

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT**

**Dated September 27, 2024**

**Ratings:**

**S&P: “AA”**

**(See “OTHER INFORMATION  
– Ratings” herein)**

**NEW ISSUE - Book-Entry-Only**

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

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



**\$12,750,000\***  
**CITY OF WOLFFORTH, TEXAS**  
**(Lubbock County)**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION**  
**FOR WATER SYSTEM IMPROVEMENTS, SERIES 2024**

**Dated Date: October 1, 2024,**

**Due: February 15, as shown herein**

**Interest Accrues from the Delivery Date (defined below)**

**PAYMENT TERMS . . .** Interest on the \$12,750,000\* City of Wolfforth, Texas, Combination Tax and Revenue Certificates of Obligation for Water System Improvements, Series 2024 (the “Certificates”) will accrue from the date of initial delivery and will be payable February 15 and August 15 of each year commencing February 15, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES – Book-Entry-Only System”). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE CERTIFICATES – Paying Agent/Registrar”).

**AUTHORITY FOR ISSUANCE . . .** The Certificates are issued pursuant to the City’s Home Rule Charter, Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Wolfforth, Texas (the “City”), payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and are additionally payable from a pledge of surplus revenues of the City’s waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City’s revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City’s waterworks and sewer system as provided in the ordinance authorizing the Certificates (see “THE CERTIFICATES - Authority for Issuance” and “THE CERTIFICATES - Security and Source of Payment”).

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for paying all or a portion of the City’s contractual obligations incurred in connection with: (i) improvements to the City’s waterworks and sewer system, and (ii) professional services rendered in relation to such projects and the financing thereof.

**INSURANCE . . .** The City has applied for bond insurance to ensure the timely payment of the principal of and interest on the Certificates. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the Purchaser.

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**CUSIP PREFIX: 977810**  
**SEE MATURITY SCHEDULE, 9 Digit CUSIP AND REDEMPTION PROVISIONS**  
**ON THE REVERSE OF THIS PAGE**

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**LEGALITY . . .** The Certificates are offered for delivery when, as and if issued and received by the initial purchaser of the Certificates (the “Purchaser”) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see “APPENDIX C - Form of Bond Counsel’s Opinion”).

**DELIVERY . . .** It is expected that the Certificates will be available for delivery through DTC on or about October 30, 2024.

**BIDS DUE MONDAY, OCTOBER 7, 2024 AT 9:30 AM, CENTRAL TIME**

\* Preliminary, subject to change.

**MATURITY SCHEDULE\***

<u>Maturity (February 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix <sup>(1)</sup></u>
2025	\$ 130,000			
2026	220,000			
2027	230,000			
2028	240,000			
2029	250,000			
2030	260,000			
2031	270,000			
2032	280,000			
2033	295,000			
2034	305,000			
2035	320,000			
2036	330,000			
2037	345,000			
2038	360,000			
2039	375,000			
2040	390,000			
2041	410,000			
2042	435,000			
2043	455,000			
2044	480,000			
2045	505,000			
2046	530,000			
2047	555,000			
2048	585,000			
2049	615,000			
2050	645,000			
2051	680,000			
2052	715,000			
2053	750,000			
2054	790,000			

**(Interest Accrues from Date of Initial Delivery)**

\* Preliminary, subject to change.

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**OPTIONAL REDEMPTION . . .** 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”).

**MANDATORY SINKING FUND REDEMPTION . . .** In the event any of the Certificates are structured as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes a preliminary official statement of the City with respect to the Certificates that has been "deemed final" by the City as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.

No dealer, broker, salesman or other person has been authorized by the City 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 or the Financial Advisor.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Certificates in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty 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 cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all appendices attached hereto, to obtain information essential to making an informed investment decision.

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE PURCHASER 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 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 JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, THE FINANCIAL ADVISOR OR THE PURCHASER MAKES 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.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

## OFFICIAL STATEMENT SUMMARY

This summary 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 summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE CITY**..... The City of Wolfforth is a political subdivision and municipal corporation of the State of Texas (the “State”), located in Lubbock County, Texas. The City covers approximately 5.2 square miles (see “INTRODUCTION - Description of City”).
- THE CERTIFICATES** ..... The Certificates are issued as \$12,750,000\* Combination Tax and Revenue Certificates of Obligation for Water System Improvements, Series 2024. The Certificates are issued as serial certificates maturing on February 15 in each of the years 2025 through and including 2054, unless the Purchaser designates one or more maturities as Term Certificates (see “THE CERTIFICATES - Description of the Certificates”).
- PAYMENT OF INTEREST** ..... Interest on the Certificates accrues from the date of initial delivery, and is payable February 15, 2025, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES - Description of the Certificates”).
- AUTHORITY FOR ISSUANCE** ..... The Certificates are issued pursuant to the City’s Home Rule Charter, Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council of the City (the “Ordinance”) (see “THE CERTIFICATES - Authority for Issuance”).
- SECURITY FOR THE CERTIFICATES**..... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus revenues of the City’s Waterworks and Sewer System (see “THE CERTIFICATES - Security and Source of Payment”).
- REDEMPTION** ..... 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”). In the event any of the Certificates are structured as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law on the date thereof, subject to the matters described under the caption “TAX MATTERS” herein.
- USE OF PROCEEDS** ..... Proceeds from the sale of the Certificates will be used for paying all or a portion of the City’s contractual obligations incurred in connection with: (i) improvements to the City’s waterworks and sewer system, and (ii) professional services rendered in relation to such projects and the financing thereof.
- INSURANCE** ..... In the event the Certificates are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser.
- RATINGS** ..... The Certificates have been assigned an unenhanced underlying rating of “AA” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without regard to credit enhancement (see “OTHER INFORMATION – Ratings”).

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\*Preliminary, subject to change.

**BOOK-ENTRY-ONLY**

**SYSTEM** ..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES – Book-Entry-Only System”).

**PAYMENT RECORD** ..... The City has never defaulted in payment of its general obligation tax debt.

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup>	Ratio of	General Purpose	% of Total Tax Collections to Tax Levy
					General Purpose G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita	
2020	5,521	\$ 390,321,196	\$ 70,698	\$ 17,334,000	4.44%	\$ 3,140	100.94%
2021	6,051	434,492,804	71,805	22,664,000	5.22%	3,745	100.34%
2022	6,589	497,319,804	75,477	22,246,000	4.47%	3,376	101.09%
2023	7,074	587,993,784	83,120	20,325,000	3.46%	2,873	98.08%
2024	7,665	724,534,732	94,525	18,505,000	2.55%	2,414	98.90% <sup>(5)</sup>
2025	7,665	886,595,825	115,668	31,265,000 <sup>(4)</sup>	3.53%	4,079	N/A

(1) Sources: Estimates by City staff.

(2) As reported by the Lubbock Central Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt.

(4) Projected, includes the Certificates. Preliminary, subject to change.

(5) Collections through August 31, 2024.

For additional information regarding the City, please contact:

Mr. Randy Criswell  
 City Manager  
 City of Wolfforth  
 302 Main Street  
 Wolfforth, Texas 79382  
 Phone: 806/855-4120

or

Mr. Vince Viaille  
 Mr. Paul Jasin  
 4925 Greenville Avenue, Suite 1350  
 Dallas, Texas 75206  
 Phone: 214/373-3911

**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Charles Addington, II <sup>(1)</sup> Mayor	3 years	May, 2026	Physician
David Cooper Councilmember	3 years	May, 2026	Retired
Wesley Houck Councilmember	6 Months	May, 2026	Business Owner
Doug Hutcheson Councilmember	3 Years	May, 2025	Retired Director of Public Works
Charlotte McDonald Councilmember	2 Years	May, 2025	Retired
Austin Brashier Councilmember	2 years	May, 2025	Business Owner

(1) Mr. Addington was previously the Mayor and a Councilmember for the City for over twenty years.

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Randy Criswell, CPM	City Manager	2 1/2 Years
Rick Scott	Assistant City Manager/Police Chief	29 Years
Terri Robinette, TRMC	City Secretary	4 Years

**CONSULTANTS AND ADVISORS**

Auditors ..... Bolinger, Segars, Gilbert & Moss, L.L.P.  
Lubbock, Texas

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.  
Dallas, Texas

Financial Advisor.....Specialized Public Finance Inc.  
Dallas, Texas

**OFFICIAL STATEMENT**

**RELATING TO**

**\$12,750,000\***  
**CITY OF WOLFFORTH, TEXAS**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION**  
**FOR WATER SYSTEM IMPROVEMENTS, SERIES 2024**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$12,750,000\* City of Wolfforth, Texas, Combination Tax and Revenue Certificates of Obligation for Water System Improvements, Series 2024 (the “Certificates”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates (the “Ordinance”), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding 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’s Financial Advisor, Specialized Public Finance Inc., Dallas, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and municipal corporation of the State of Texas (the “State”), duly organized and existing under the laws of the State. The City was incorporated in 1950. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers’ terms expiring in even-numbered years and the other terms of the three Councilmembers expiring in odd-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, sanitation services, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 5,521. The City covers approximately 5.2 square miles.

**THE CERTIFICATES**

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated October 1, 2024, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2025, until maturity or prior redemption. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - Book-Entry-Only System”).

Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon earlier redemption to the registered owner thereof provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under “THE CERTIFICATES - Book-Entry-Only System” herein. If the date for any payment on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**AUTHORITY FOR ISSUANCE . . .** The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance.

**SECURITY AND SOURCE OF PAYMENT . . .** The Certificates are payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and are additionally payable from a pledge of surplus revenues of the City’s waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City’s revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City’s waterworks and sewer system.

\*Preliminary, subject to change.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

**OPTIONAL REDEMPTION . . .** 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. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. 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 Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (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.

**MANDATORY SINKING FUND REDEMPTION . . .** In the event any of the Certificates are structured as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

**NOTICE OF REDEMPTION . . .** 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. 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 OR ANY PORTION THEREOF CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

**DEFEASANCE . . .** The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the defeasance is approved by the City Council of the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the defeasance is approved by the City Council of the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has 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, such Certificates shall no longer be regarded as being 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 the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the 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.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

**BOOK-ENTRY-ONLY SYSTEM.** . . . This section describes how ownership of the Certificates is to be transferred and how the principal of, and interest on the Certificates are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Certificates are registered in its nominee’s 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 and Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

Purchases of 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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

**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 the Book-Entry-Only 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 or the Financial Advisor.

**EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . .** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar 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 and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued with respect to the Certificates, printed Certificates will be delivered to the owners thereof, and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer.

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 mail, first class, postage prepaid, to the new registered owner or his designee. 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 registered owner in not more than three business

days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in a form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See “THE CERTIFICATES - Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date (“Record Date”) for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month. 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 (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder 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.

**CERTIFICATEHOLDERS’ REMEDIES . . .** If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and 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 holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous language.” Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities under certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson I*”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*”), and together with *Wasson I* (“*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the 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 United States 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 holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce remedies 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, with respect to principles of governmental immunity, and with respect to general principles of equity that permit the exercise of judicial discretion.

