 2024.

### **City Application of Property Tax Code**

The City does grant a local option exemption, \$4,290.00 of the market value of the residence homestead of persons 65 years of age or older.

The City does not permit split payments (except as described in “ – Levy and Collection of Taxes”, and discounts are not allowed.

The City has taken action to tax Freeport Property.

The City has taken action to tax Goods-in-Transit.

The City has not authorized the additional one-half cent sales tax for reduction of ad valorem taxes.

See “APPENDIX A - Table 1” for the amount of the exemptions described above.

## **PENSION PLANS AND DEFERRED COMPENSATION PLANS**

### **Pension and Retirement Fund**

All qualified employees of the City are members of the Texas Municipal Retirement System. The contribution rates for employees in the Texas Municipal Retirement System are either 5.00%, 6.00%, or 7.00% of employee gross earnings, and the city matching percentages are either 100.00%, 150.00%, or 200.00%, both as adopted by the City Council. Employees for the City were required to contribute 5.00% of their annual gross earnings during the 2023 fiscal year. The required contribution rates for the City were 7.02% and 6.48% in calendar years 2022 and 2023, respectively. The City’s contribution to TMRS for the year ended September 30, 2023, was \$172,613 and was equal to the required contribution. For additional information, refer to the notes to the Audited Financial Statements for the year ended September 30, 2023, in Appendix C herein.

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (i) interest on the Certificates for federal income tax purposes will be excludable from the “gross income” of the holders thereof, and (ii) 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 City

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 D - Form of Opinion of Bond Counsel”).

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

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 the issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City 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. The 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 such 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 (the “IRS”) by the City with respect to the Certificates or the property financed with the proceeds of the Certificates. No assurances can be given as to whether or not the IRS will commence an audit of the Certificates, or as to whether the IRS would agree with the opinion of Bond Counsel. If an IRS audit is commenced, under current procedures the IRS is likely to treat the City as the taxpayer and the Certificateholders 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 (the “Original Issue Discount 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. 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 such 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 the 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 each accrual period and ratably within each such accrual 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 Subchapter C earnings and profits, 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 OBLIGATIONS 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 Certificates, 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.

### **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 foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

### **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.

### **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 Certificates have been designated, as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as “qualified tax-exempt obligations.” **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the IRS could take a contrary view. If the IRS 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.”**

#### LITIGATION

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

#### REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

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

#### LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities 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 legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “RATING” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

#### LEGAL MATTERS

The City will furnish the Underwriter 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 a valid and legally binding general obligations of the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding general obligations of the City and, subject to the qualifications set forth herein under “TAX MATTERS”, the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. In its capacity as Bond Counsel, such firm has reviewed the information relating to the Certificates and the Ordinance contained in this Official Statement under the captions “THE CERTIFICATES” (except under the subcaption “Payment Record”), “REGISTRATION, TRANSFER AND EXCHANGE”, “TAX MATTERS”, “REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE,”, “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS”, “LEGAL MATTERS”, and “CONTINUING DISCLOSURE OF INFORMATION” (except under the subcaption “Compliance with Prior Undertakings”), and such firm is of the opinion that the information contained under such captions is a fair and accurate summary of the information purported to be shown and is correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates, will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead PC, San Antonio, Texas.



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

#### **RATING**

S&P Global Ratings, a division of S&P Global (“S&P”) has assigned a rating of “AA” to the Certificates, by virtue of the policy to be issued by BAM at the time of delivery of the Certificates, and “A+” without regard to credit enhancement.

The rating of the Certificates by S&P reflects only the views of said company at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates. A securities rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the City. A revision in a rating agency’s rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

#### **AUTHENTICITY OF FINANCIAL INFORMATION**

The financial data and other information contained herein 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. 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 documents in all respects.

#### **USE OF INFORMATION IN OFFICIAL STATEMENT**

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

#### **UNDERWRITING**

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at the initial offering prices to the public as shown on page ii, less an underwriting discount of \$33,993.77. The Underwriter’s obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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

#### **FINANCIAL ADVISOR**

Stifel, Nicolaus & Company, Incorporated is employed as the Financial Advisor to the City in connection with the issuance of the Certificates. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

#### **FORWARD LOOKING STATEMENTS**

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible

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

### **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligations because, upon delivery of the Certificates, the City will have less than \$10,000,000 in aggregate principal amount of outstanding municipal securities. Pursuant to the exemption, 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 specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Annual Financial Information**

The City will provide certain updated financial information and operating data that is customarily prepared by the City and publicly available to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated is the City's annual audited financial report. The City will update and provide this information within twelve months after the end of each fiscal year. 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 Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). If audited financial statements are not available by the required time, the City will provide unaudited financial statements of the type described above by the required time and will provide audited financial statements when and if such audited financial statements become available. Any financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the City may be required to employ from time to time pursuant to Texas law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must make available updated information by the end of September in each year and financial statements by the end of September in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change. The City will provide the updated information to the MSRB in an electronic format, which will be available to the general public without charge via the MSRB's EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

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

The City also will 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 (10) 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 or 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; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrant or change of name of the paying agent/registrant, if material; (15) incurrence of a "Financial Obligation" of the City (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), 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. Neither the Certificates nor the Ordinance make any provision for liquidity enhancement, credit enhancement, or require the funding of debt service reserves.

For these purposes, (a) any event described in clause (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 the state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

### **Notice of Failure to Timely File**

The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

### **Availability of Information**

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines, by and through EMMA. Access to such filings will be provided, without charge to the general public, by the MSRB through EMMA at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Certificates may seek a writ of mandamus to compel the City to comply with its agreement. No default by the City with respect to its continuing disclosure agreement shall constitute a breach of or default under the Ordinance for purposes of any other provision of the Ordinance. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws. The City's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

The City's continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Certificates in the primary offering of the Certificates. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

### **Compliance with Prior Undertakings**

Except as set forth below, during the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

In relation to the City's issuance of its Combination Tax and Revenue Certificates of Obligation, Series 2006, which were sold to the Texas Water Development Board, the City agreed to provide, within six months after the end of each fiscal year, financial information and operating data with respect to the City that is contained in its annual financial statements as is customarily prepared by the City and publicly available. In accordance with the terms of their undertaking, if the audit of such financial statements is not completed by the required time, then the audited statements for the applicable fiscal year were to be submitted when they become available. For fiscal year ending September 30, 2022, the audit was not presented to Council until April 25, 2024. The following day, on April 26, 2024, the audit was filed on EMMA. The audit for fiscal year ending September 30, 2022, was approved by Council on March 26, 2024. Due to an administrative oversight, the audit was not filed on the Municipal Advisory Council of Texas website until April 16, 2024, and on EMMA until April 25, 2024. The City has taken corrective actions to ensure that the audit is timely submitted to EMMA going forward, to the extent such audit is completed by the required time.

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**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Underwriter in accordance with the provisions of the Rule.

**CITY OF LITTLEFIELD, TEXAS**

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/s/ Eric Turpen

Mayor

City of Littlefield, Texas

ATTEST:

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/s/ Otoniel (Niel) Gonzalez

City Secretary

City of Littlefield, Texas

**APPENDIX A**

**FINANCIAL INFORMATION REGARDING  
THE CITY OF LITTLEFIELD, TEXAS**

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**TABLE 1 – VALUATIONS, EXEMPTIONS, AND GENERAL OBLIGATION DEBT**

2023/2024 Market valuation established by Lamb County Appraisal District (Excluding Totally Exempt Property)	\$252,216,979
Total Exemptions/Reductions	28,551,979
2023/2024 Net Taxable Assessed valuation	\$215,377,915
City Funded Debt Payable from Ad Valorem Taxes (as of April 30, 2024)	
General Obligation Debt	\$3,745,000
The Certificates	4,570,000
Total Funded Debt Payable from Ad Valorem Taxes	\$8,315,000 <sup>(1)</sup>
<sup>(1)</sup> Does not exclude self-supporting debt. The City's Combination Tax and Revenue Certificates of Obligation, Series 2006, are 100% self-supporting from waterworks and sewer system revenues. The City's Combination Tax and Revenue Certificates of Obligation, Series 2020 are self-supporting in the approximate amount of \$250,000 per year.	
Interest and Sinking Fund (as of September 30, 2023)	\$16,469.80
Ratio of Debt to Taxable Assessed Valuation	3.6%
Estimated 2022 Population <sup>(1)</sup>	5,783
Per Capita Taxable Assessed Valuation	\$37,243
Per Capita Debt Payable from Ad Valorem Taxes	\$1,438

<sup>(1)</sup> Source: Municipal Advisory Council of Texas.

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**TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Taxable Appraised Value for the Fiscal Year Ended September 30:	<u>2023</u>		<u>2022</u>		<u>2021</u>	
Category	<u>Amount</u>	% of Total*	<u>Amount</u>	% of Total*	<u>Amount</u>	% of Total*
Single-Family Residence	\$144,123,397	66.92%	\$131,823,016	66.62%	\$119,217,653	66.03%
Multi-Family Residence	3,463,500	1.61%	3,430,650	1.73%	3,257,500	1.80%
Vacant Lots and Land Tracts	1,142,510	0.53%	1,131,540	0.57%	1,123,920	0.62%
Qualified Open-Space Land	213,921	0.10%	216,432	0.11%	258,672	0.14%
Improvements on Qualified Open- Space Land	3,640	0.02%	3,640	0.02%	3,640	0.02%
Rural Land, Non Qualified Open- Space Land	1,087,185	0.50%	1,120,983	0.57%	1,025,586	0.57%
Commercial Real Property	24,212,084	11.24%	23,089,779	11.67%	22,639,010	12.54%
Industrial and Manufacturing	865,130	0.40%	865,130	0.44%	865,130	0.48%
Oil and Gas	711,370	0.33%	564,690	0.29%	228,380	0.13%
Gas Distribution System	4,363,390	2.02%	4,075,820	2.06%	3,429,240	1.90%
Electric Company	5,694,630	2.64%	5,129,460	2.59%	4,562,800	2.53%
Telephone Company	840,030	0.39%	889,420	0.45%	1,059,270	0.59%
Railroad	6,904,800	3.21%	6,185,810	3.13%	5,674,450	3.14%
Pipelane Company	160	0.00%	160	0.00%	160	0.00%
Cable Television Company	2,154,120	1.00%	1,879,390	0.95%	--	0.00%
Other Type of Utility	114,690	0.05%	4,410	0.02%	4,620	0.03%
Commercial Personal Property	10,957,460	5.09%	10,172,090	5.14%	10,579,720	5.86%
Industrial and Manufacturing	5,270,040	2.45%	5,853,140	2.96%	3,837,370	2.13%
Tangible Other Personal	1,101,078	0.51%	882,225	0.45%	776,378	0.43%
Residential Inventory	5,670	0.03%	8,870	0.05%	12,070	0.07%
Special Inventory Tax	2,149,110	1.00%	541,190	0.27%	2,002,100	1.11%
Totally Exempt Property	--	0.00%	--	0.00%	--	0.00%
Total Assessed Value	<u>\$215,377,915</u>	100.00%	<u>\$197,869,845</u>	100.00%	<u>\$180,557,669</u>	100.00%

\*Percentages rounded to the nearest hundredth decimal point.

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**TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Debt Outstanding At End of Year	Ratio Debt To Taxable Assessed Valuation	Debt Per Capita
2018	5,942	160,487,407	27,041	9,691,959	6.04%	1,631.09
2019	5,843	165,713,756	28,475	4,320,749	2.61%	739.47
2020	5,943	167,703,758	28,218	3,536,277	2.11%	595.03
2021	5,870	180,557,669	30,759	5,752,600	3.19%	980.00
2022	5,783	197,869,845	34,216	5,236,843	2.65%	905.56
2023	5,783	215,377,915	36,162	4,721,411	2.19	792.72

<sup>(1)</sup> Source: Municipal Advisory Council of Texas.

**TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Total Tax Rate	General Fund	Interest And Sinking Fund	Total Tax Levy	% Current Collections	% Total Collections
2018	0.7576	0.6710	0.08660	1,211,955	94.62%	102.9%
2019	0.7467	0.6601	0.08660	1,237,215	93.66	103.0
2020	0.7382	0.6533	0.08490	1,237,989	94.77	103.2
2021	0.6884	0.6036	0.08480	1,242,959	95.14	103.3
2022	0.6255	0.5514	0.07410	1,237,676	93.39	103.1
2023	0.6255	0.5514	0.07410	1,347,189	[In Process]	[In Process]

<sup>(1)</sup> Source: Municipal Advisory Council of Texas and City staff.

**TABLE 5 – TEN LARGEST TAXPAYERS (AS OF SEPTEMBER 30, 2023)**

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>2023 Taxable Assessed Valuation</u>	<u>% of 2023 Total Assessed Valuation</u>
BNSF Railway	Railroad	\$6,957,250	3.2%
Southwestern Public Service	Equipment	5,114,680	2.4%
BASF Corporation	Electric Utility	4,968,160	2.3%
Atmos Energy/Wes-Tex Division	Electric Utility	4,226,770	2.0%
Middle Mile Infrastructure LLC	Equipment	2,157,830	1.0%
Pay and Save Inc.	Grocery Store	2,006,220	0.9%
Siddharth Inc.	Hotel/Motel	1,801,900	0.8%
Littlefield Smith LLC	Nursing Homes	1,606,550	0.7%
First Federal Bank Littlefield	Bank/Finance	1,412,420	0.7%
Roger Lowe	Residential	1,227,755	0.6%
<u>Total</u>		<u>\$31,479,535</u>	<u>14.6%</u>

As shown in the table above, the total combined top ten taxpayers in the City currently account for almost 14% of the City's tax base thereby creating a concentration risk for the City. Accordingly, the City makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes due to economic conditions resulting difficulty, the ability of the City to timely pay debt service on the Certificates will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time consuming and can only occur annually; See "ENFORCEMENT OF REMEDIES" and "AD VALOREM PROPERTY TAXATION".

**TABLE 6 – TAX ADEQUACY\***

<b>Principal and Interest Requirements (2024)</b>	<b>\$874,744.75</b>
<i>\$0.0741 Tax Rate at 90% Collection Produces</i>	<i>\$143,635.53</i>
<i>Additional Pledged Water Revenues</i>	<i>390,000</i>
<b>Average Annual Principal and Interest Requirements (2024-2039)</b>	<b>\$686,049.09</b>
<i>\$0.0741 Tax Rate at 90% Collection Produces</i>	<i>222,794.54</i>
<i>Additional Pledged Water Revenues</i>	<i>\$740,000</i>
<b>Maximum Principal and Interest Requirements (2026)</b>	<b>\$873,994.75</b>
<i>\$0.0741 Tax Rate at 90% Collection Produces</i>	<i>\$154,771.16</i>
<i>Additional Pledged Water Revenues</i>	<i>\$740,000</i>

\* Preliminary; subject to change.

\* Series 2020 C/O includes a pledge of \$250,000 in LEDC-B revenues per year towards debt service. Series 2006 C/O includes an average pledge of \$140,000 in water and sewer revenues towards debt service. Remaining debt service on the Series 2020 C/O is paid from the I&S fund balance. Moving forward the City will continue to pledge the existing \$350,000 towards debt service and will also increase the water rates to bring in an extra \$350,000 per year in water revenues to pledge towards debt service.

**TABLE 7—ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt (“Tax Debt”) was developed from information contained in “Texas Municipal Reports,” published by the Municipal Advisory Council of Texas. **Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Up-to-date information regarding the below information should be sought from each entity.** Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined.

Governmental Subdivision	2022 Taxable Assessed Valuation	2022 Tax Rate	Total Debt	Estimated % Applicable	City’s Overlapping Funded Debt
City of Littlefield <sup>(1)</sup>	\$215,377,915	\$0.6255	\$8,315,000 <sup>(1)</sup>	100.00%	\$8,315,000 <sup>(1)</sup>
Lamb County	\$1,384,239,236	0.0000	0	15.63%	0
Littlefield ISD	\$458,213,456	1.4015	39,830,000	41.20%	16,409,960
<i>Total Direct and Overlapping G.O. Debt.....</i>					<i>\$24,724,960<sup>(1)</sup></i>
<i>Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation.....</i>					<i>11.48%</i>
<i>Per Capita Direct and Overlapping G.O. Debt .....</i>					<i>\$4,307</i>

Source: “Texas Municipal Reports” published by the Municipal Advisory Council of Texas; Lamb County Appraisal District.

<sup>(1)</sup> Includes the Certificates.

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**TABLE 8 –AD VALOREM TAX DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Principal	Outstanding Interest	Total Outstanding Debt Service	<u>The Certificates</u>			Total Debt Service
				Principal	Interest	Debt Service	
2024	\$425,000	\$89,791.75	\$514,791.75	\$-	\$-	\$-	\$514,791.75
2025	375,000	79,428.25	454,428.25	170,000	249,477.78	419,477.78	873,906.03
2026	385,000	69,369.75	454,369.75	225,000	195,375.00	420,375.00	874,744.75
2027	370,000	59,460.50	429,460.50	240,000	183,750.00	423,750.00	853,210.50
2028	265,000	51,884.25	316,884.25	250,000	171,500.00	421,500.00	738,384.25
2029	275,000	46,241.25	321,241.25	260,000	158,750.00	418,750.00	739,991.25
2030	280,000	40,441.50	320,441.50	275,000	145,375.00	420,375.00	740,816.50
2031	285,000	34,537.25	319,537.25	290,000	131,250.00	421,250.00	740,787.25
2032	290,000	28,528.50	318,528.50	305,000	116,375.00	421,375.00	739,903.50
2033	295,000	22,415.25	317,415.25	320,000	100,750.00	420,750.00	738,165.25
2034	300,000	16,197.50	316,197.50	335,000	84,375.00	419,375.00	735,572.50
2035	310,000	9,823.00	319,823.00	350,000	69,000.00	419,000.00	738,823.00
2036	315,000	3,291.75	318,291.75	365,000	54,700.00	419,700.00	737,991.75
2037	-	-	-	380,000	39,800.00	419,800.00	419,800.00
2038	-	-	-	395,000	24,300.00	419,300.00	419,300.00
2039	-	-	-	410,000	8,200.00	418,200.00	418,200.00
	\$4,170,000	\$551,410.50	\$4,721,410.50	\$4,570,000	\$1,732,977.78	\$6,302,977.78	\$11,024,388.28

**TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTIONS**

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2023	\$515,432.75
Less: Self-Supporting Debt	135,281.25
Interest and Sinking Fund Balance, 09/30/2023	16,469.80
Budgeted Transfers	250,000.00
2023 Interest and Sinking Fund Tax Levy @ 90% Collection	143,635.53
Estimated Ending Balance, 09/30/2024 <sup>(1)</sup>	\$29,953.83

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

**TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS**

*As of September 30, 2023, the City has no authorized but unissued general obligation bonds.*

**TABLE 11 – OTHER OBLIGATIONS**

*The City does not have any outstanding operating or capital leases as of April 30, 2024.*