**AMENDMENTS TO THE ORDINANCE . . .** In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the owners, (4) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interest of the owners.

The Ordinance further provides that the owners of the respective Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Certificates no amendment may be made of the purpose of: (1) making any change in the maturity of any of the outstanding Certificates; (2) reducing the rate of interest borne by any of the outstanding Certificates; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (4) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Certificates will be applied approximately as follows:

**SOURCES OF FUNDS:**

Par Amount	\$	-
Net Reoffering Premium		-
Total Sources of Funds	<u>\$</u>	<u>-</u>

**USES OF FUNDS:**

Deposit to Project Construction Fund	\$	-
Deposit to Interest and Sinking Fund		-
Underwriter's Discount		-
Costs of Issuance		-
Total Uses of Funds	<u>\$</u>	<u>-</u>

**INFECTIOUS DISEASE OUTBREAK – COVID-19 . . .** In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities. Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment.

The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and City revenues and expenses. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus on the City's operations or financial condition.

## BOND INSURANCE

The City has submitted applications to municipal bond insurance companies (an "Insurer") to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy (a "Policy"). In the event the Certificates are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the insurance premium will be paid by the Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to any such municipal bond insurance policy.

## BOND INSURANCE RISK FACTORS

*If a Policy is purchased, the following are risk factors relating to bond insurance.*

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the applicable municipal bond insurance policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. 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 Bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Certificates and 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 the moneys received by the Paying Agent/Registrar pursuant to the Ordinance. 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 of the Certificates or the marketability (liquidity) for the Certificates.

If a Policy is purchased, the long-term ratings on the Certificates are dependent in part on the financial strength of the Insurer and its claim 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 is given that the long-term ratings of the Insurer and of the ratings on the Certificates insured by the Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See the description under "OTHER INFORMATION – Ratings" herein.

The obligations of the Insurer under a Policy are contractual obligations of the Insurer and in an event of default by the Insurer the remedies available may be limited by applicable bankruptcy law.

None of the City, the Financial Advisor, or the Purchaser 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 given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal of and interest on the Certificates and the claims-paying ability of the Insurer, particularly over the life of the Certificates.

**CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . .** Moody's Investor Services, Inc., S&P, and Fitch Ratings (the "Rating Agencies") have downgraded the claims-paying ability and financial strength of most providers of municipal bond insurance in existence prior to 2013. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any insurer of the Certificates.

## TAX INFORMATION

*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 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 Lubbock Central 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 (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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

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 – Issuer and Taxpayer Remedies."

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

**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 market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market 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.

**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 EXEMPTIONS . . .** Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not

include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail 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 FINANCING ZONES . . .** A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value," and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "TAX INFORMATION – City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

**TAX ABATEMENT AGREEMENTS . . .** Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "TAX INFORMATION – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – City Application of Property Tax Code" herein.

**TAX RATE LIMITATIONS . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

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

**PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS...**The following terms as used in this section have the meanings provided below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

**PROPERTY ASSESSMENT AND TAX PAYMENT . . .** Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in either the standard edition of the Annual Energy Outlook published by the United States Energy Information Administration or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

**PENALTIES AND INTEREST . . .** Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney’s collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY APPLICATION OF TAX CODE . . .** The City does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older and does not grant an exemption to the market value of the residence homestead of the disabled.

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

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

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

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

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

The City does not tax freeport property.

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

The City has established a formal tax abatement policy.

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2024/2025 Market Valuation Established by the Lubbock Central Appraisal District (excluding exempt property)	\$ 932,578,552
Less Exemptions/Reductions at 100% Market Value:	\$ 45,982,727
2024/2025 Net Taxable Assessed Valuation	<u>\$ 886,595,825</u>
City Funded Debt Payable from Ad Valorem Taxes (as of 9-30-24) The Certificates	\$ 20,565,000 <u>12,750,000</u> <sup>(1)</sup> \$ 33,315,000
Less Self-Supporting Debt: Water and Sewer System General Obligation Debt	\$ 28,092,693 <sup>(2)</sup>
General Purpose Funded Debt Payable from Ad Valorem Taxes	<u>\$ 5,222,307</u>
General Obligation Interest and Sinking Fund (as of 9-30-24)	\$ 62,000
Ratio General Obligation Debt to Taxable Assessed Valuation	0.59%

2024 Estimated Population - 7,665  
Per Capita Taxable Assessed Valuation - \$115,668  
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$681

(1) Preliminary, subject to change.

(2) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future.

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**TABLE 2 - TAXABLE ASSESSED VALUATION BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2025		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	\$ 725,984,132	79.54%	\$ 604,987,979	80.14%	\$ 486,403,859	79.71%
Real, Multifamily Residence	36,598,264	4.01%	20,952,059	2.78%	18,999,526	3.11%
Real, Acreage (Land Only)	44,046,615	4.83%	32,684,640	4.33%	17,628,018	2.89%
Real, Vacant Lots/Tracts	7,825,710	0.86%	2,375,316	0.31%	3,761,355	0.62%
Real, Farm & Ranch Improvements	-	0.00%	1,596,052	0.21%	1,007,334	0.17%
Real, Commercial & Industrial	59,761,060	6.55%	54,303,506	7.19%	49,475,596	8.11%
Real, Minerals, Oil and Gas	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	9,635,543	1.06%	8,073,194	1.07%	7,330,970	1.20%
Personal, Commercial & Industrial	17,778,909	1.95%	21,742,842	2.88%	20,455,682	3.35%
Tangible Other	521,414	0.06%	157,105	0.02%	4,907,196	0.80%
Special Inventory	395,425	0.04%	444,845	0.06%	-	0.00%
Residential Inventory	10,185,416	1.12%	7,578,335	1.00%	269,400	0.04%
Total Appraised Value Before Exemptions	\$ 912,732,488	100.00%	\$ 754,895,873	100.00%	\$ 610,238,936	100.00%
Less: Total Exemptions/Reductions	(26,136,663)		-		(22,245,152)	
Taxable Assessed Value	<u>\$ 886,595,825</u>		<u>\$ 754,895,873</u>		<u>\$ 587,993,784</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	\$ 391,132,867	76.09%	\$ 348,890,651	77.15%
Real, Multifamily Residence	14,576,758	2.84%	11,107,483	2.46%
Real, Acreage (Land Only)	20,721,605	4.03%	17,263,445	3.82%
Real, Vacant Lots/Tracts	2,837,436	0.55%	2,095,787	0.46%
Real, Farm & Ranch Improvements	505,133	0.10%	388,736	0.09%
Real, Commercial & Industrial	43,836,413	8.53%	41,552,936	9.19%
Real, Minerals, Oil and Gas	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	3,936,228	0.77%	3,421,288	0.76%
Personal, Commercial & Industrial	30,616,492	5.96%	20,844,317	4.61%
Tangible Other	163,688	0.03%	152,567	0.03%
Special Inventory	-	0.00%	-	0.00%
Residential Inventory	5,703,620	1.11%	6,529,957	1.44%
Total Appraised Value Before Exemptions	\$ 514,030,240	100.00%	\$ 452,247,167	100.00%
Less: Total Exemptions/Reductions	(16,710,436)		(17,754,363)	
Taxable Assessed Value	<u>\$ 497,319,804</u>		<u>\$ 434,492,804</u>	

Note: Valuations shown are certified taxable assessed values reported by the Lubbock Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 - TAXABLE ASSESSED VALUATION**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup>	Ratio of General Purpose G.O. Tax Debt to Taxable Assessed Valuation	General Purpose G.O. Tax Debt Per Capita
2020	5,521	\$ 390,321,196	\$ 70,698	\$ 17,334,000	4.44%	\$ 3,140
2021	6,051	434,492,804	71,805	22,664,000	5.22%	3,745
2022	6,589	497,319,804	75,477	22,246,000	4.47%	3,376
2023	7,074	587,993,784	83,120	20,325,000	3.46%	2,873
2024	7,665	724,534,732	94,525	18,505,000	2.55%	2,414
2025	7,665	886,595,825	115,668	31,265,000 <sup>(4)</sup>	3.53%	4,079

(1) Source: Estimates by City staff.

(2) As reported by the Lubbock Central Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Include self-supporting debt.

(4) Projected, includes the Certificates. Preliminary, subject to change.

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

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
		General Fund	Interest and Sinking Fund			
2020	\$ 0.7618	\$ 0.5660	\$ 0.1958	\$ 2,873,787	99.17%	100.94%
2021	0.7618	0.5829	0.1789	3,217,486	99.89%	100.34%
2022	0.7618	0.5838	0.1780	3,674,986	99.80%	101.09%
2023	0.7618	0.5991	0.1628	4,479,495	98.08%	98.08%
2024	0.7318	0.6131	0.1187	5,302,029	98.90% <sup>(1)</sup>	98.90% <sup>(1)</sup>
2025	0.7800	0.6303	0.1497	6,915,447	N/A	N/A

(1) Collections through August 31, 2024.

**TABLE 5 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	2024/2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Betenbough Homes LLC	\$ 22,108,725	2.49%
SFR V Tranche 5 Borrower LLC	9,962,929	1.12%
Omaha Ranch LLC Fluegel & Co LLC	7,200,000	0.81%
Presidential Hotel LTD	6,260,574	0.71%
Overlook Land Development Group LLC	5,330,154	0.60%
NOL TEX Investments Inc	4,807,270	0.54%
OPG Preston Trails Partners LLC	4,200,250	0.47%
MMR Industrial LLC	3,447,559	0.39%
Energas/Atmos Corp	3,427,990	0.39%
Robert Pearson Construction LLC	3,284,708	0.37%
	<u>\$ 70,030,159</u>	<u>7.90%</u>

**GENERAL OBLIGATION DEBT LIMITATION** . . . No general obligation debt limitation is imposed on the City under current State law (see “THE CERTIFICATES - Tax Rate Limitation”).

**TABLE 6 - TAX ADEQUACY <sup>(1)</sup>**

Maximum Annual Principal and Interest Requirements, 2025	\$ 1,083,182
\$0.1287 Tax Rate at 95% Collection Produces	\$1,083,996

(1) Does not include self-supporting debt; this calculation of tax adequacy is for demonstration purposes only. Preliminary, subject to change.

**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. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	Total Funded Debt As of 9/30/24	Estimated % Applicable	City's Overlapping Funded Debt As of 9/30/24
City of Wolfforth	\$ 5,222,307 <sup>(1)</sup>	100.00%	\$ 5,222,307 <sup>(1)</sup>
Lubbock County	120,040,000	1.67%	2,004,668
Frenship ISD	440,645,000	8.13%	35,824,439
Total Direct and Overlapping G.O. Debt			\$ 43,051,414
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation			4.86%
Per Capita Overlapping G.O. Debt			\$ 5,617

(1) Projected, includes the Certificates. Excludes self-supporting debt. Preliminary, subject to change.