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**TABLE 12 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ending September 30		
	2023	2022	2021
<b><u>Revenues</u></b>			
Taxes			
Property Taxes and Related Fees	\$1,267,767	\$1,386,191	\$1,147,525
Sales and Use Taxes	812,229	794,898	698,021
Gross Receipts Business Tax	424,959	384,750	335,998
Motel Occupancy Taxes	7,647	39,783	48,435
Intergovernmental Revenue and Grants	323,601	735,898	41,512
Charges for Services	1,872,264	1,850,997	1,535,060
Fines and Fees	100,180	96,210	124,901
Investment Earnings	531,200	88,952	20,209
Rents and Royalties	-	-	-
Contributions and Donations	99,528	119,247	94,251
Other Revenue	311,875	178,615	395,734
<b>Total Revenues</b>	<b>\$5,751,250</b>	<b>\$5,675,541</b>	<b>\$4,441,646</b>
<b><u>Expenditures</u></b>			
Current:			
Legislative	\$17,543	\$17,186	\$21,428
Administrative	241,503	271,255	221,479
Police	1,172,004	1,001,263	1,028,954
Fire	135,462	145,953	133,933
Refuse	257,375	1,272,132	779,398
Shared Costs	657,592	562,575	606,812
Fleet	53,024	71,474	20,535
EMS	890,515	880,326	924,480
Dispatch	219,785	207,654	205,364
Economic Development	88,848	70,604	92,917
Licensing and Enforcement	178,511	199,745	158,135
Emergency Management	20,853	30,207	26,236
Residential Collection	401,585	456,590	280,348
Public Works	1,037,750	1,569,803	488,034
Municipal Court	89,419	96,909	92,047
Aquatics / Pool	-	-	3,610,041
Parks and Recreation	140,050	1,040,016	-
Blight Elimination	-	-	-
Airport	-	-	-
Debt Service			
Principal	367,196	420,319	167,796
Interest Expense and Related Fees	83,752	177,525	80,898
Bond Issuance Costs	-	-	53,669
<b>Total Expenditures</b>	<b>\$6,052,767</b>	<b>\$8,491,536</b>	<b>\$8,992,504</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(301,527)</b>	<b>(2,815,995)</b>	<b>(4,550,858)</b>
Other Financing Sources			
Transfer In (Out)	\$1,977,503	\$4,367,518	\$935,701
Bond Proceeds	-	201,361	4,335,000
Proceeds from the Sale of Capital Assets	10,000	2,051	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$1,987,503</b>	<b>\$4,570,930</b>	<b>\$5,270,701</b>
<b>Net Change in Fund Balances</b>	<b>\$1,685,986</b>	<b>\$1,754,935</b>	<b>\$719,843</b>
Fund Balances, Beginning (October 1)	\$3,673,108	\$1,918,173	\$1,070,348
Prior Period Adjustment	-	-	127,982
Fund Balances – Beginning Restated	-	-	1,198,330
<b>Fund Balances, Ending (September 30)</b>	<b>\$5,359,094</b>	<b>\$3,673,108</b>	<b>\$1,918,173</b>

Source: The Comprehensive Annual Financial Reports and information provided by the City’s Finance Department.

**TABLE 13 – MUNICIPAL SALES TAX**

The City has adopted the provisions of V.A.T.C.S. Texas Tax Code § 321.001 et seq., 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 may not legally be pledged to payment of the Certificates or any other debt of the City. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who monthly remits the proceeds of the tax, after deduction of a 2% service fee, to the City. On January 15, 1994, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for economic development. Collection of the additional tax went into effect on July 1, 1994. The sales tax for economic development is collected solely for the benefit of the Littlefield Economic Development Corporation (the “Corporation”) and may be pledged to securer payment of sales tax revenue bonds issued by the Corporation.

Fiscal Year Ending 9-30	Total Sales Tax Collected <sup>(1)</sup>	% of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2014	547,820.00	51.19%	0.3762
2015	535,768.00	48.66%	0.3576
2016	518,100.00	43.58%	0.3302
2017	536,224.00	44.07%	0.3339
2018	608,194.00	50.02%	0.3790
2019	609,868.00	49.29%	0.3680
2020	655,253.00	52.93%	0.3907
2021	692,332.00	55.70%	0.3834
2022	810,780.00	65.51%	0.4098
2023	809,080.00	60.06%	0.3757

Source: The Comprehensive Annual Financial Reports and information provided by the City’s Finance Department.

<sup>(1)</sup> Does not include the sales tax for economic development.

The sales tax breakdown for the City is as follows:

Economic and Community Development:	0.50¢
City Sales & Use Tax:	1.00¢
LEDC-B:	0.50¢
<u>State Sales &amp; Use Tax:</u>	<u>6.25¢</u>
Total:	8.25¢

**TABLE 14 – CURRENT INVESTMENTS**

*As of September 30, 2023, the City did not own any investments. The District currently maintains its funds in an interest bearing checking account on deposit with the district’s depository bank. The approximate amount in such account as of the date hereof is \$11,700,000 (unaudited).*

**TABLE 15 – REVENUE BOND DEBT DATA**

**None.**

Source: The Issuer’s Audited Comprehensive Financial Report for the fiscal year ending September 30, 2023.

**TABLE 16 - UTILITY PLANT IN SERVICE (as of September 30, 2023)**

Land	\$ 325,933
Buildings and Systems	10,867,315
Machinery and Equipment	4,847,925
Furniture and Equipment	150,657
<b>Total</b>	<b>16,191,830</b>
Less: Accumulated Depreciation	<u>(9,446,821)</u>
<b>Net Utility Plant in Service</b>	<b><u>\$ 6,745,009</u></b>

Source: The Issuer's Annual Comprehensive Financial Report for Fiscal Year Ended September 30, 2023.

**TABLE 17 – WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**

	Fiscal Year Ended				
	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Revenues	\$3,528,287	\$3,538,830	\$3,234,471	\$3,551,375	\$3,038,685
Expenses	<u>1,752,838</u>	<u>2,118,789</u>	<u>1,753,285</u>	<u>1,444,834</u>	<u>1,253,036</u>
	\$1,775,449	\$1,420,041	<u>\$1,481,186</u>	<u>\$2,106,541</u>	<u>\$1,785,649</u>
Net Revenue Available for Debt Service	<u>\$1,775,449</u>	<u>\$1,420,041</u>	<u>\$1,481,186</u>	<u>\$2,106,541</u>	<u>\$1,785,649</u>
Customer Count:					
Water	2,359	2,378	2,389	2,378	2,388
Sewer	2,186	2,209	2,218	2,215	2,209

Source: The Issuer and the Issuer's Audited Comprehensive Financial Reports (2019-2023).

**TABLE 18 – WATER RATES**

Effective October 1, 2016, as reflected by bills mailed on or about November 1, 2016, monthly water rates charged by the city will be as follows:

- (1) The following uniform monthly rates shall be charged to all persons, firms and corporations for city water service within the corporate limits of the city:
  - (A) Residential/commercial/OCL. Minimum 1,000 gallons, base rate:
    - (i) \$35.00 for all size meters inside the city limits.
    - (ii) \$45.00 minimum for customers outside the city limits.
  - (B) Residential multifamily/duplex/apartments. Serving building or structure with one meter:
    - (i) Additional dwelling unit/apartment unit.
    - (ii) Base plus one 1/2 minimum per unit.
    - (iii) Texas Property Code title 8 chapter 92.
    - (iv) "Dwelling unit" means a home, mobile home, duplex unit, apartment unit, condominium unit, or any dwelling unit in a multiunit residential structure. It also means a "dwelling" as defined by section 92.001. Acts 1983, 68th Leg., p. 3649, ch 576, §1, eff. Jan 1, 1984.
  - (C) Exemption from additional meter size base: Hotels, motels, hospitals, nursing homes, jails/prisons, schools.
- (2) The following uniform rates will be charged for each thousand gallons of water used:
  - (A) \$3.25 per thousand up to 30,000 gallons;
  - (B) \$3.50 per thousand over 30,000 gallons.

(See Ordinance 2016-0920-3 adopted 9/20/16)

**TABLE 19 – SEWER RATES**

*Effective October 1, 2016, as reflected by bills mailed on or about November 1, 2016, monthly wastewater/sewer rates charged by the city will be as follows:*

(1) Regular rates. Monthly billing:

	Inside City Limit	Outside City Limits
Residential and Commercial	\$28.00	\$42.00
Per 1,000 – (winter average for residential)	\$0.50	\$0.75

(2) Multifamily or multi-use buildings or areas.

(A) Apartment houses, including duplexes, quadruplexes, and similar structures, and trailer or mobile home parks:

(i) Inside city limits: \$28.00 plus 1/2 minimum per unit, plus \$0.50 per thousand.

(ii) Outside city limits: \$42.00 plus 1/2 minimum per unit, plus \$1.00 per thousand.

(B) Motels and hotels, inside city limits: \$28.00 plus 1/4 minimum per unit, plus \$0.50 per thousand.

(C) Laundromats, carwashes, rest homes, hospitals and schools: Same as commercial.

(D) The city treasurer is hereby authorized to make code changes to the electronic billing system that is consistent with this adopted schedule for all users.

*(Ordinance 2016-0920-3 adopted 9/20/16)*

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF LITTLEFIELD AND  
LAMB COUNTY, TEXAS**

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**GENERAL INFORMATION REGARDING THE CITY OF LITTLEFIELD AND  
LAMB COUNTY, TEXAS**

**General Description**

The City of Littlefield, Texas (the “City”) is the county seat of Lamb County, and is located 35 miles northwest of Lubbock and 120 miles southwest of Amarillo. The City’s 2020 Census population was 5,943 while the estimated 2023 population is 5,783. The City is primarily rural, with services, trade and government as major sources of employment. Other cities located in Lamb County include: Olton, Amherst, Earth, Springlake and Sudan.

The City was incorporated in 1924, and first adopted its Home Rule Charter in 1959. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and four Councilmembers. The term of office is two years with terms of the Mayor and two of the Councilmembers’ terms expiring in odd-numbered years and the other terms of the remaining two Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police, fire, and emergency medical services), highways and streets, water and sanitary sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative services.

**Economy (Lamb County)**

Lamb County (the “County”) is on the northwest edge of the Texas South Plains. The county was created in 1876 and from the Young and Bexar Territories. The County is traversed by U.S. Highways 70, 84, 385, and six farm-to-market roads, as well as the Blackwater Draw. The County was the ninth largest producing county of corn and the ninth largest producing county of cotton in Texas in 2016. The County also had the sixth largest inventory of cattle in Texas as of January 1, 2017.

The County has an economy based on agriculture. Minerals produced in the County include oil, stone and gas. Agriculture products include feed, cattle, sheep, cotton, wheat, grain, sorghum, corn, vegetables, soybean, and hay.