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**DEBT INFORMATION**

**TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended 9/30	Outstanding Debt <sup>(1)</sup>			The Certificates <sup>(2)</sup>			Total Debt Service Requirements	Less: Self-Supporting Debt	Net Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total			
	2025	\$ 1,920,000	\$ 565,683	\$ 2,485,683	\$ 130,000	\$ 469,946			
2026	1,930,000	507,165	2,437,165	220,000	587,300	807,300	3,244,465	2,214,970	1,029,495
2027	2,000,000	440,772	2,440,772	230,000	578,300	808,300	3,249,072	2,218,032	1,031,040
2028	1,825,000	377,890	2,202,890	240,000	568,900	808,900	3,011,790	2,219,527	792,263
2029	1,635,000	321,099	1,956,099	250,000	559,100	809,100	2,765,199	2,215,705	549,493
2030	1,695,000	267,332	1,962,332	260,000	548,900	808,900	2,771,232	2,216,888	554,343
2031	1,755,000	213,233	1,968,233	270,000	538,300	808,300	2,776,533	2,220,518	556,014
2032	1,285,000	165,406	1,450,406	280,000	527,300	807,300	2,257,706	2,048,606	209,100
2033	1,105,000	131,556	1,236,556	295,000	515,800	810,800	2,047,356	2,047,356	-
2034	705,000	110,531	815,531	305,000	503,800	808,800	1,624,331	1,624,331	-
2035	720,000	95,406	815,406	320,000	491,300	811,300	1,626,706	1,626,706	-
2036	740,000	79,906	819,906	330,000	478,300	808,300	1,628,206	1,628,206	-
2037	755,000	64,031	819,031	345,000	464,800	809,800	1,628,831	1,628,831	-
2038	675,000	49,256	724,256	360,000	450,700	810,700	1,534,956	1,534,956	-
2039	690,000	34,491	724,491	375,000	435,250	810,250	1,534,741	1,534,741	-
2040	705,000	18,284	723,284	390,000	417,250	807,250	1,530,534	1,530,534	-
2041	425,000	5,047	430,047	410,000	397,250	807,250	1,237,297	1,237,297	-
2042	-	-	-	435,000	376,125	811,125	811,125	811,125	-
2043	-	-	-	455,000	353,875	808,875	808,875	808,875	-
2044	-	-	-	480,000	330,500	810,500	810,500	810,500	-
2045	-	-	-	505,000	305,875	810,875	810,875	810,875	-
2046	-	-	-	530,000	280,000	810,000	810,000	810,000	-
2047	-	-	-	555,000	252,875	807,875	807,875	807,875	-
2048	-	-	-	585,000	224,375	809,375	809,375	809,375	-
2049	-	-	-	615,000	194,375	809,375	809,375	809,375	-
2050	-	-	-	645,000	162,875	807,875	807,875	807,875	-
2051	-	-	-	680,000	129,750	809,750	809,750	809,750	-
2052	-	-	-	715,000	94,875	809,875	809,875	809,875	-
2053	-	-	-	750,000	58,250	808,250	808,250	808,250	-
2054	-	-	-	790,000	19,750	809,750	809,750	809,750	-
	<u>\$ 20,565,000</u>	<u>\$ 3,447,088</u>	<u>\$ 24,012,088</u>	<u>\$ 12,750,000</u>	<u>\$ 11,315,996</u>	<u>\$ 24,065,996</u>	<u>\$ 48,078,084</u>	<u>\$ 42,273,154</u>	<u>\$ 5,804,930</u>

(1) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future. "Outstanding Debt" does not include lease/purchase obligations. Includes the \$2,060,000 Tax Notes, Series 2024 delivered on September 19, 2024.

(2) Interest calculated at an assumed rate for purpose of illustration. Preliminary, subject to change.

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION <sup>(1)</sup>**

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2025		\$ 3,085,629
Estimated Interest & Sinking Fund Balance, Fiscal Year Ending 9/30/2024	\$ -	
Less: Self-supported debt	2,002,447	
2024 Interest & Sinking Fund Tax Levy @ 95% collections	1,260,872	<u>\$ 3,263,319</u>
Estimated Balance, Fiscal Year Ending 9/30/2025		<u>\$ 177,690</u>

(1) Includes the Certificates. Preliminary, subject to change.

**TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT**

Net System Revenue Available as of 9/30/23	\$ (353,278)
Less: Requirements for Revenue Bonds	<u>-</u>
Balance Available for Other Purposes	\$ (353,278)
Requirements for System Tax Bonds	\$2,653,745
Percentage of System General Obligation Bonds Self-Supporting	-13.31%

Note: Any shortage will be covered by a transfer from the General fund.

**TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

The City does not have any authorized but unissued general obligation bonds or other obligations.

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . .** The City does not anticipate the issuance of additional general obligation debt within the next twelve months or the foreseeable future.

**TABLE 12 - OTHER OBLIGATIONS**

See Note 7 in Annual Financial Statements for Fiscal Year End September 30, 2023.

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

For more detailed information concerning the retirement plan, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” – Note 9.

**OTHER POST-EMPLOYMENT BENEFITS . . .** The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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 another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

For more detailed information concerning the retirement plan, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” – Note 10.

**FINANCIAL INFORMATION**

**TABLE 13 - CHANGE IN NET POSITION**

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
<b>REVENUES</b>					
Program Revenues:					
Charges for Services	\$ 1,278,116	\$ 670,577	\$ 630,817	\$ 472,257	\$ 171,119
Operating Grants and Contributions	988,728	109,817	-	328,485	83,466
Capital Grants and Contributions	-	-	-	-	-
General Revenues:					
Property Taxes	4,337,485	3,722,798	3,261,273	2,890,993	2,620,642
Sales Tax	1,344,114	1,242,333	956,772	822,761	694,688
Franchise Fees	554,673	363,819	300,231	267,294	256,543
Interest Income	84,382	35,601	25,701	20,833	29,181
Transfers (net)	224,042	(572,787)	(284,663)	-	(287,104)
Donated Assets	-	13,772	2,359	-	-
Other	214,792	1,594,136	1,159,449	627,867	472,975
Total Revenues	<u>9,026,332</u>	<u>7,180,066</u>	<u>6,051,939</u>	<u>5,430,490</u>	<u>4,041,510</u>
<b>EXPENDITURES</b>					
City Government	\$ 1,184,016	\$ 2,523,905	\$ 2,249,408	\$ 1,618,493	\$ 1,112,913
Municipal Court	285,872	-	-	-	-
Financial Administration	379,123	-	-	-	-
Building and Grounds	127,695	-	-	-	-
Code Enforcement	-	-	-	-	-
Public Safety-Police Department	1,851,977	2,024,780	1,800,711	1,478,307	1,438,437
Public Safety-Fire Department and EMS	2,136,849	-	-	-	-
Miscellaneous Public Service	7,692	-	-	-	-
Health and Welfare	-	1,241,732	1,106,884	262,927	826,322
Public Works-Parks and Street Department	462,309	219,867	343,706	354,958	285,421
Culture and recreation/Planning and Zoning	919,669	441,759	375,925	1,055,680	337,173
Library	399,661	-	-	-	-
Interest and other charges	160,215	457,071	102,472	82,740	74,043
Total Expenditures	<u>\$ 7,915,078</u>	<u>\$ 6,909,114</u>	<u>\$ 5,979,106</u>	<u>\$ 4,853,105</u>	<u>\$ 4,074,309</u>
Increase (Decrease) in Net Assets	\$ 1,111,254	\$ 270,952	\$ 72,833	\$ 325,393	\$ (32,799)
Net Position, October 1,	\$ 2,950,664	\$ 4,681,819	\$ 4,608,986	\$ 4,283,593	\$ 4,316,392 <sup>(1)</sup>
Prior period adjustment	171,889	(2,002,107)	-	-	-
Net Position, September 30,	<u>\$ 4,233,807</u>	<u>\$ 2,950,664</u>	<u>\$ 4,681,819</u>	<u>\$ 4,608,986</u>	<u>\$ 4,283,593</u>

Source: City's audited financial statements.

(1) Restated.



**TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

<b>REVENUES</b>	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Property taxes	\$3,455,134	\$2,847,991	\$2,489,529	\$2,151,614	\$1,785,661
Sales tax	1,344,114	1,242,333	956,772	822,761	694,688
Fire department	-	560,320	522,527	352,026	302,982
Permits and licenses	606,476	844,015	555,050	235,450	151,523
Charges for services	501,751	248,009	293,673	-	-
Franchise fees	554,673	363,819	300,231	267,294	256,543
Interest Revenue	55,790	22,623	13,836	11,841	17,544
Grant proceeds (includes CLERF)	164,970	109,817	2,359	328,485	83,466
Miscellaneous revenue	236,513	191,054	81,872	216,677	188,065
<b>Total Revenues</b>	<b>\$6,919,421</b>	<b>\$6,429,981</b>	<b>\$5,215,849</b>	<b>\$4,386,148</b>	<b>\$3,480,472</b>
<b>EXPENDITURES</b>					
City Government	\$1,139,093	\$1,981,393	\$1,704,148	\$1,170,639	\$971,597
Municipal Court	145,131	-	-	-	-
Financial administration	368,107	-	-	-	-
Building and grounds	123,545	-	-	-	-
Public Safety-Police Department	1,803,123	1,649,737	1,435,171	1,122,447	1,061,241
Public Safety-Fire and EMS	1,607,125	-	-	-	-
Miscellaneous public service	4,160	-	-	-	-
Emergency management	6,289	-	-	-	-
Public Works	-	28,437	49,365	62,224	105,297
Parks and Streets	423,656	416,852	349,531	329,080	307,527
Library	370,365	-	-	-	-
Health and welfare/Planning and Zoning	780,390	1,192,619	1,059,554	1,055,680	865,505
Economic Development	34,531	-	-	-	-
Capital Outlay	-	278,849	454,417	343,439	1,153,367
Debt Service	-	137,731	137,732	103,423	-
<b>Total Expenditures</b>	<b>\$6,805,515</b>	<b>\$5,685,618</b>	<b>\$5,189,918</b>	<b>\$4,186,932</b>	<b>\$4,464,534</b>
Excess (Deficiency) of Revenues over Expenditures	\$113,906	\$744,363	\$25,931	\$199,216	\$(984,062)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Sale of Assets	\$37,168	\$-	\$-	\$-	\$750,000
Other financing sources (uses)	-	9,474	-	-	1,524
Operating Transfers in	8,279	584,659	5,991	-	-
Operating Transfers Out	\$-	\$(17,400)	\$-	\$-	\$-
<b>Total Other Financing Sources (Uses)</b>	<b>\$45,447</b>	<b>\$576,733</b>	<b>\$5,991</b>	<b>\$-</b>	<b>\$751,524</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$159,353	\$1,321,096	\$31,922	\$199,216	\$(232,538)
Fund Balance at Beginning of Year	\$2,469,258	\$1,148,162	\$1,116,240	\$917,024	\$1,149,562 <sup>(1)</sup>
Adjustments	-	-	-	-	-
<b>Fund Balance at End of Year</b>	<b>\$2,628,611</b>	<b>\$2,469,258</b>	<b>\$1,148,162</b>	<b>\$1,116,240</b>	<b>\$917,024</b>

Source: City's audited financial statements.

(1) Restated.

**TABLE 14 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	Total Collected <sup>(1)</sup>	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2020	\$ 822,761	28.63%	\$ 0.2108	\$ 149
2021	956,772	29.74%	0.2202	158
2022	1,242,333	33.81%	0.2498	189
2023	1,344,114	30.01%	0.2286	190
2024	1,351,954 <sup>(2)</sup>	25.50%	0.1866	176

(1) Excludes additional one-half percent (1/2%) sales and use tax for economic development.

(2) Collections as of August 31, 2024.

**FINANCIAL POLICIES**

Basis of Accounting . . . The Governmental Fund Types (General, Special Revenue, Debt Service and Capital Projects Funds), use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year, and accrued vacation and sick leave which is recorded when payable from current available financial resources.

General Fund Balance . . . The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund Balance . . . The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Budgetary Procedures . . . The City operates on a twelve-month fiscal year that begins on October 1. The City Administrator is the budget officer and submits a budget of estimated revenues and expenditures to the City Council. Upon receipt of the budget estimates the City Council holds a budget workshop and public budget hearing. Prior to October 1, the budget is legally enacted through approval by the City Council. The Council can amend the budget by a majority vote. Budgeted amounts are as originally adopted, or as amended by the City Council. Unused appropriations for all annually budgeted funds lapse at the end of the fiscal year.

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## INVESTMENTS

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

**INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . .** Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas 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.

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government’s investment policy regarding the debt issuance or the agreement.

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

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City’s investment policy, (5) 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 repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

**TABLE 15 - CURRENT INVESTMENTS**

As of August 31, 2024, the City’s investable funds were invested in the following categories:

Description	Book Value	% of Total
TexPool	\$ 8,503,273	100.00%
Total	<u>\$ 8,503,273</u>	<u>100.00%</u>

## TAX MATTERS

**OPINIONS . . .** On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, 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”), (1) interest on the Certificates for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Certificates will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See APPENDIX C – Form of Bond Counsel’s Opinion.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City’s federal tax certificate, (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

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

The foregoing opinion of Bond Counsel represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. None of the aforementioned opinions is a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that 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 by the City with respect to the Certificates or the projects financed with the proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with any of aforementioned opinions of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Certificates may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

**FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . .** The initial public offering price to be paid for one or more maturities of the Certificates may be less than the maturity amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond 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 Bond 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 Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the issue and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond 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 Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds 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 Bonds 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 Bonds 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 Bonds.

**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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excessive passive income, foreign corporation 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 WITH THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

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

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

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

**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 IRS. 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.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and registered owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”).

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 13 and in APPENDIX B, which is the City’s annual audited financial report. The City will update and provide the information in the numbered tables referred to above within six months after the end of each fiscal year ending in and after 2024. The City will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2024. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial information of the type described in the numbered tables above by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB’s Internet Web site or filed with the Securities and Exchange Commission (the “SEC”), as permitted by the Rule.

The City’s current fiscal year end is September 30. Accordingly, it must provide updated financial and operating data by March 31 of each year and financial statements by September 30 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.

**OTHER EVENT NOTICES . . .** The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For purposes of the events described in (15) and (16) above, “Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule

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

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

The City may amend its continuing disclosure agreement 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, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions 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 Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to 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 financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** 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 except as follows: The City’s 2020 Audit was not available by the required March 31, 2021 date. The audit was filed when it became available on June 8, 2021. A late notice was also filed. The City’s 2021 Audit and disclosure was not available by the March 31, 2022 date. These were both filed when the information became available on June 9 and May 26, 2022 respectively, along with a notice of late filing. In 2023 the City failed to provide the a notice of financial obligation within the required 10 business days. The notice was posted on day 11.

## **OTHER INFORMATION**

**RATINGS . . .** The Certificates have been assigned an unenhanced underlying rating of “AA” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

**LITIGATION . . .** It is the opinion of the City Attorney and City staff that there is no pending or threatened litigation against the City that would have a material adverse financial impact upon the City or its operations.

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

**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 constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Certificates are eligible to secure deposits of any public funds of the State, its agencies and political subdivision, and are legal security for those deposits to the extent of their market value. For political subdivisions in the State which have adopted investment policies and guidelines in accordance with the



Public Funds Investment Act (Chapter 2256, Texas Government Code), the Certificates may have to be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “OTHER INFORMATION – Rating” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The 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 obligations 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 Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City and, based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein. The customary closing papers, including a certificate of the City as described under “OTHER INFORMATION - Certification of the Official Statement” will also be furnished to the Purchasers. Though it represents the Financial Advisor and investment banking firms such as the Purchasers from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates.

The 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.

**FUTURE LEGISLATION . . .** The 88th Texas Legislature began on January 10, 2023, and adjourned on May 29, 2023. The Legislature meets in regular session in odd numbered years for 140 days. During the 88th Texas Legislative Session, the Legislature considered legislation affecting ad valorem taxation procedures and exemptions, among other legislation affecting cities, counties and other political subdivisions generally.

When the Legislature is not in session, 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. The Governor has called four special sessions. The fourth special session concluded on December 5, 2023.

During the second called special session, property tax legislation was passed and signed by the Governor that, among other things, (i) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (ii) establishes a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent; (iii) excepts certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (iv) expands the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorize the legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts.

The foregoing legislation is intended to reduce the amount of property taxes paid by homeowners and businesses and will result in an increase in the State’s share of the cost of funding public education.

The City is in the process of reviewing legislation that passed and can make no representation regarding the impact of such legislation at this time. Additional special sessions may be called. During this time, the Legislature may enact laws that materially change current law as it relates to property tax exemptions and procedures. The City can make no representations or predictions regarding the scope of legislation that may be considered during any additional called special session or the potential impact of such legislation at this time.

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

**INITIAL PURCHASER . . .** After requesting competitive bids for the Certificates, the City accepted the bid of \_\_\_\_\_ (the "Purchaser") to purchase the Certificates at the interest rates shown on the inside cover of this Official Statement at a price of par plus a cash premium of \$ \_\_\_\_\_. The initial reoffering yields on the Certificates shown on the inside cover of this Official Statement were provided to the City by the Purchaser and will produce compensation to the Purchaser in the amount of \$ \_\_\_\_\_. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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

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

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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

**MISCELLANEOUS . . .** 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 Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The Ordinance authorizing the issuance of the Certificates will approve the form and content of this Official Statement, and any addenda, supplement, or amendment hereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

\_\_\_\_\_  
Mayor  
City of Wolfforth, Texas

ATTEST:

\_\_\_\_\_  
City Secretary  
City of Wolfforth, Texas

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

## THE CITY

The City of Wolfforth is located on U.S. Highway 62/82 and shares a boundary with the City of Lubbock. The 2020 U.S. Census population for the City was 5,521. Area of the City is approximately 5.2 square miles.

The County, located on the South Plains of West Texas, comprises the Lubbock Metropolitan Statistical Area and is traversed by Interstate Highway 27, U.S. Highways 62/82, 84, 87 and 385, State Highway 114 and a well developed network of farm-to-market roads.

### ECONOMY

Lubbock County is a highly mechanized agricultural area with a majority of the crops irrigated, approximately 230,000 acres, with water from underground sources. Principal crops are cotton (leading cotton producing County in Texas), grain sorghum, wheat, sunflowers, soybeans, hay, nursery and vegetables. Additional agricultural income comes for fed beef, cow-calf operations, poultry, eggs and hogs. Lubbock County is among the world's largest cotton seed processing centers. Several major seed companies are headquartered in Lubbock.

Over 200 manufacturing plants in Lubbock produce such products as semiconductors, vegetable oils, irrigation equipment and pipe, plastics products, farm equipment, paperboard boxes, custom millwork/shutters, foodstuffs, prefabricated homes, poultry and livestock feeds, boilers and pressure vessels, automatic sprinkler system heads, and structural steel fabrication.

### LABOR FORCE ESTIMATES – LUBBOCK COUNTY

	July	Annual Averages			
	2024	2023	2022	2021	2020
Civilian Labor Force	168,860	165,713	163,437	161,486	156,589
Total Employment	162,217	160,188	157,861	154,144	147,580
Total Unemployment	6,643	5,525	5,576	7,342	9,009
Percent Unemployment	3.9%	3.3%	3.4%	4.5%	5.8%

Source: Texas Labor Market Information.

### EDUCATION

Frenship Independent School District serves the City of Wolfforth providing curriculum for grades K-12. Higher education in Lubbock County is offered by Texas Tech University with law and medical schools; Lubbock Christian University, South Plains College; and Wayland Baptist University off-campus center.

**APPENDIX B**

EXCERPTS FROM THE  
CITY OF WOLFFORTH, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Wolfforth, 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.

**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 Wolfforth, Texas  
Wolfforth, 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 units, each major fund, and the aggregate remaining fund information of the City of Wolfforth, 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 Wolfforth, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wolfforth, 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 Wolfforth, 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 management's discussion and analysis, schedules 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.

### **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 March 13, 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

March 13, 2024



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF WOLFFORTH, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

City Council Members and Citizens of the City of Wolfforth, Texas (the City).

This section of the City's annual financial report presents our discussion and analysis of the City of Wolfforth's financial performance during the fiscal year that ended on September 30, 2023. Please read it in conjunction with the City's financial statements and independent auditor's report.

**FINANCIAL HIGHLIGHTS**

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,521,059 (net position) as compared to \$9,718,742 in the previous year.

During the years ended September 30, 2023 and 2022, the City's expenses were \$16,559,068 and \$11,921,269, respectively, compared to \$15,189,496 and \$13,106,241 generated in taxes and other revenues.

The balance of cash and investments at September 30, 2023 and 2022 were \$9,090,155 and \$11,678,081, respectively.

**Expenditures**

Total fund expenditures for the year ending September 30, 2023, compared with the year ending September 30, 2022, are as follows:

<b>Expenditures</b>			
<u>Fund</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>Change</u>
General Fund	\$ 6,805,515	\$ 5,685,618	\$ 1,119,897
Proprietary Funds	8,643,990	5,010,395	3,633,595
Other Governmental Funds	1,666,857	1,996,109	(329,252)
Total	<u>\$ 17,116,362</u>	<u>\$ 12,692,122</u>	<u>\$ 4,424,240</u>

**Revenues**

Total fund revenues for the year ending September 30, 2023, compared with the year ending September 30, 2022, are as follows:

<b>Revenues</b>			
<u>Fund</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>Change</u>
General Fund	\$ 6,919,421	\$ 6,429,981	\$ 489,440
Proprietary Funds	6,329,739	5,294,234	1,035,505
Other Governmental Funds	1,901,825	883,109	1,018,716
Total	<u>\$ 15,150,985</u>	<u>\$ 12,607,324</u>	<u>\$ 2,543,661</u>

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

### **Reporting the City as a Whole**

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

The analysis of the City's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's infrastructure, its property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City is reporting its governmental activities units as defined in the GASB Statement No. 34.