Littlefield is also home to a \$300 million milk dehydration plant that will be expanding with another \$300 million addition in partnership with Westrock Coffee to build a multi-serve bottling plant addition.

**Historical Employment Data, Lamb County**

<u>Area</u>	<u>May</u> <u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Labor Force	5,257	5,211	5,166	5,204	5,247
Employed	5,063	4,951	4,897	5,006	5,015
Unemployed	194	260	269	198	232
Unemployment Rate	4.0%	5.0%	5.2%	3.8%	4.4%

Source: Texas Labor Market Information.

**Comparative Unemployment Rates**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Lamb County	4.0%	5.0%	5.2%	3.8%	4.4%
State of Texas	3.9%	5.6%	7.7%	3.5%	3.9%

Source: Texas Workforce Commission.

**Transportation**

Lamb County has a well-developed highway network including U.S. Highways 385, 84, 70 and six farm –to-market roads. The City is located at the intersection of U.S. Highways 84 and 385.

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## **APPENDIX C**

### **EXCERPTS FROM THE CITY OF LITTLEFIELD, TEXAS ANNUAL FINANCIAL REPORT For the Year Ended September 30, 2023**

The information contained in this APPENDIX consists of excerpts from the City of Littlefield, Texas Annual Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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**CITY OF LITTLEFIELD, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS  
LUBBOCK, TEXAS

**CITY OF LITTLEFIELD, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**



**CITY OF LITTLEFIELD, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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**CITY OF LITTLEFIELD, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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**FINANCIAL SECTION**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**Independent Auditor's Report**

Mayor and City Council  
City of Littlefield, Texas  
Littlefield, Texas

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

***Opinions***

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield, Texas, as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Littlefield, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield, Texas, as of September 30, 2023, 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***

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

Our 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 our 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*, we:

- 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.

We are 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 we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios, schedules of employer contributions, schedule of changes in the total OPEB liability and related ratios, and budgetary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of the City's internal control over financial reporting and compliance.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

January 16, 2024

**BASIC FINANCIAL STATEMENTS**

CITY OF LITTLEFIELD, TEXAS

EXHIBIT A-1

GOVERNMENT-WIDE - STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Littlefield EDC
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 5,582,838	\$ 5,316,078	\$ 10,898,916	\$ 1,812,494
Accounts and Taxes Receivable, Net	452,144	238,852	690,996	
Due from Other Governments	70,621		70,621	70,621
Capital Assets, Nondepreciable	1,095,310	325,933	1,421,243	
Capital Assets, Depreciable, Net	7,699,077	6,524,172	14,223,249	
Total Assets	<u>\$ 14,899,990</u>	<u>\$ 12,405,035</u>	<u>\$ 27,305,025</u>	<u>\$ 1,883,115</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension	\$ 673,246	\$ 128,906	\$ 802,152	\$
OPEB	2,335	447	2,782	
Total Deferred Outflows of Resources	<u>\$ 675,581</u>	<u>\$ 129,353</u>	<u>\$ 804,934</u>	<u>\$ 0</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 132,261	\$ 101,729	\$ 233,990	\$
Wages Payable	54,126	9,795	63,921	
Other Current Liabilities	32,881	467	33,348	
Accrued Interest Payable	10,586		10,586	
Customer Deposits		181,760	181,760	
Noncurrent Liabilities				
Due Within One Year	371,945	120,000	491,945	
Due In More Than One Year	4,096,039	492,735	4,588,774	
Total Liabilities	<u>\$ 4,697,838</u>	<u>\$ 906,486</u>	<u>\$ 5,604,324</u>	<u>\$ 0</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension	\$ 79,326	\$ 15,189	\$ 94,515	\$
OPEB	52,077	9,971	62,048	
Total Deferred Inflows of Resources	<u>\$ 131,403</u>	<u>\$ 25,160</u>	<u>\$ 156,563</u>	<u>\$ 0</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 5,042,442	\$ 6,365,105	\$ 11,407,547	\$
Restricted For:				
Enabling Legislation	239,094		239,094	
Debt Service	127,850		127,850	
Grant Programs	229,395		229,395	
Unrestricted	<u>5,107,549</u>	<u>5,237,637</u>	<u>10,345,186</u>	<u>1,883,115</u>
Total Net Position	<u>\$ 10,746,330</u>	<u>\$ 11,602,742</u>	<u>\$ 22,349,072</u>	<u>\$ 1,883,115</u>

The accompanying notes are an integral part of this statement.



CITY OF LITTLEFIELD, TEXAS

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT A-2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Littlefield EDC
<b>PRIMARY GOVERNMENT:</b>								
Governmental Activities:								
Legislative	\$ 17,543	\$	\$	\$	\$ (17,543)	\$	\$ (17,543)	\$
Administrative	275,420	30,203	2,536		(242,681)		(242,681)	
Police	982,616				(982,616)		(982,616)	
Fire	230,203	31,870	17,343	19,971	(161,019)		(161,019)	
Refuse	391,617	82,935			(308,682)		(308,682)	
Shared Costs	657,592				(657,592)		(657,592)	
Fleet	52,292				(52,292)		(52,292)	
EMS	1,000,962	802,057	53,723	169,879	24,697		24,697	
Dispatch	217,842				(217,842)		(217,842)	
Economic Development	88,192				(88,192)		(88,192)	
Licensing and Enforcement	177,934				(177,934)		(177,934)	
Emergency Management	20,853				(20,853)		(20,853)	
Residential Collection	401,524	965,678			564,154		564,154	
Public Works	1,090,022	39,898			(1,050,124)		(1,050,124)	
Municipal Court	88,519	37,107			(51,412)		(51,412)	
Parks and Recreation	378,388	60,152	250,000		(68,236)		(68,236)	
Blight Elimination	7,950				(7,950)		(7,950)	
Airport	92,340		44,000		(48,340)		(48,340)	
Interest and Bond Issuance Costs on Long-Term Debt	82,972				(82,972)		(82,972)	
Total Governmental Activities	\$ 6,254,781	\$ 2,049,900	\$ 367,602	\$ 189,850	\$ (3,647,429)	\$ 0	\$ (3,647,429)	\$ 0
Business-Type Activities:								
Water and Sewer	\$ 1,752,838	\$ 3,528,287	\$	\$	\$	\$ 1,775,449	\$ 1,775,449	\$
Interest on Long-Term Debt	20,281					(20,281)	(20,281)	
Total Business-Type Activities	\$ 1,773,119	\$ 3,528,287	\$ 0	\$ 0	\$ 0	\$ 1,755,168	\$ 1,755,168	\$ 0
Total Primary Government	\$ 8,027,900	\$ 5,578,187	\$ 367,602	\$ 189,850	\$ (3,647,429)	\$ 1,755,168	\$ (1,892,261)	\$ 0
<b>Component Unit:</b>								
Littlefield EDC	\$ 195,276	\$	\$ (250,000)					\$ (445,276)
TOTAL COMPONENT UNIT	\$ 195,276	\$ 0	\$ (250,000)					\$ (445,276)
<b>General Revenues:</b>								
Property Taxes and Related Fees					\$ 1,289,970	\$	\$ 1,289,970	\$
Sales and Use Taxes					812,229		812,229	870,307
Gross Receipts Business Tax					424,959		424,959	
Motel Occupancy Taxes					7,647		7,647	
Unrestricted Contributions					99,528		99,528	
Unrestricted Investment Earnings					531,200	3,735	534,935	
Gain on the Sale of Capital Assets					51,960		51,960	
Miscellaneous					342,772	27,593	370,365	120
Transfers					2,084,639	(2,084,639)		
Total General Revenue and Transfers					\$ 5,644,904	\$ (2,053,311)	\$ 3,591,593	\$ 870,427
Change in Net Position					\$ 1,997,475	\$ (298,143)	\$ 1,699,332	\$ 425,151
Net Position - Beginning					\$ 8,748,855	\$ 11,900,885	\$ 20,649,740	\$ 1,457,964
Net Position - Ending					\$ 10,746,330	\$ 11,602,742	\$ 22,349,072	\$ 1,883,115

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD, TEXAS

EXHIBIT A-3

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 5,202,202	\$ 231,377	\$ 149,259	\$ 5,582,838
Accounts Receivable (Net)	356,520		12,477	368,997
Taxes Receivable (Net)	83,147			83,147
Due from Other Governments	<u>70,621</u>			<u>70,621</u>
Total Assets	<u>\$ 5,712,490</u>	<u>\$ 231,377</u>	<u>\$ 161,736</u>	<u>\$ 6,105,603</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 91,638		\$ 40,623	\$ 132,261
Wages Payable	53,946		180	54,126
Other Current Liabilities	<u>30,899</u>	<u>1,982</u>		<u>32,881</u>
Total Liabilities	<u>\$ 176,483</u>	<u>\$ 1,982</u>	<u>\$ 40,803</u>	<u>\$ 219,268</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Property Taxes	\$ 83,147			\$ 83,147
Emergency Medical Services	<u>93,766</u>			<u>93,766</u>
Total Deferred Inflows of Resources	<u>\$ 176,913</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 176,913</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
Restricted for Enabling Legislation	\$ 168,563		\$ 70,531	\$ 239,094
Restricted for Debt Service	127,850			127,850
Restricted for Grant Programs		229,395		229,395
Assigned Fund Balances			50,402	50,402
Unassigned Fund Balance	<u>5,062,681</u>			<u>5,062,681</u>
Total Fund Balances	<u>\$ 5,359,094</u>	<u>\$ 229,395</u>	<u>\$ 120,933</u>	<u>\$ 5,709,422</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,712,490</u>	<u>\$ 231,377</u>	<u>\$ 161,736</u>	<u>\$ 6,105,603</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD, TEXAS