The government-wide financial statements include not only the City itself (known as the primary government), but also three component units, Wolforth Economic Development Corporation, Public Improvement District, and Community Development Corporation. Financial information for the component units are reported separately from the financial information presented for the primary government.

## **Reporting the City's Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Laws and contracts require the City to establish some funds. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two fund types – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are included in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.
- Proprietary funds – The City's business activities such as water sales and sewer services and sanitation are included in proprietary funds. These statements provide the same type of information found in the government-wide financial statements, but in more detail.

### **Government-Wide Analysis**

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental activities and business-type activities.

### **Changes in Net Position**

Net position of the City's governmental and business-type activities decreased from \$9,718,742 to \$8,521,059.

Below is the comparative government-wide condensed financial statement information from fiscal years 2022-2023:

**Table I**  
**City of Wolfforth, Texas**  
**NET POSITION**

	September 30,	
	2023	2022
Current and Other Assets	\$ 10,704,365	\$ 12,965,832
Capital Assets	24,681,855	24,071,007
Total Assets	<u>\$ 35,386,220</u>	<u>\$ 37,036,839</u>
Deferred Outflows of Resources	\$ 945,881	\$ 638,099
Current Liabilities	\$ 1,870,684	\$ 1,384,014
Long-Term Liabilities	24,560,457	24,906,982
Total Liabilities	<u>\$ 26,431,141</u>	<u>\$ 26,290,996</u>
Deferred Inflows of Resources	\$ 1,379,901	\$ 1,665,200
Net Assets:		
Invested in Capital Assets	\$ 1,896,491	\$ 5,845,399
Restricted	988,667	537,936
Unrestricted	5,635,901	3,335,407
Total Net Position	<u><u>\$ 8,521,059</u></u>	<u><u>\$ 9,718,742</u></u>

**Table II**  
**City of Wolfforth, Texas**  
**CHANGES IN NET POSITION**

	September 30,	
	2023	2022
Revenues:		
Program Revenues:		
Charges for Services	\$ 7,512,498	\$ 7,035,248
Operating Grants and Contributions	988,728	109,817
General Revenues:		
Property Taxes	4,337,485	3,722,798
Other Taxes	1,942,656	1,606,152
Unrestricted Contributions	17,951	13,772
Investment Earnings	179,739	103,787
Gain on Sale of Assets	37,168	
Capital Contributions	57,467	57,394
Miscellaneous	115,804	457,273
Total Revenue	\$ 15,189,496	\$ 13,106,241
Expenses:		
Primary Government:		
General Administration	\$ 1,184,016	\$ 930,529
Municipal Court	285,872	145,473
Financial Administration	379,123	611,134
Buildings and Grounds	127,695	276,776
Police Department	1,851,977	1,538,800
Fire and EMS Department	2,083,535	1,343,649
Emergency Management	53,314	85,852
Other Public Services	7,692	10,276
Library	399,661	341,617
Streets and Paving	462,309	25,592
Parks Department	127,920	75,235
Planning and Development	791,749	890,012
Economic Development	35,939	177,098
Interest on Long Term Debt	124,276	457,071
Business-Type Activities:		
Water and Sewer	8,041,881	4,554,412
Interest on Long Term Debt	602,109	457,743
Total Expenses	\$ 16,559,068	\$ 11,921,269
Increase (Decrease) in Net Position	\$ (1,369,572)	\$ 1,184,972
Net Position at October 1	9,718,742	8,446,374
Prior Period Adjustment	171,889	87,396
Net Position at September 30	\$ 8,521,059	\$ 9,718,742

The City's total revenues increased from \$13,106,241 in 2022 to \$15,189,496 in 2023, an increase of \$2,083,255. Property tax revenues increased due to an increase in values. Sales taxes increased due to population growth in the City. Water, sewer, and sanitation rates were all increased during the current fiscal year. This led to an increase in charges for service revenues.

Expenses are higher due to the new water interconnection fee with the City of Lubbock.

### **Fund Balances**

The City's total Governmental Funds fund balance at September 30, 2023 and 2022, was \$3,617,278 and \$3,007,194, respectively. This fund balance is reported in the General Fund, Debt Service Fund, Special Revenue CLFRF Grant Fund and other Non-Major Governmental Funds.

## **CAPITAL AND RIGHT TO USE ASSETS AND DEBT ADMINISTRATION**

### **Capital and Right to Use Assets**

At the end of 2023, the City had \$24,681,855 of capital and right to use assets, net of accumulated depreciation and amortization. Note 5 of the Notes to the Financial Statements discloses the capital asset activity of the City for the fiscal year ending September 30, 2023.

### **Debt**

At the end of 2023, the City had \$22,877,536 of total debt outstanding, of which \$2,998,111 of this is due within one year. Notes 6 of the Notes to the Financial Statements discloses the debt activity of the City for the fiscal year ending September 30, 2023.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Wolfforth remains one of the fastest-growing cities in Texas and stands as *the* fastest-growing city in all of West Texas. Our population in 2010 was officially 3600. Today our population is estimated at 7665, which is an average annual growth rate since 2010 of 9.3%. There are no cities west of the I-35 corridor that come close to this degree of population explosion. Wolfforth benefits from having the Frenship Independent School District – one of the most desirable in Texas - call us home. Wolfforth is a community of people with good jobs (the median household income in Wolfforth in 2022 was \$100,703, compared to \$61,911 in Lubbock County and \$73,035 in Texas) who enjoy a lower cost of living than in many other parts of Texas (the median price of owner-occupied housing in Wolfforth is \$215,800, compared to the State of Texas figure of \$238,000).

In FY 2023, we issued Building Permits for 356 new homes, compared to 343 in FY 2022 and 195 in FY 2021. The estimated value of those 356 new homes is over \$70 million. In 2022 we added roughly \$50 million in new property to our tax roll, and we anticipate this trend to continue. Despite the higher interest rates, our growth continues.

Another indicator of our economic condition is sales tax collections. In FY 2023, total sales taxes collected was \$2,015,196. To illustrate the growth, here are the previous five years' collections:

- FY 2022 - \$1,788,607
- FY 2021 - \$1,387,540
- FY 2020 - \$1,188,690
- FY 2019 - \$1,024,947
- FY 2018 - \$ 893,396

From these figures, one can see that our sales tax collections have increased by 225% since 2018. We are continuously in conversations with potential businesses, and we anticipate several new commercial projects in FY 2025.

With all the growth we're experiencing, Wolfforth has a significant amount of infrastructure to build. We currently have improvements underway to our water distribution and water treatment systems. In the future, we'll be issuing debt to fund an impressive Capital Improvements Plan that will include the construction of a new elevated storage tank, the addition of a water treatment plant, two new ground storage tanks, more water distribution expansion, water supply, and wastewater treatment. The cost of these projects will be partially borne by the developments themselves through the implementation of Impact Fees, which is expected to occur in FY 2024. A water rate increase was approved and implemented in June 2023, intended to generate revenue adequate to fund the Capital Improvements Plan in conjunction with the Impact Fees.

In FY 2022, there were substantial personnel and policy changes that were initiated and some of those changes are still ongoing. At the beginning of FY 2023, we still had one major vacancy in our personnel, that being the position of Director of Development Services. In the summer of 2023, we were able to fill that role and since then have enjoyed a notable level of continuity in our staff. We also increased police pay which has already resulted in an ability to broaden our recruitment ability. Many changes have been implemented from day-to-day operational techniques to financial management strategies and software. Wolfforth enjoys the vision of a strong City Council with a commitment to service and excellence.

Looking toward the creation of the budget for FY 2025, the City of Wolfforth will budget conservatively and responsibly, with the knowledge that growth brings not only additional revenue, but additional duty. In the past, it has been Wolfforth's strategy to attempt to keep the property tax rate the same from year to year. However, with the level of growth we have experienced, and limited by the effect of SB2 (2019), the property tax rate for 2023 was actually lowered. It is anticipated this same effect may be seen again in 2024. Interestingly, as a City grows, the additional property tax revenue associated with new properties and increased property values does not necessarily offset the additional need for and cost of services. It will be our strategy to adopt a tax rate that maximizes revenue and avoids triggering a mandatory election. This will allow for a continued commitment to priorities such as public safety, employees, and service.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This Financial Report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this Report or need additional financial information, contact Randy Criswell at the City of Wolfforth, 302 Main Street, Wolfforth, Texas, or at 806-855-4120.