EXHIBIT A-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds Balance Sheet	\$	5,709,422
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:		
Capital assets used in governmental activities are not reported in the funds.		8,794,387
Property taxes receivable and EMS Receivable unavailable to pay for current period expenditures are deferred in the funds.		176,913
Deferred outflows and inflows of resources related to pensions and OPEB are not reported in the funds.		544,178
Payables for notes payable which are not due in the current period are not reported in the funds.		(3,751,945)
Payables for bond and note interest which are not due in the current period are not reported in the funds.		(10,586)
Payables for closure and post closure costs are not recorded in the funds.		(75,767)
Total OPEB Liabilities are not recorded in the funds.		(155,747)
Net pension Liabilities are not reported in the funds.		(377,012)
Payables for compensated absences which are not reported in the funds.		<u>(107,513)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u><u>10,746,330</u></u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD, TEXAS

EXHIBIT A-5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue:</b>				
Taxes:				
Property Taxes and Related Fees	\$ 1,267,767	\$	\$	\$ 1,267,767
Sales and Use Taxes	812,229			812,229
Gross Receipts Business Tax	424,959			424,959
Motel Occupancy Taxes	7,647			7,647
Intergovernmental Revenue and Grants	323,601	189,850	44,000	557,451
Charges for Services	1,872,264	31,870	45,588	1,949,722
Fines and Fees	100,180			100,180
Investment Earnings	531,200			531,200
Rents and Royalties			30,897	30,897
Contributions and Donations	99,528			99,528
Other Revenue	311,875			311,875
<b>Total Revenues</b>	<b>\$ 5,751,250</b>	<b>\$ 221,720</b>	<b>\$ 120,485</b>	<b>\$ 6,093,455</b>
<b>Expenditures:</b>				
Current:				
Legislative	\$ 17,543	\$	\$	\$ 17,543
Administrative	241,503			241,503
Police	1,172,004			1,172,004
Fire	135,462	19,971		155,433
Refuse	257,375			257,375
Shared Costs	657,592			657,592
Fleet	53,024			53,024
EMS	890,515	289,881		1,180,396
Dispatch	219,785			219,785
Economic Development	88,848			88,848
Licensing and Enforcement	178,511			178,511
Emergency Management	20,853			20,853
Residential Collection	401,585			401,585
Public Works	1,037,750			1,037,750
Municipal Court	89,419			89,419
Parks and Recreation	140,050			140,050
Blight Elimination			7,950	7,950
Airport			92,340	92,340
Debt Service:				
Principal	367,196			367,196
Interest Expense and Related Fees	83,752			83,752
<b>Total Expenditures</b>	<b>\$ 6,052,767</b>	<b>\$ 309,852</b>	<b>\$ 100,290</b>	<b>\$ 6,462,909</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>\$ (301,517)</b>	<b>\$ (88,132)</b>	<b>\$ 20,195</b>	<b>\$ (369,454)</b>
Other Financing Sources:				
Transfers In (Out)	\$ 1,977,503	\$ 87,136	\$ 20,000	\$ 2,084,639
Proceeds from the Sale of Capital Assets	10,000		41,960	51,960
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 1,987,503</b>	<b>\$ 87,136</b>	<b>\$ 61,960</b>	<b>\$ 2,136,599</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,685,986</b>	<b>\$ (996)</b>	<b>\$ 82,155</b>	<b>\$ 1,767,145</b>
Fund Balances - Beginning	3,673,108	230,391	38,778	3,942,277
Fund Balances - Ending	<b>\$ 5,359,094</b>	<b>\$ 229,395</b>	<b>\$ 120,933</b>	<b>\$ 5,709,422</b>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD, TEXAS

EXHIBIT A-6

**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, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$	1,767,145
Amounts reported for governmental activities in the Statement Of Activities (SOA) are different because:		
Capital assets are not reported as expenses in the SOA.		652,794
The depreciation of capital assets used in governmental activities is not reported in the funds.		(839,110)
Certain revenues are deferred in the funds. This is the change in these amounts this year.		22,202
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA.		367,196
Long Term Liabilities for closure and post closure costs are not recorded in the funds.		(8,960)
Change in accrued interest from beginning of period to end of period.		780
Change related to pension liabilities, total OPEB liabilities, and deferred inflows and outflows is not recorded in the funds.		36,410
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		<u>(982)</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u><u>1,997,475</u></u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD, TEXAS

EXHIBIT A-7

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2023

	Major Enterprise Fund Water and Sewer
	<u>                    </u>
<b>ASSETS:</b>	
Current Assets	
Cash and Cash Equivalents	\$ 5,316,078
Accounts Receivable, Net	<u>238,852</u>
Total Current Assets	<u>\$ 5,554,930</u>
Noncurrent Assets	
Capital Assets	\$
Nondepreciable	325,933
Depreciable, Net	<u>6,524,172</u>
Total Noncurrent Assets	<u>\$ 6,850,105</u>
Total Assets	<u>\$ 12,405,035</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension	\$ 128,906
OPEB	<u>447</u>
Total Deferred Outflows of Resources	<u>\$ 129,353</u>
<b>LIABILITIES:</b>	
Current Liabilities	
Accounts Payable	\$ 101,729
Wages Payable	9,795
Other Current Liabilities	467
Customer Deposits	181,760
Current Portion of Long Term Liabilities	
Bonds and Certificates of Obligation	<u>120,000</u>
Total Current Liabilities	<u>\$ 413,751</u>
Noncurrent Liabilities	
Accrued Compensated Absences	\$ 25,728
Net Pension Liability	72,186
Total OPEB Liability	29,821
Bonds and Certificates of Obligation	<u>365,000</u>
Total Noncurrent Liabilities	<u>\$ 492,735</u>
Total Liabilities	<u>\$ 906,486</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pension	\$ 15,189
OPEB	<u>9,971</u>
Total Deferred Inflows of Resources	<u>\$ 25,160</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	\$ 6,365,105
Unrestricted	<u>5,237,637</u>
Total Net Position	<u>\$ 11,602,742</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD, TEXAS

EXHIBIT A-8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Major Enterprise Fund Water and Sewer Fund
OPERATING REVENUES:	
Charges for Services:	\$ 3,528,287
Total Operating Revenues	<u>\$ 3,528,287</u>
OPERATING EXPENSES:	
Personnel Services	\$ 546,126
Contractual Services	584,052
Supplies and Maintenance	242,595
Depreciation and Amortization	380,065
Total Operating Expenses	<u>\$ 1,752,838</u>
Operating Income (Loss)	<u>\$ 1,775,449</u>
NON-OPERATING REVENUES (EXPENSES):	
Non-Operating Revenue	\$ 27,593
Interest Revenue	3,735
Interest Expense and Paying Agent Fees	(20,281)
Total Non-Operating Revenues (Expenses)	<u>\$ 11,047</u>
Income (Loss) Before Transfers	\$ 1,786,496
Transfers In (Out)	<u>(2,084,639)</u>
Change in Net Position	\$ (298,143)
Total Net Position - Beginning	<u>\$ 11,900,885</u>
Total Net Position - Ending	<u><u>\$ 11,602,742</u></u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD, TEXAS

EXHIBIT A-9

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Major Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 3,515,737
Cash Payments to Employees and for Benefits	(539,235)
Cash Payments to Other Suppliers for Goods and Services	(761,878)
Net Cash from Operating Activities	<u>\$ 2,214,624</u>
Cash Flows from Non-Capital Financing Activities:	
Various Reimbursements	\$ 27,593
Cash Transfers from (to) Other Funds	(2,084,639)
Net Cash from Non-Capital Financing Activities	<u>\$ (2,057,046)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	\$ (135,281)
Capital Asset Acquisitions	(485,161)
Net Cash from Capital and Related Financing Activities	<u>\$ (620,442)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	\$ 3,735
Net Cash from Investing Activities	<u>\$ 3,735</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ (459,129)
Cash and Cash Equivalents - Beginning of Year	5,775,207
Cash and Cash Equivalents - End of Year	<u>\$ 5,316,078</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	<u>\$ 1,775,449</u>
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities	
Depreciation and Amortization	\$ 380,065
Change in Assets and Liabilities:	
Decrease (Increase) in Accounts Receivable, Net	(14,075)
Increase (Decrease) in Accounts Payable	64,769
Increase (Decrease) in Wages Payable	2,681
Increase (Decrease) in Customer Deposits	1,525
Increase (Decrease) in Accrued Compensated Absences	11,306
Increase (Decrease) in Pension and Related Deferrals	(5,930)
Increase (Decrease) in OPEB and Related Deferrals	(1,166)
Total Adjustments	<u>\$ 439,175</u>
Net Cash from Operating Activities	<u>\$ 2,214,624</u>

The accompanying notes are an integral part of this statement.



**CITY OF LITTLEFIELD, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Summary of Significant Accounting Policies**

The combined financial statements of City of Littlefield, Texas (the City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Reporting Entity**

The City's financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in accounting principles generally accepted in the United States of America (GAAP) include whether:

- The organization is legally separate
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City
- Exclusion of the organization would result in misleading or incomplete financial statements.

The City also evaluated any legally separate tax-exempt organizations whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GAAP requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) the City or its component units are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City. Based on these criteria, the City has one component unit, Littlefield Economic Development Corporation – Type A, which is included in these financial statements and is reported as a discretely presented component unit based on the criteria of GASB Statement No. 61. Additionally, the City is not a component unit of any other reporting entity as defined by GAAP.

**Basis of Presentation, Basis of Accounting**

**Government-Wide Statements:** The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

**CITY OF LITTLEFIELD, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental funds:

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

Grant Fund: This fund is used to account for the governmental activity related grant programs of the City.

The City reports the following major enterprise fund:

Water and Sewer Fund: This fund accounts for the water supply and distribution, sanitary sewer, storm water, and waste water treatment activities of the City.

In addition, the City reports the following fund types:

Special revenue funds: These funds account for specific revenue sources that are legally restricted or deemed as committed for a certain purpose and the related expenditures for those purposes.

**CITY OF LITTLEFIELD, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**Measurement Focus, Basis of Accounting**

Government-Wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**Financial Statement Amounts**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**Property Taxes**

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

**CITY OF LITTLEFIELD, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

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

**Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Classes</u>	<u>Estimated Useful Lives (Years)</u>
Buildings and Systems	5-30
Machinery and Equipment	5-20
Furniture and Equipment	5-10

**Payable Balances**

The City believes that sufficient detail of payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore no disclosure is provided which disaggregates those balances. Details of receivables are provided in these Notes to Financial Statements.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources, included on the proprietary fund financial statements and government wide financial statements, for unspent grant funds, pension related items, and OPEB related items.

Deferred outflows/inflows of resources are separate elements of the financial statements. The City has deferred resources, included on the governmental fund financial statements, for unavailable revenue from property taxes and EMS charges for services. Additionally, the City has deferred inflows of resources, included on the proprietary fund financial statements and government wide financial statements, for pension related items, and OPEB related items.

**CITY OF LITTLEFIELD, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**Interfund Activity**

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Pension**

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**OPEB**

The fiduciary net position has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources relating to other post-employment benefits, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

**CITY OF LITTLEFIELD, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**Fund Balance**

Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. There were no amounts reported as Nonspendable at September 30, 2023.

Restricted - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law through constitutional provisions or enabling legislation.

Committed - includes amounts that can be used only for the specific purposes as established by the City Council's resolution. The City Council is the City's highest level of decision-making authority; and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the City's Council at the City Council's board meeting. As of September 30, 2023, the City had no committed fund balances.

Assigned - includes amounts that are constrained by the City Council, or by another city official or the finance division to which the City has delegated authority, that are to be used for specific purposes but are neither restricted nor committed.

Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

**Compensated Absences**

The estimated current portion of the liability for vested sick leave and vacation benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the Government-wide financial statements. The non-current amounts attributable to proprietary funds are charged to expense and a corresponding liability is recorded in the applicable funds.

**Note 2 – Deposits and Investments**

**Custodial Credit Risk for Deposits**

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complied with this law for the year ended September 30, 2023, it had no custodial credit risk for deposits.

**CITY OF LITTLEFIELD, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**Compliance with the Public Funds Investment Act**

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 (the 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 City did not own any investments as of September 30, 2023.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2023, the City had no investments.

**Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. The City's demand deposits at year end are entirely covered by FDIC insurance and pledged collateral held in the City's name by the City's agent.

**Concentration of Credit Risk**

The City's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and continuously investing a portion of the portfolio in readily available funds such as local government investment pools.

**Interest Rate Risk**

This is the risk that changes in interest rates and will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. At year end the City was not exposed to foreign currency risk.

Note 3 – Receivables

The receivables detailed in the following table are reported net of allowances in the fund financial statements as of September 30, 2023:

	<u>Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Receivables:			
Taxes	\$ 211,492	\$	\$ 211,492
Other	12,477		12,477
Accounts	<u>770,920</u>	<u>505,530</u>	<u>1,276,450</u>
Gross Receivables	\$ 994,889	\$ 505,530	\$ 1,500,419
Less: Allowance for Uncollectibles	<u>(542,745)</u>	<u>(266,678)</u>	<u>(809,423)</u>
Net Total Receivables	<u>\$ 452,144</u>	<u>\$ 238,852</u>	<u>\$ 690,996</u>

Note 4 – Interfund Balances and Activity

Transfers to and from other funds:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Water and Sewer Fund	Governmental Funds	\$ 2,084,639	Budgeted Contributions
Net Transfers		<u>\$ 2,084,639</u>	



CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 5 - Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,095,310	\$	\$	\$ 1,095,310
Total Capital Assets Not Being Depreciated	\$ 1,095,310	\$ 0	\$ 0	\$ 1,095,310
Capital Assets Being Depreciated				
Buildings and Systems	\$ 11,456,608	\$	\$	\$ 11,456,608
Machinery and Equipment	7,506,210	652,794	85,182	8,073,822
Furniture and Equipment	222,393			222,393
Total Capital Assets Being Depreciated	\$ 19,185,211	\$ 652,794	\$ 85,182	\$ 19,752,823
Less Accumulated Depreciation for:				
Buildings and Systems	\$ 6,416,826	\$ 284,020	\$	\$ 6,700,846
Machinery and Equipment	4,675,226	550,759	85,182	5,140,803
Furniture and Equipment	207,766	4,331		212,097
Total Accumulated Depreciation	\$ 11,299,818	\$ 839,110	\$ 85,182	\$ 12,053,746
Total Capital Assets Being Depreciated, Net	\$ 7,885,393	\$ (186,316)	\$ 0	\$ 7,699,077
Governmental Activities Capital Assets, Net	\$ 8,980,703	\$ (186,316)	\$ 0	\$ 8,794,387

Depreciation was charged to governmental activities as follows:

Administrative	\$ 37,510
Police	7,722
Fire	81,386
Refuse	320,664
EMS	101,858
Public Works	51,632
Parks and Recreation	238,338
Total Depreciation Charged to Governmental Activities	\$ 839,110

CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-Type Activities:</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 325,933	\$	\$	\$ 325,933
Total Capital Assets Not Being Depreciated	<u>\$ 325,933</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 325,933</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Systems	\$ 10,867,315	\$ 82,697	\$	\$ 10,950,012
Machinery and Equipment	4,847,925	402,464		5,250,389
Furniture and Equipment	150,657			150,657
Total Capital Assets Being Depreciated	<u>\$ 15,865,897</u>	<u>\$ 485,161</u>	<u>\$ 0</u>	<u>\$ 16,351,058</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Systems	\$ 5,219,719	\$ 228,573	\$	\$ 5,448,292
Machinery and Equipment	4,076,445	151,492		4,227,937
Furniture and Equipment	150,657			150,657
Total Accumulated Depreciation	<u>\$ 9,446,821</u>	<u>\$ 380,065</u>	<u>\$ 0</u>	<u>\$ 9,826,886</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 6,419,076</u>	<u>\$ 105,096</u>	<u>\$ 0</u>	<u>\$ 6,524,172</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,745,009</u>	<u>\$ 105,096</u>	<u>\$ 0</u>	<u>\$ 6,850,105</u>
Depreciation Expense		<u>\$ 380,065</u>		

**Note 6 – Long-Term Obligations**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2023, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Notes Payable	\$ 134,141	\$	\$ 67,196	\$ 66,945	\$ 66,945
Bonds Payable	3,985,000		300,000	3,685,000	305,000
Closure/Postclosure Landfill	66,807	8,960		75,767	
Compensated Absences	106,531	982		107,513	
Total Governmental Activities	<u>\$ 4,292,479</u>	<u>\$ 9,942</u>	<u>\$ 367,196</u>	<u>\$ 3,935,225</u>	<u>\$ 371,945</u>
<b>Business-Type Activities:</b>					
Bonds Payable	\$ 600,000	\$	\$ 115,000	\$ 485,000	\$ 120,000
Compensated Absences	14,422	11,306		25,728	
Total Business-Type Activities	<u>\$ 614,422</u>	<u>\$ 11,306</u>	<u>\$ 115,000</u>	<u>\$ 510,728</u>	<u>\$ 120,000</u>

CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated Absences	Governmental	General Fund
Compensated Absences	Business-Type	Enterprise Funds

The General Fund includes funds used to liquidate the liability for accrued landfill closure and post closure costs.

Debt service requirements on long-term debt at September 30, 2023, are as follows:

Year Ending September 30,	Bonds Payable and Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 491,945	\$ 93,534	\$ 585,479
2025	375,000	79,429	454,429
2026	385,000	68,258	453,258
2027	370,000	60,572	430,572
2028	265,000	51,884	316,884
2029-2033	1,425,000	172,164	1,597,164
2034-2036	925,000	29,312	954,312
Totals	<u>\$ 4,236,945</u>	<u>\$ 555,153</u>	<u>\$ 4,792,098</u>

Interest expense incurred on long term debt during the year was \$104,033.

The City Currently has the following debt outstanding:

Certificates of Obligation, Series 2006, which were originally issued for \$1,910,000 in 2006 and carry interest rates from 3.00% to 3.80%.

Certificates of Obligation, Series 2020, which were originally issued for \$4,335,000 in 2021 and carry an interest rate of 2.09%.

Notes Payable issued from First National Bank for \$201,361 for the purchase of a wheel loader and the note carries an interest rate of 2.65%.

CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

**Note 7 – Employee Retirement Benefits**

**Texas Municipal Retirement System (TMRS)**

**Plan Description**

The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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 75.00% of the member's deposits and interest.

Currently the City has adopted the following provisions related to the pension plan:

	<u>December 31, 2022</u>
Employee Deposit Rate	5.00%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Requirement Eligibility (Expressed as Age / Years of Service)	60/5,0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI

**CITY OF LITTLEFIELD, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**Employees Covered by Benefit Terms**

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	46
Inactive Employees Entitled to but not Yet Receiving Benefits	65
Active Employees	<u>59</u>
Total Plan Employees	<u><u>170</u></u>

**Contributions**

The contribution rates for employees in TMRS are either 5.00%, 6.00%, or 7.00% of employee gross earnings, and the city matching percentages are either 100.00%, 150.00%, or 200.00%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The required contribution rates for the City were 7.02% and 6.48% in calendar years 2022 and 2023, respectively. The City's contribution to TMRS for the year ended September 30, 2023, was \$172,613 and was equal to the required contribution.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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*

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

**CITY OF LITTLEFIELD, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%

CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

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 Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset (Liability)
Balance 12/31/2021	\$ 9,688,674	\$ 10,539,424	\$ 850,750
Service Cost	290,897		(290,897)
Interest (on the Total Pension Liability)	644,444		(644,444)
Difference Between Expected and Actual Experience	(98,170)		98,170
Contributions - Employer		177,707	177,707
Contributions - Employee		126,571	126,571
Net Investment Income		(768,342)	(768,342)
Benefit Payments	(573,603)	(573,603)	
Administrative Expense		(6,657)	(6,657)
Other		7,944	7,944
Balance 12/31/2022	<u>\$ 9,952,242</u>	<u>\$ 9,503,044</u>	<u>\$ (449,198)</u>

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

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

1% Decrease	Current Rate Assumption	1% Increase
\$ (1,875,215)	\$ (449,198)	\$ 704,957

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).

CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

Pension Expense, Deferred Outflows, and Deferred Inflows Related to Pensions

For the year ended September 30, 2023, the City recognized pension income of 133,637 and calculated as shown below:

Total Service Cost	\$	290,897
Interest on the Total Pension Liability		644,444
Employee Contributions (Reduction of Expense)		(126,571)
Projected Earnings on Plan Investments (Reduction of Expense)		(711,411)
Administrative Expense		6,657
Other Changes in Fiduciary Net Position		(7,944)
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities		(150,363)
Recognition of Current Year Outflow (Inflow) of Resources-Assets		187,928
Total Pension Expense (Income)	\$	<u>133,637</u>

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Pension Plan Adjustments</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 94,515
Differences between projected and actual investment earnings		671,110
Contributions Subsequent to the Measurement Date		131,042
	\$	\$ <u>94,515</u>
		<u>802,152</u>

\$131,042 of employer contribution deferral will be fully amortized in fiscal year 2024. Total amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan Year</u>	<u>Amortization of Deferred Outflows</u>
2023	\$ (37,010)
2024	139,001
2025	178,655
2026	295,949
	\$ <u>576,595</u>



CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

**Note 8 – Other Postemployment Benefits (TMRS)**

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

**Benefits Provided:**

The plan provides a \$7,500 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the SDBF. The OPEB benefit is a fixed \$7,500 lump-sum benefit and no future increases are assumed in the benefit amount.

The SDBF fund does not meet the requirements of a trust under Paragraph 4b of GASBS No. 75, as the assets of the SDBF can be used to pay active SDBF benefits which are not part of the OPEB plan. The contributions for retiree SDBF coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

Benefit terms are established under the TMRS Act. Participation in the retiree SDBF is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The City’s contribution rate for the retiree SDBF program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$7,500.

**Employees Covered by Benefit Terms:**

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	28
Inactive Employees Entitled to but not Yet Receiving Benefits	15
Active Employees	59
Total Plan Employees	<u>102</u>

CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

**Total OPEB Liability:**

The City's total OPEB liability of \$185,568 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Balance as of December 31, 2021	\$ 257,525
Changes for the year:	
Service Cost	14,924
Interest on Total OPEB Liability	4,813
Experience Differences	3,313
Effect of Assumptions Changes or Inputs	(88,177)
Benefit Payments	<u>(6,830)</u>
Balance as of December 31, 2022	<u>\$ 185,568</u>

**Actuarial Assumptions:**

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Discount Rate	4.05% as of December 31, 2022 - Assumption Change
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation

Mortality rates – General      General: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASBS No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.05% based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

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**CITY OF LITTLEFIELD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**Annuity Purchase Rates:**

Annuity purchase rates are used to determine the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027, the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

**Experience Studies:**

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2020 actuarial valuation. For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the APRs until 2027 are based on a mortality study performed in 2013. TMRS uses the experience studies as a basis for determining assumptions, except where required to be treated different by GASB 75.

**Changes in the Total OPEB Liability:**

Changes of assumptions or other inputs reflect a change in the discount rate from 2022 to 2023.

There were no changes of benefit terms that affected measurement during the measurement period.

**Sensitivity Analysis:**

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 4.05%, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or 1 percentage point higher (5.05%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB Liability	\$ <u>219,289</u>	\$ <u>185,568</u>	\$ <u>159,125</u>

CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2023, the City recognized OPEB expense of \$4,083.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contribution Deferral	\$ 2,782	\$
Experience Differences		14,529
Changes in Assumptions		47,519
	<u>\$ 2,782</u>	<u>\$ 62,048</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

<u>Plan Year</u>	<u>Amortization of Deferred Resources</u>
2023	\$ (14,571)
2024	(19,477)
2025	(20,460)
2026	(7,540)
2027	0
Thereafter	0
	<u>\$ (62,048)</u>

Note 9 – Contingencies and Litigation

Contingencies

The City participates in grant programs which are governed by various regulations and rules of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to the compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

CITY OF LITTLEFIELD, TEXAS

NOTES TO FINANCIAL STATEMENTS

**Note 10 – Closure and Post Closure Care**

State and federal laws and regulations require the City to place a final cover on its City of Littlefield Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$75,767 reported as landfill closure and postclosure care liability as of September 30, 2023, represents the cumulative amount reported to date based on the use of 22% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure of \$271,824 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2023. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**REQUIRED SUPPLEMENTARY INFORMATION**

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability
Service Cost	\$ 184,328	\$ 230,612	\$ 230,269	\$ 240,820	\$ 252,541	\$ 268,928	\$ 277,169	\$ 285,308	\$ 290,897
Interest	472,991	503,147	517,311	547,395	567,142	583,430	600,758	621,572	644,444
Benefit Payments	(348,455)	(337,368)	(291,176)	(318,847)	(482,984)	(352,137)	(374,594)	(349,635)	(573,603)
Changes in Assumptions		(1,534)				(12,126)			
Differences between Expected and Actual Experience	93,249	58,267	(2,145)	(100,615)	(169,018)	(224,268)	(211,526)	(109,214)	(98,170)
<b>Net Change</b>	<b>\$ 402,113</b>	<b>\$ 453,124</b>	<b>\$ 454,259</b>	<b>\$ 368,753</b>	<b>\$ 167,681</b>	<b>\$ 263,827</b>	<b>\$ 291,807</b>	<b>\$ 448,031</b>	<b>\$ 263,568</b>
Beginning Balance	6,839,079	7,241,192	7,694,316	8,148,575	8,517,328	8,685,009	8,948,836	9,240,643	9,688,674
<b>Ending Balance</b>	<b>\$ 7,241,192</b>	<b>\$ 7,694,316</b>	<b>\$ 8,148,575</b>	<b>\$ 8,517,328</b>	<b>\$ 8,685,009</b>	<b>\$ 8,948,836</b>	<b>\$ 9,240,643</b>	<b>\$ 9,688,674</b>	<b>\$ 9,952,242</b>
	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position
Employee Contributions	\$ 102,161	\$ 104,919	\$ 101,173	\$ 106,652	\$ 111,350	\$ 117,129	\$ 121,886	\$ 125,026	\$ 126,571
Employer Contributions	199,809	203,056	184,134	202,425	215,794	216,687	217,689	197,290	177,707
Net Investment Income	360,871	9,765	445,436	973,744	(238,995)	1,171,329	661,791	1,217,909	(768,342)
Benefit Payments	(348,455)	(337,368)	(291,176)	(318,847)	(482,984)	(352,137)	(374,594)	(349,635)	(573,603)
Administration Expenses	(3,768)	(5,948)	(5,032)	(5,047)	(4,622)	(6,627)	(4,289)	(5,643)	(6,657)
Other	(310)	(294)	(271)	(256)	(242)	(199)	(167)	38	7,944
<b>Net Change</b>	<b>\$ 310,308</b>	<b>\$ (25,870)</b>	<b>\$ 434,264</b>	<b>\$ 958,671</b>	<b>\$ (399,699)</b>	<b>\$ 1,146,182</b>	<b>\$ 622,316</b>	<b>\$ 1,184,985</b>	<b>\$ (1,036,380)</b>
Beginning Balance	6,308,267	6,618,575	6,592,705	7,026,969	7,985,640	7,585,941	8,732,123	9,354,439	10,539,424
<b>Ending Balance</b>	<b>\$ 6,618,575</b>	<b>\$ 6,592,705</b>	<b>\$ 7,026,969</b>	<b>\$ 7,985,640</b>	<b>\$ 7,585,941</b>	<b>\$ 8,732,123</b>	<b>\$ 9,354,439</b>	<b>\$ 10,539,424</b>	<b>\$ 9,503,044</b>
<b>Net Pension Liability (Asset)</b>	<b>\$ 622,617</b>	<b>\$ 1,101,611</b>	<b>\$ 1,121,606</b>	<b>\$ 531,688</b>	<b>\$ 1,099,068</b>	<b>\$ 216,713</b>	<b>\$ (113,796)</b>	<b>\$ (850,750)</b>	<b>\$ 449,198</b>
Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	91.40%	85.68%	86.24%	93.76%	87.35%	97.58%	101.23%	108.78%	95.49%
Covered Payroll	\$ 2,043,228	\$ 2,098,377	\$ 2,023,455	\$ 2,133,041	\$ 2,226,993	\$ 2,342,580	\$ 2,437,724	\$ 2,500,510	\$ 2,529,543
Net Pension Liability (Asset) as a Percentage of Covered Payroll	30.47%	52.50%	55.43%	24.93%	49.35%	9.25%	-4.67%	-34.02%	17.76%

Note: Only nine years of GASB 68 data available as of 12/31/2022. The remaining one year of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2021</u>	<u>9/30/2022</u>	<u>9/30/2023</u>
Actuarially Determined Contribution	\$ 210,788	\$ 187,758	\$ 196,404	\$ 213,403	\$ 225,636	\$ 216,727	\$ 202,264	\$ 179,822	\$ 172,613
Actual Contributions	210,788	187,758	196,404	213,403	225,636	216,727	202,264	179,822	172,613
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 2,114,861	\$ 2,028,967	\$ 2,092,686	\$ 2,217,516	\$ 2,410,195	\$ 2,407,443	\$ 2,487,809	\$ 2,488,789	\$ 2,614,426
Contributions as a Percentage of Covered Payroll	9.97%	9.25%	9.39%	9.62%	9.36%	9.00%	8.13%	7.23%	6.60%

Note: Only nine years of GASB 68 data available as of 09/30/2023. The remaining one year of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.