**BASIC FINANCIAL STATEMENTS**



-10-  
CITY OF WOLFFORTH, TEXAS

EXHIBIT A-1

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Wolfforth Economic Development Corporation	Public Improvement District
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 4,707,364	\$ 4,382,791	\$ 9,090,155	\$ 1,776,270	\$ 246,814
Accounts Receivable, Net	709,752	649,799	1,359,551	202,930	3,547
Grants Receivable	5,235		5,235		
Unbilled Revenue Receivable		215,696	215,696		
Prepaid Expense	24,474	6,859	31,333	1,515	
Due from Component Units	2,395		2,395		
Capital Assets, Nondepreciable	515,595	4,864,950	5,380,545		
Capital and Right to Use Assets, Net	5,523,957	13,777,353	19,301,310		
Total Assets	<u>\$ 11,488,772</u>	<u>\$ 23,897,448</u>	<u>\$ 35,386,220</u>	<u>\$ 1,980,715</u>	<u>\$ 250,361</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension	\$ 686,106	\$ 162,573	\$ 848,679	\$	\$
OPEB	4,066	964	5,030		
Refunding Charges	48,470	43,702	92,172		
Total Deferred Outflows of Resources	<u>\$ 738,642</u>	<u>\$ 207,239</u>	<u>\$ 945,881</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 360,435	\$ 968,610	\$ 1,329,045	\$ 23,815	\$ 48,677
Wages Payable	77,056	13,875	90,931		
Accrued Compensated Absences	62,672	12,147	74,819		
Accrued Interest Payable	17,159	61,849	79,008		
Customer Deposits		296,881	296,881		
Unearned Revenue					3,546
Due to City				1,443	952
Noncurrent Liabilities					
Net Pension Liability	1,313,929	311,336	1,625,265		
OPEB Liability	46,611	11,045	57,656		
Due Within One Year	853,756	2,144,355	2,998,111		
Due In More Than One Year	3,885,509	15,993,916	19,879,425		
Total Liabilities	<u>\$ 6,617,127</u>	<u>\$ 19,814,014</u>	<u>\$ 26,431,141</u>	<u>\$ 25,258</u>	<u>\$ 53,175</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
OPEB	\$ 14,440	\$ 3,421	\$ 17,861	\$	\$
Unspent Grant Funds	1,362,040		1,362,040		
Total Deferred Inflows of Resources	<u>\$ 1,376,480</u>	<u>\$ 3,421</u>	<u>\$ 1,379,901</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 1,348,757	\$ 547,734	\$ 1,896,491	\$	\$
Restricted For:					
Enabling Legislation	731,221		731,221		
Grant Programs	26,976		26,976		
Debt Service	230,470		230,470		
Economic and Community Development				1,955,457	197,186
Unrestricted	1,896,383	3,739,518	5,635,901		
Total Net Position	<u>\$ 4,233,807</u>	<u>\$ 4,287,252</u>	<u>\$ 8,521,059</u>	<u>\$ 1,955,457</u>	<u>\$ 197,186</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
	Expenses	Fines, Fees, and Charges for Services	Operating Grants and Contributions	Primary Government			Component Units		
				Governmental Activities	Business-Type Activities	Total	Wolfforth Economic Development Corporation	Public Improvement District	Community Development Corporation
<b>PRIMARY GOVERNMENT:</b>									
Governmental Activities:									
General Administration	\$ 1,184,016	\$ 525,461	\$ 638,377	\$ (20,178)	\$ (20,178)	\$ (20,178)	\$	\$	\$
Municipal Court	285,872	156,854		(129,018)		(129,018)			
Financial Administration	379,123			(379,123)		(379,123)			
Buildings and Grounds	127,695	61,087		(66,608)		(66,608)			
Police Department	1,851,977	1,050		(1,850,927)		(1,850,927)			
Fire and EMS Department	2,083,535	516,010	350,351	(1,217,174)		(1,217,174)			
Emergency Management	53,314			(53,314)		(53,314)			
Other Public Services	7,692			(7,692)		(7,692)			
Library	399,661	17,654		(382,007)		(382,007)			
Streets and Paving	462,309			(462,309)		(462,309)			
Parks Department	127,920			(127,920)		(127,920)			
Planning and Development	791,749			(791,749)		(791,749)			
Economic Development	35,939			(35,939)		(35,939)			
Interest on Long-Term Debt	124,276			(124,276)		(124,276)			
Total Governmental Activities	\$ 7,915,078	\$ 1,278,116	\$ 988,728	\$ (5,648,234)	\$ 0	\$ (5,648,234)	\$ 0	\$ 0	\$ 0
Business-Type Activities:									
Water and Sewer	\$ 8,041,881	\$ 6,234,382	\$	\$	\$ (1,807,499)	\$ (1,807,499)	\$	\$	\$
Interest on Long-Term Debt	602,109				(602,109)	(602,109)			
Total Business-Type Activities	\$ 8,643,990	\$ 6,234,382	\$ 0	\$ 0	\$ (2,409,608)	\$ (2,409,608)	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 16,559,068	\$ 7,512,498	\$ 988,728	\$ (5,648,234)	\$ (2,409,608)	\$ (8,057,842)	\$ 0	\$ 0	\$ 0
Component Units:									
Wolfforth Economic Development Corporation	\$ 355,422	\$	\$	\$	\$	\$ (355,422)	\$	\$	\$
Public Improvement District	564,266	553,882					(10,384)		
Community Development Corporation	646,019								(646,019)
Total Component Units	\$ 1,565,707	\$ 553,882	\$ 0	\$ 0	\$ 0	\$ 0	\$ (355,422)	\$ (10,384)	\$ (646,019)
General Revenues:									
Property Taxes and Related Fees	\$ 4,337,485	\$	\$	\$ 4,337,485	\$	\$ 4,337,485	\$	\$	\$
Sales and Use Taxes	1,344,114			1,344,114		1,344,114	671,964		
Gross Receipts Business Tax	554,673			554,673		554,673			
Motel Occupancy Taxes	43,869			43,869		43,869			89,562
Unrestricted Contributions	17,951			17,951		17,951			
Unrestricted Investment Earnings	84,382			84,382	95,357	179,739	29,084	5,635	1,973
Gain on the Sale of Capital Assets	37,168			37,168		37,168			
Capital Contributions					57,467	57,467			
Miscellaneous	115,804			115,804		115,804			
Transfers	224,042			(224,042)					
Total General Revenue and Transfers	\$ 6,759,488	\$	\$	\$ (71,218)	\$	\$ 6,688,270	\$ 701,048	\$ 5,635	\$ 91,535
Change in Net Position	\$ 1,111,254	\$	\$	\$ (2,480,826)	\$	\$ (1,369,572)	\$ 345,626	\$ (4,749)	\$ (554,484)
Net Position - Beginning	2,950,664			2,950,664	6,768,078	9,718,742	1,609,831	201,935	554,484
Prior Period Adjustment	171,889			171,889		171,889			
Net Position - Ending	\$ 4,233,807	\$ 4,287,252	\$ 8,521,059	\$ 1,955,457	\$ 197,186	\$ 0			

The accompanying notes are an integral part of this statement.

CITY OF WOLFFORTH, TEXAS

EXHIBIT A-3

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Special Revenue CLFRF Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 2,374,888	\$ 230,470	\$ 1,380,080	\$ 721,926	\$ 4,707,364
Accounts Receivable, Net	319,239		705	13,174	333,118
Taxes Receivable, Net	369,710	6,924			376,634
Grants Receivable				5,235	5,235
Due from Other Funds	437				437
Due from Component Units	2,395				2,395
Prepaid Expense	24,474				24,474
<b>Total Assets</b>	<b>\$ 3,091,143</b>	<b>\$ 237,394</b>	<b>\$ 1,380,785</b>	<b>\$ 740,335</b>	<b>\$ 5,449,657</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts Payable	\$ 359,989			\$ 446	\$ 360,435
Wages Payable	77,056				77,056
Due to Other Funds				437	437
<b>Total Liabilities</b>	<b>\$ 437,045</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 883</b>	<b>\$ 437,928</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Property Taxes	\$ 25,487	\$ 6,924			\$ 32,411
Unspent Grant Funds			1,362,040		1,362,040
<b>Total Deferred Inflows of Resources</b>	<b>\$ 25,487</b>	<b>\$ 6,924</b>	<b>\$ 1,362,040</b>	<b>\$ 0</b>	<b>\$ 1,394,451</b>
<b>FUND BALANCES:</b>					
<b>Nonspendable Fund Balances:</b>					
Prepays	\$ 24,474				\$ 24,474
<b>Restricted Fund Balances:</b>					
Restricted for Enabling Legislation				731,221	731,221
Restricted for Grant Programs			18,745	8,231	26,976
Restricted for Debt Service		230,470			230,470
Unassigned Fund Balance	2,604,137				2,604,137
<b>Total Fund Balances</b>	<b>\$ 2,628,611</b>	<b>\$ 230,470</b>	<b>\$ 18,745</b>	<b>\$ 739,452</b>	<b>\$ 3,617,278</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,091,143</b>	<b>\$ 237,394</b>	<b>\$ 1,380,785</b>	<b>\$ 740,335</b>	<b>\$ 5,449,657</b>

The accompanying notes are an integral part of this statement.

CITY OF WOLFFORTH, 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	\$	3,617,278
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.		6,039,552
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		32,411
Deferred outflows and inflows of resources related to pensions and OPEB are not reported in the funds.		675,732
Payables for bond principal, tax note principal, and lease principal which are not due in the current period are not reported in the funds.		(4,427,216)
Payables for bond interest which are not due in the current period are not reported in the funds.		(17,159)
Bond Premiums are not recorded in the funds.		(312,049)
Deferred Outflows of Resources - Loss on Refundings are not recorded in the funds.		48,470
Net Pension Liabilities are not reported in the funds.		(1,313,929)
Total OPEB Liabilities are not reported in the funds.		(46,611)
Payables for compensated absences which are not reported in the funds.		<u>(62,672)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u><u>4,233,807</u></u>

The accompanying notes are an integral part of this statement.

CITY OF WOLFFORTH, TEXAS

EXHIBIT A-5

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

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue CLFRF Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue:</b>						
Taxes:						
Property Taxes and Related Fees	\$ 3,455,134	\$ 938,475	\$	\$	\$	\$ 4,393,609
Sales and Use Taxes	1,344,114					1,344,114
Gross Receipts Business Tax	554,673					554,673
Motel Occupancy Taxes					43,869	43,869
Licenses and Permits	606,476					606,476
Intergovernmental Revenue and Grants	164,970				823,758	988,728
Charges for Services	501,751					501,751
Fines and Fees	120,709				49,180	169,889
Investment Earnings	55,790		6,747	18,745	3,100	84,382
Contributions and Donations					17,951	17,951
Other Revenue	115,804					115,804
Total Revenues	<u>\$ 6,919,421</u>	<u>\$ 938,475</u>	<u>\$ 6,747</u>	<u>\$ 18,745</u>	<u>\$ 937,858</u>	<u>\$ 8,821,246</u>
<b>Expenditures:</b>						
Current:						
General Administration	\$ 1,139,093	\$	\$ 28,921	\$	\$ 22,656	\$ 1,190,670
Municipal Court	145,131		635		11,278	157,044
Financial Administration	368,107		7,875			375,982
Buildings and Grounds	123,545					123,545
Police Department	1,803,123		315,408		4,641	2,123,172
Fire and EMS Department	1,607,125				185,369	1,792,494
Emergency Management	6,289					6,289
Other Public Services	4,160					4,160
Library	370,365		89,976			460,341
Streets and Paving	291,610					291,610
Parks Department	132,046					132,046
Planning and Development	780,390					780,390
Economic Development	34,531					34,531
Debt Service:						
Principal		824,393				824,393
Interest Expense and Related Fees		175,705				175,705
Total Expenditures	<u>\$ 6,805,515</u>	<u>\$ 1,000,098</u>	<u>\$ 442,815</u>	<u>\$ 0</u>	<u>\$ 223,944</u>	<u>\$ 8,472,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 113,906</u>	<u>\$ (61,623)</u>	<u>\$ (436,068)</u>	<u>\$ 18,745</u>	<u>\$ 713,914</u>	<u>\$ 348,874</u>
<b>Other Financing Sources:</b>						
Transfers In (Out)	\$ 8,279	\$ 227,758	\$ (16,991)	\$	\$ 4,996	\$ 224,042
Proceeds from the Sale of Capital Assets	37,168					37,168
Total Other Financing Sources (Uses)	<u>\$ 45,447</u>	<u>\$ 227,758</u>	<u>\$ (16,991)</u>	<u>\$ 0</u>	<u>\$ 4,996</u>	<u>\$ 261,210</u>
Net Change in Fund Balances	\$ 159,353	\$ 166,135	\$ (453,059)	\$ 18,745	\$ 718,910	\$ 610,084
Fund Balances - Beginning	<u>2,469,258</u>	<u>64,335</u>	<u>453,059</u>	<u>0</u>	<u>20,542</u>	<u>3,007,194</u>
Fund Balances - Ending	<u>\$ 2,628,611</u>	<u>\$ 230,470</u>	<u>\$ 0</u>	<u>\$ 18,745</u>	<u>\$ 739,452</u>	<u>\$ 3,617,278</u>

The accompanying notes are an integral part of this statement.

CITY OF WOLFFORTH, 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	\$	610,084
Amounts reported for governmental activities in the Statement Of Activities (SOA) are different because:		
Capital assets additions not reported as expenses in the SOA.		668,079
Capital asset reclassification from proprietary funds are not reported in the SOA.		13,275
The depreciation of capital assets used in governmental activities is not reported in the funds.		(878,266)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(56,124)
Repayments of bond principal, tax note principal, and lease principal are expenditures in the funds but not an expense in the SOA.		824,393
The net impact of bond refundings are capitalized on the SNP.		(5,976)
Bond premium amortization is not recorded in the funds.		70,158
Change in accrued interest from beginning of period to end of period.		(12,753)
Change related to pension liabilities and deferred inflows and outflows is not recorded in the funds.		(135,631)
Change related to total OPEB liabilities and deferred inflows and outflows is not recorded in the funds.		(9,831)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		<u>23,846</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u><u>1,111,254</u></u>

The accompanying notes are an integral part of this statement.