**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>
	Total OPEB Liability	Total OPEB Liability	Total OPEB Liability	Total OPEB Liability	Total OPEB Liability	Total OPEB Liability
Service Cost	\$ 7,252	\$ 8,463	\$ 8,199	\$ 10,726	\$ 13,503	\$ 14,924
Interest	6,337	6,400	7,253	6,316	5,131	4,813
Differences between Expected and Actual Experience		1,865	(14,527)	(18,112)	(15,023)	3,313
Benefit Payments	(1,920)	(2,227)	(2,343)	(2,681)	(7,001)	(6,830)
Changes in Assumptions	<u>13,560</u>	<u>(12,158)</u>	<u>34,522</u>	<u>31,368</u>	<u>7,630</u>	<u>(88,177)</u>
Net Change	\$ 25,229	\$ 2,343	\$ 33,104	\$ 27,617	\$ 4,240	\$ (71,957)
Beginning Balance	<u>164,992</u>	<u>190,221</u>	<u>192,564</u>	<u>225,668</u>	<u>253,285</u>	<u>257,525</u>
Ending Balance	\$ <u>190,221</u>	\$ <u>192,564</u>	\$ <u>225,668</u>	\$ <u>253,285</u>	\$ <u>257,525</u>	\$ <u>185,568</u>
Total OPEB Liability	\$ <u>190,221</u>	\$ <u>192,564</u>	\$ <u>225,668</u>	\$ <u>253,285</u>	\$ <u>257,525</u>	\$ <u>185,568</u>
Covered Payroll	\$ 2,133,041	\$ 2,226,993	\$ 2,342,580	\$ 2,437,724	\$ 2,500,510	\$ 2,529,543
Total OPEB Liability as a Percentage of Covered Payroll	8.92%	8.65%	9.63%	10.39%	10.30%	7.34%

Note: Only six years of GASB 75 data available as of 12/31/2022. The remaining four years of data will be built on a go forward basis.

Notes to RSI:

1. This plan does not have assets accumulated in a trust that meets the criteria in GASBS No. 75.
2. Changes in Assumptions are due to updating discount rate based on the requirements of GASBS No. 75.

The accompanying notes are an integral part of this statement.

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY BASIS (UNAUDITED)**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenue:				
Taxes:				
Property Taxes and Related Fees	\$ 1,270,000	\$ 1,270,000	\$ 1,267,767	\$ (2,233)
Sales and Use Taxes	625,000	625,000	812,229	187,229
Gross Receipts Business Tax	327,000	327,000	424,959	97,959
Motel Occupancy Taxes	34,500	34,500	7,647	(26,853)
Intergovernmental Revenue and Grants	66,622	66,622	323,601	256,979
Charges for Services	1,780,932	1,780,932	1,872,264	91,332
Fines and Fees	86,100	86,100	100,180	14,080
Investment Earnings	18,500	488,500	531,200	42,700
Contributions and Donations	124,347	124,347	99,528	(24,819)
Other Revenue	74,000	262,000	311,875	49,875
Total Revenues	<u>\$ 4,407,001</u>	<u>\$ 5,065,001</u>	<u>\$ 5,751,250</u>	<u>\$ 686,249</u>
Expenditures:				
Current:				
Legislative	\$ 75,735	\$ 75,735	\$ 17,543	\$ 58,192
Administrative	274,856	274,856	241,503	33,353
Police	1,174,254	1,263,254	1,172,004	91,250
Fire	172,311	175,664	135,462	40,202
Refuse	270,108	285,108	257,375	27,733
Shared Costs	663,224	721,524	657,592	63,932
Fleet	67,508	67,508	53,024	14,484
EMS	1,019,799	1,019,799	890,515	129,284
Dispatch	230,613	230,613	219,785	10,828
Economic Development	99,347	99,347	88,848	10,499
Licensing and Enforcement	193,260	195,760	178,511	17,249
Emergency Management	27,994	27,994	20,853	7,141
Residential Collection	447,981	447,981	401,585	46,396
Public Works	1,319,120	1,330,120	1,037,750	292,370
Municipal Court	109,052	109,052	89,419	19,633
Aquatics/Pool	492,892	522,892	140,050	382,842
Debt Service:				
Principal			367,196	(367,196)
Interest Expense and Related Fees			83,752	(83,752)
Total Expenditures	<u>\$ 6,638,054</u>	<u>\$ 6,847,207</u>	<u>\$ 6,052,767</u>	<u>\$ 794,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (2,231,053)</u>	<u>\$ (1,782,206)</u>	<u>\$ (301,517)</u>	<u>\$ 1,480,689</u>
Other Financing Sources (Uses):				
Transfers In (Out)	\$ 2,360,152	\$ 2,360,152	\$ 1,977,503	\$ (382,649)
Proceeds from the Sale of Capital Assets			10,000	10,000
Total Other Financing Sources	<u>\$ 2,360,152</u>	<u>\$ 2,360,152</u>	<u>\$ 1,987,503</u>	<u>\$ (372,649)</u>
Net Change in Fund Balances	\$ 129,099	\$ 577,946	\$ 1,685,986	<u>\$ 1,108,040</u>
Fund Balances - Beginning	<u>3,673,108</u>	<u>3,673,108</u>	<u>3,673,108</u>	
Fund Balances - Ending	<u>\$ 3,802,207</u>	<u>\$ 4,251,054</u>	<u>\$ 5,359,094</u>	

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**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	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
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:**

Changes in Assumptions: There were no changes in assumptions during the year.  
Benefits Changes: There were no benefit changes during the year.

**CITY OF LITTLEFIELD, TEXAS**

**GENERAL FUND BUDGETARY COMPARISON SCHEDULE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2023**

**BUDGETARY DATA**

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. The legal level of control is at the department level. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

The budget is presented on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

**COMBINING STATEMENTS  
AS SUPPLEMENTARY INFORMATION**

CITY OF LITTLEFIELD, TEXAS

EXHIBIT C-1

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023

	Special Revenue				Total Nonmajor Governmental Funds (See Exhibit A-3)
	Narcotics Fund	Parks and Recreation Fund	Blight Elimination Fund	Airport Fund	
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 2,574	\$ 78,728	\$ 67,957	\$	\$ 149,259
Accounts Receivable (Net)		7,153		5,324	12,477
<b>Total Assets</b>	<b>\$ 2,574</b>	<b>\$ 85,881</b>	<b>\$ 67,957</b>	<b>\$ 5,324</b>	<b>\$ 161,736</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$	\$	\$	\$ 40,623	\$ 40,623
Wages Payable				180	180
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 40,803</b>	<b>\$ 40,803</b>
<b>Restricted for:</b>					
Enabling Legislation	\$ 2,574	\$	\$ 67,957	\$	\$ 70,531
Assigned		85,881		(35,479)	50,402
<b>Total Fund Balances</b>	<b>\$ 2,574</b>	<b>\$ 85,881</b>	<b>\$ 67,957</b>	<b>\$ (35,479)</b>	<b>\$ 120,933</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,574</b>	<b>\$ 85,881</b>	<b>\$ 67,957</b>	<b>\$ 5,324</b>	<b>\$ 161,736</b>

CITY OF LITTLEFIELD, TEXAS

EXHIBIT C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue				Total Nonmajor Governmental Funds (See Exhibit A-5)
	Narcotics Fund	Parks and Recreation Fund	Blight Elimination Fund	Airport Fund	
Revenue:					
Intergovernmental Revenue and Grants	\$	\$	\$	\$ 44,000	\$ 44,000
Charges for Services		45,588			45,588
Rents and Royalties				30,897	30,897
Total Revenue	\$ 0	\$ 45,588	\$ 0	\$ 74,897	\$ 120,485
Expenditures:					
Current					
Blight Elimination	\$	\$	\$ 7,950	\$	\$ 7,950
Airport				92,340	92,340
Total Expenditures	\$ 0	\$ 0	\$ 7,950	\$ 92,340	\$ 100,290
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 45,588	\$ (7,950)	\$ (17,443)	\$ 20,195
Other Financing Sources (Uses):					
Transfers In (Out)	\$	\$	\$	\$ 20,000	\$ 20,000
Proceeds from the Sale of Capital Assets			41,960		41,960
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 41,960	\$ 20,000	\$ 61,960
Net Change in Fund Balances	\$ 0	\$ 45,588	\$ 34,010	\$ 2,557	\$ 82,155
Fund Balances - Beginning	\$ 2,574	\$ 40,293	\$ 33,947	\$ (38,036)	\$ 38,778
Fund Balances - Ending	\$ 2,574	\$ 85,881	\$ 67,957	\$ (35,479)	\$ 120,933

**OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**



**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS

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

**Independent Auditor's Report**

City Council  
City of Littlefield, Texas  
Littlefield, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Littlefield, Texas (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 16, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

However, material weaknesses and significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Bolinger, Segars, Gilbert & Moss L.L.P.*

Certified Public Accountants

Lubbock, Texas

January 16, 2024

**APPENDIX D**

**FORM OF BOND COUNSEL'S OPINION**

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May \_\_, 2024

**CITY OF LITTLEFIELD, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION  
SERIES 2024  
DATED AS OF MAY 1, 2024  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,570,000**

*AS BOND COUNSEL FOR THE CITY OF LITTLEFIELD, TEXAS* (the "*City*") 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 specified in the text of the Certificates until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Certificates, all in accordance with the terms and conditions stated in the text of the Certificates.

*WE HAVE EXAMINED* the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates including (i) the ordinance authorizing the issuance of the Certificates (the "*Ordinance*"), (ii) one of the executed Certificates (Certificate No. T-1), and (iii) the City's Federal Tax Certificate of even date herewith.

*BASED ON SAID EXAMINATION, IT IS OUR OPINION* that the Certificates have been authorized, issued and delivered in accordance with law; that the Certificates constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Certificates and to repay the Certificates; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law; and that "*Surplus Revenues*" (as such term is defined and described in the ordinance) received by the City from the ownership and operation of the City's Waterworks and Sewer System have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.

*IT IS FURTHER OUR OPINION*, except as discussed below, that 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 individual 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

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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 or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City 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.

***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 City, and, in that capacity, we have been engaged by the City 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 City, 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 we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

***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 a 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 City as the taxpayer.



We observe that the City 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.

Respectfully,

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**APPENDIX E**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

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

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

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIMEN

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

Email:

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

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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