CITY OF WOLFFORTH, TEXAS

EXHIBIT A-7

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2023

	Business-Type Activities
	Water and Sewer Fund
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 4,382,791
Accounts Receivable, Net	649,799
Unbilled Revenue Receivable	215,696
Prepaid Expense	6,859
Capital Assets	
Nondepreciable	4,864,950
Depreciable, Net	13,777,353
Total Assets	<u>\$ 23,897,448</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension	\$ 162,573
OPEB	964
Refunding Charges	43,702
Total Deferred Outflows of Resources	<u>\$ 207,239</u>
<b>LIABILITIES:</b>	
Accounts Payable	\$ 968,610
Wages Payable	13,875
Accrued Compensated Absences	12,147
Accrued Interest Payable	61,849
Customer Deposits	296,881
Noncurrent Liabilities	
Due Within One Year	2,144,355
Net Pension Liability	311,336
Total OPEB Liability	11,045
Unamortized Premiums	651,223
Due in More Than One Year	15,342,693
Total Liabilities	<u>\$ 19,814,014</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
OPEB	\$ 3,421
Total Deferred Inflows of Resources	<u>\$ 3,421</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	\$ 547,734
Unrestricted	<u>3,739,518</u>
Total Net Position	<u>\$ 4,287,252</u>

The accompanying notes are an integral part of this statement.

CITY OF WOLFFORTH, TEXAS

EXHIBIT A-8

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

	Business-Type Activities	
	Water and Sewer Fund	Internal Service Funds
	<u>                    </u>	<u>                    </u>
OPERATING REVENUES:		
Charges for Services	\$ 6,140,634	\$
Other Services	93,748	
Total Operating Revenues	<u>\$ 6,234,382</u>	<u>\$ 0</u>
OPERATING EXPENSES:		
Personnel Services	\$ 654,720	\$
Contractual Services	4,924,217	
Maintenance	985,462	
Depreciation	1,358,864	
Other Expense	118,618	
Total Operating Expenses	<u>\$ 8,041,881</u>	<u>\$ 0</u>
Operating Income (Loss)	<u>\$ (1,807,499)</u>	<u>\$ 0</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Revenue	\$ 95,357	\$
Interest Expense and Paying Agent Fees	(602,109)	
Total Non-Operating Revenues (Expenses)	<u>\$ (506,752)</u>	<u>\$ 0</u>
Income (Loss) Before Transfers	\$ (2,314,251)	\$ 0
Capital Contributions	\$ 57,467	\$
Transfers In (Out)	<u>(224,042)</u>	<u>                    </u>
Change in Net Position	\$ (2,480,826)	\$ 0
Total Net Position - Beginning	6,768,078	(171,889)
Prior Period Adjustment	<u>                    </u>	<u>171,889</u>
Total Net Position - Ending	<u>\$ 4,287,252</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.



## CITY OF WOLFFORTH, TEXAS

EXHIBIT A-9

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

	Business-Type Activities <u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 5,930,192
Cash Payments to Employees and for Benefits	(773,058)
Cash Payments to Other Suppliers for Goods and Services	(5,516,575)
Other Operating Cash Receipts	93,748
Net Cash from Operating Activities	<u>\$ (265,693)</u>
Cash Flows from Non-Capital Financing Activities:	
Capital Contributions	\$ 57,467
Cash Transfers from (to) Other Funds	(224,042)
Net Cash from Non-Capital Financing Activities	<u>\$ (166,575)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	\$ (1,794,821)
Issuance of Debt	1,105,000
Capital Asset Transferred to Governmental Activities	13,275
Proceeds from the Sale of Assets	35,882
Acquisition or Construction of Capital Assets	(2,444,478)
Net Cash from Capital and Related Financing Activities	<u>\$ (3,085,142)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	\$ 95,357
(Purchase) Sale of Investments	1,587
Net Cash from Investing Activities	<u>\$ 96,944</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ (3,420,466)
Cash and Cash Equivalents - Beginning of Year	7,803,257
Cash and Cash Equivalents - End of Year	<u>\$ 4,382,791</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income (Loss)	\$ (1,807,499)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities	
Depreciation	\$ 1,358,864
Change in Assets and Liabilities:	
Decrease (Increase) in Accounts Receivable, Net	(62,930)
Decrease (Increase) in Unbilled Revenue Receivable	(215,696)
Increase (Decrease) in Accounts Payable	504,618
Increase (Decrease) in Wages Payable	(763)
Increase (Decrease) in Customer Deposits	68,184
Increase (Decrease) in Pension and Related Deferrals	(92,146)
Increase (Decrease) in OPEB and Related Deferrals	(5,724)
Total Adjustments	<u>\$ 1,541,806</u>
Net Cash from Operating Activities	<u>\$ (265,693)</u>

The accompanying notes are an integral part of this statement.

**CITY OF WOLFFORTH, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

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

The financial statements of City of Wolfforth, 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 the component units listed below. Additionally, the City is not a component unit of any other reporting entity as defined by GAAP.

**Component Units**

The Wolfforth Economic Development Corporation (the "EDC") was formed to provide economic growth in the City. The governing board of the EDC is appointed by the City Council. The City has assigned one-third of its sale tax revenues to the EDC for future economic development. The EDC is reported as a discretely presented component unit in the statement of net position and statement of activities.

The Wolfforth Public Improvement District (the "PID") was formed under Chapter 372 of the Texas Local Government Code to provide for improvements and maintenance benefitting a defined area, Preston Manor recreational facilities. The City has authorized Preston Manor Management, LLC to manage the PID. The PID is financed by assessments against all property owners of benefitted property within the defined district area. The PID is reported as a discretely presented component unit in the statement of net position and statement of activities.

**CITY OF WOLFFORTH, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

The Wolfforth Community Development Corporation (the “CDC”) was formed to provide economic growth in the City. The governing board of the CDC is appointed by the City Council. The City has assigned hotel occupancy tax levies to the CDC for future economic development. The CDC is reported as a discretely presented component unit in the statement of net position and statement of activities. The CDC was dissolved in May 2023.

**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 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.

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.

**Debt Service Fund:** This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**CITY OF WOLFFORTH, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

Capital Projects Fund: This fund accounts for the financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Special Revenue – CLFRF Grant Fund: This fund accounts for the financial resources that are restricted for the purposes of the grant program.

The City reports the following major enterprise funds:

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

Nonmajor Governmental Funds:

Special revenue funds: These funds account for specific revenue sources that are legally restricted to expenditures for specialized purposes.

**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 is 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.

**CITY OF WOLFFORTH, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**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.

**Fair Value Measurements**

The City has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The City has no recurring fair value measurements as of September 30, 2023 as the City's investments are not measured at fair value but rather the investment in TexPool are valued at amortized cost.

**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.

Allowances for uncollectible tax receivables within the General Fund and Debt Service 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.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

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>
Building and Improvements	7-40
Streets and Infrastructure	25
Office Furniture and Equipment	3-15
Water and Sewer System	5-50
Vehicles, Equipment, and Machinery	5-15
Library Books and Equipment	5-15

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 deferred charges on bond refunding's, pension related items, and OPEB related items.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources, included on the proprietary fund financial statements and government wide financial statements, for OPEB related items and unspent grant funds. The City has deferred inflows of resources, included on the governmental fund financial statements, for unavailable revenue from property taxes and unspent grant funds.

**CITY OF WOLFFORTH, 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 (GAAP) 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**

For purposes of measuring the net OPEB liability, deferred outflows and deferred inflows of resources related to OPEBs, and net OPEB expense, information about the Texas Municipal Retirement System – Supplemental Death Benefit Plan 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.

**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. All amounts reported as nonspendable at September 30, 2023 were related to prepaids and are nonspendable in form.

CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

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 meeting. As of September 30, 2023, the City had no committed funds.

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.

When the City incurs expenditures that can be made from either restricted or unrestricted fund balances, the expenditures should be charged to restricted fund balances. When the City incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged first to committed fund balances, second to assigned fund balances, and third to unassigned fund balances.

Compensated Absences

It is the City's policy to permit regular full-time employees to accumulate a limited amount of earned but unused vacation benefits. Benefits are accrued as follows:

<u>Length of Service</u>	<u>Annual Vacation Leave Earned</u>
1 Year	80 hours
11-15 Years	120 Hours
16-20 Years	140 Hours
21-25 Years	160 Hours
Every 5 Years Thereafter	20 Additional Hours

Certified full-time police officers shall receive 84 hours of vacation leave annually. Temporary employees and part-time employees do not earn vacation leave.

When an employee leaves the service of the City, he or she may be paid for any unused vacation leave in his or her account at time of separation. The rate of pay is determined by the salary rate in effect at the time of termination. Unused sick leave is canceled upon termination of employment without compensation of the employee.



CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

**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.

**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 Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City's investments at September 30, 2023 are shown below.

<u>Investment or Investment Type</u>	<u>Average WAM</u>	<u>Rating</u>	<u>Amount</u>
TexPool Investment Pool	39 Days Average	AAAm	\$ 1,602,810

Investment pools are not categorized as to investment risk since specific securities relating to the government cannot be identified. The City utilizes Texas Local Government Investment Pool (TexPool). The value of the pool is reported at amortized cost.

**CITY OF WOLFFORTH, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759.

In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

**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's investments in TexPool was rated AAAM by Standard and Poor's.

**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**

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 365 days. The maximum allowable stated maturity of any individual investment owned by the City shall not exceed two years from the time of purchase. As of September 30, 2023, TexPool's portfolio maintained a weighted average maturity of approximately 39 days.

**Foreign Currency Risk**

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. While the City's policy does not address this risk, the City has no foreign currency risk as of year-end.

CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

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:

	General Fund	Debt Service Fund	Special Rev CLFRF Grant Fund	Other Governmental Funds	Water Sewer Fund	Total
Receivables:						
Property Taxes	\$ 62,110	\$ 16,875	\$	\$	\$	\$ 78,985
Sales Tax	234,896					234,896
EMS Fees	670,640					670,640
Franchise Tax	109,327					109,327
Other	3,839		705	13,174		17,718
Accounts					1,209,046	1,209,046
Grants				5,235		5,235
Gross Receivables	\$ 1,080,812	\$ 16,875	\$ 705	\$ 18,409	\$ 1,209,046	\$ 2,325,847
Less: Allowance for Uncollectibles	(391,863)	(9,951)			(559,247)	(961,061)
Net Total Receivables	\$ 688,949	\$ 6,924	\$ 705	\$ 18,409	\$ 649,799	\$ 1,364,786

Note 4 – Interfund Balances and Activity

Transfers to and from other funds:

Transfers In	Transfers Out	Amount	Purpose
Governmental Funds	Water and Sewer	\$ 224,042	Administration
Net Transfers		\$ 224,042	

CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

**Note 5 – Capital and Right to Use Assets**

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

	Beginning Balances	Increases	Net Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital Assets Not Being Depreciated					
Land	\$ 515,595	\$	\$	\$	\$ 515,595
Total Capital Assets Not Being Depreciated	<u>\$ 515,595</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 515,595</u>
Capital Assets Being Depreciated					
Buildings and Improvements	\$ 4,648,562	\$ 39,980	\$	\$	\$ 4,688,542
Streets and Infrastructure	5,272,941	100,328	1,850		5,375,119
Office Furniture and Equipment	416,463	57,646		26,885	447,224
Vehicles, Equipment and Machinery	5,793,986	470,125	19,090	322,014	5,961,187
Library Books and Equipment	389,347		(1,850)		387,497
Right-to-Use Leased Assets	850,000				850,000
Total Capital Assets Being Depreciated and Amortized	<u>\$ 17,371,299</u>	<u>\$ 668,079</u>	<u>\$ 19,090</u>	<u>\$ 348,899</u>	<u>\$ 17,709,569</u>
Less Accumulated Depreciation and Amortization for:					
Buildings and Systems	\$ 1,977,019	\$ 126,016	\$	\$	\$ 2,103,035
Streets and Infrastructure	4,500,763	163,513			4,664,276
Office Furniture and Equipment	259,296	23,023		26,885	255,434
Vehicles, Equipment and Machinery	4,291,593	457,105	5,815	322,014	4,432,499
Library Books and Equipment	295,926	23,609			319,535
Right-to-Use Leased Assets	325,833	85,000			410,833
Total Accumulated Depreciation and Amortization	<u>\$ 11,650,430</u>	<u>\$ 878,266</u>	<u>\$ 5,815</u>	<u>\$ 348,899</u>	<u>\$ 12,185,612</u>
Total Capital Assets Being Depr and Amortized, Net	<u>\$ 5,720,869</u>	<u>\$ (210,187)</u>	<u>\$ 13,275</u>	<u>\$ 0</u>	<u>\$ 5,523,957</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,236,464</u>	<u>\$ (210,187)</u>	<u>\$ 13,275</u>	<u>\$ 0</u>	<u>\$ 6,039,552</u>

Depreciation and amortization was charged to governmental activities as follows:

General Administration	\$ 29,250
Buildings and Grounds	125,099
Police Department	116,800
Fire	337,620
Emergency Management	47,025
Misc Public Services	3,532
Library	29,286
Streets and Paving	177,071
Planning and Development	12,583
Total Depreciation Charged to Governmental Activities	<u>\$ 878,266</u>

CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Net Transfers</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities:					
Capital Assets Not Being Depreciated					
Land	\$ 2,355,697	\$ 50,000	\$	\$	\$ 2,405,697
Construction in Progress	<u>1,917,718</u>	<u>1,415,297</u>	<u>(873,762)</u>	<u></u>	<u>2,459,253</u>
Total Capital Assets Not Being Depreciated	<u>\$ 4,273,415</u>	<u>\$ 1,465,297</u>	<u>\$ (873,762)</u>	<u>\$ 0</u>	<u>\$ 4,864,950</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	\$ 261,605	\$	\$	\$	\$ 261,605
Water and Sewer System	24,186,388	796,777	873,762		25,856,927
Vehicles, Equipment, and Machinery	<u>1,415,300</u>	<u>182,404</u>	<u>(19,090)</u>	<u>106,914</u>	<u>1,471,700</u>
Total Capital Assets Being Depreciated	<u>\$ 25,863,293</u>	<u>\$ 979,181</u>	<u>\$ 854,672</u>	<u>\$ 106,914</u>	<u>\$ 27,590,232</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	\$ 234,676	\$ 7,668	\$	\$	\$ 242,344
Water and Sewer System	11,348,111	1,238,876			12,586,987
Vehicles, Equipment, and Machinery	<u>948,075</u>	<u>112,320</u>	<u>(5,815)</u>	<u>71,032</u>	<u>983,548</u>
Total Accumulated Depreciation	<u>\$ 12,530,862</u>	<u>\$ 1,358,864</u>	<u>\$ (5,815)</u>	<u>\$ 71,032</u>	<u>\$ 13,812,879</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 13,332,431</u>	<u>\$ (379,683)</u>	<u>\$ 860,487</u>	<u>\$ 35,882</u>	<u>\$ 13,777,353</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,605,846</u>	<u>\$ 1,085,614</u>	<u>\$ (13,275)</u>	<u>\$ 35,882</u>	<u>\$ 18,642,303</u>
Depreciation Expense		<u>\$ 1,358,864</u>			

**Note 6 – Long-Term Obligations**

**Governmental Activities**

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>
Governmental Activities:					
Refunding Bonds	\$ 2,118,158	\$	\$ 266,706	\$ 1,851,452	\$ 279,145
Tax Notes	2,578,850		487,350	2,091,500	501,500
Bond Premiums	382,207		70,158	312,049	
Right to Use Lease	<u>554,601</u>	<u></u>	<u>70,337</u>	<u>484,264</u>	<u>73,111</u>
Total Governmental Activities	<u>\$ 5,633,816</u>	<u>\$ 0</u>	<u>\$ 894,551</u>	<u>\$ 4,739,265</u>	<u>\$ 853,756</u>

CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

Refunding Bond

At September 30, 2023, the City had two general obligation refunding bonds as follows:

Description	Date of Issue	Due Date	Interest Rates	Original Amount of Issue	Balance
GO Refunding Bond Series 2015	10/15/2015	2/15/1931	2.0% to 3.0%	\$ 4,190,000	\$ 1,141,452
GO Refunding Bond Series 2020	2/1/2020	02/15/362	4.000%	1,095,000	710,000
					\$ 1,851,452

Annual debt service requirements to maturity for general obligation refunding bonds as of September 30, 2023 are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 279,145	\$ 54,347	\$ 333,492
2025	216,706	46,924	263,630
2026	174,145	41,266	215,411
2027	179,023	36,251	215,274
2028	188,901	30,835	219,736
2029-2032	813,532	59,099	872,631
Total	\$ 1,851,452	\$ 268,722	\$ 2,120,174

Tax Notes

At September 30, 2023, the City had three tax notes as follows:

Description	Date of Issue	Due Date	Interest Rates	Original Amount of Issue	Balance
Tax Note Series 2017B	8/1/2017	2/15/2024	3.000%	\$ 1,020,000	\$ 81,500
Tax Note Series 2020	3/4/2020	2/15/2027	5.000%	1,435,000	900,000
Tax Note Series 2021	10/20/2021	2/18/2028	3.000%	1,445,000	1,110,000
					\$ 2,091,500

Annual debt service requirements to maturity for tax notes as of September 30, 2023 are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 501,500	\$ 71,123	\$ 572,623
2025	435,000	52,775	487,775
2026	450,000	35,000	485,000
2027	470,000	16,500	486,500
2028	235,000	3,525	238,525
Total	\$ 2,091,500	\$ 178,923	\$ 2,270,423

CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

Right to Use Leases Obligation

At September 30, 2023, the City had one right to use lease agreement as follows:

Description	Date of Issue	Due Date	Interest Rates	Original Amount of Issue	Balance
Fire Apparatus Lease	11/30/2018	11/30/2028	2.250%	\$ 750,000	\$ 484,264
					\$ 484,264

The annual requirements to amortize the right to use lease as of September 30, 2023 are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 73,111	\$ 19,099	\$ 92,210
2025	75,995	16,216	92,211
2026	78,992	13,219	92,211
2027	82,107	10,103	92,210
2028	85,346	6,864	92,210
2029	88,713	3,500	92,213
Total	\$ 484,264	\$ 69,001	\$ 553,265

**Business-Type Activities**

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:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Certificates of Obligation	\$ 15,940,000	\$	\$ 815,000	\$ 15,125,000	\$ 840,000
Refunding Bonds	1,336,843		138,295	1,198,548	140,855
Tax Notes	272,150	1,105,000	213,650	1,163,500	1,163,500
Bond Premiums	695,163		43,940	651,223	
Total Business-Type Activities	\$ 18,244,156	\$ 1,105,000	\$ 1,210,885	\$ 18,138,271	\$ 2,144,355

CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

Certificates of Obligation

At September 30, 2023, the City had four certificates of obligation as follows:

Description	Date of Issue	Due Date	Interest Rates	Original Amount of Issue	Balance
Certificate of Obligation Series 2013	5/1/2013	2/15/1933	1.50%-3.00%	\$ 6,625,000	\$ 3,665,000
Certificate of Obligation Series 2017A	8/1/2017	2/15/1937	2.00%-3.00%	1,445,000	1,095,000
Certificate of Obligation Series 2020	6/30/2020	2/15/1940	2.25%-4.00%	4,635,000	4,125,000
Certificate of Obligation Series 2021	11/15/2020	2/15/1941	.34%-1.27%	6,730,000	6,240,000
					<u>\$ 15,125,000</u>

Annual debt service requirements to maturity for certificates of obligation as of September 30, 2023 are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 840,000	\$ 403,856	\$ 1,243,856
2025	860,000	376,881	1,236,881
2026	895,000	347,806	1,242,806
2027	925,000	318,331	1,243,331
2028	955,000	288,006	1,243,006
2029-2033	5,235,000	966,160	6,201,160
2034-2038	3,595,000	399,131	3,994,131
2039-2041	1,820,000	57,822	1,877,822
Total	<u>\$ 15,125,000</u>	<u>\$ 3,157,993</u>	<u>\$ 18,282,993</u>

General Obligation Refunding Bonds

At September 30, 2023, the City had one general obligation refunding bond as follows:

Description	Date of Issue	Due Date	Interest Rates	Original Amount of Issue	Balance
Go Refunding Bond Series 2015	10/15/2015	2/15/1931	2.00%-3.00%	\$ 4,190,000	\$ 1,198,548
					<u>\$ 1,198,548</u>



CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity for general obligation refunding bonds as of September 30, 2023 are as follows:

	Principal	Interest	Total
Year Ending September 30,			
2024	\$ 140,855	\$ 30,290	\$ 171,145
2025	138,294	27,326	165,620
2026	140,855	24,009	164,864
2027	145,977	20,424	166,401
2028	151,099	16,522	167,621
2029-2031	481,468	22,050	503,518
Total	<u>\$ 1,198,548</u>	<u>\$ 140,621</u>	<u>\$ 1,339,169</u>

Tax Notes

At September 30, 2023, the City had two tax notes as follows:

Description	Date of Issue	Due Date	Interest Rates	Original Amount of Issue	Balance
Tax Note Series 2017B	8/1/2017	2/15/2024	3.000%	\$ 1,020,000	\$ 58,500
Tax Note Series 2023A	8/14/2023	8/30/2024	6.730%	1,105,000	1,105,000
					<u>\$ 1,163,500</u>

Annual debt service requirements to maturity for tax notes as of September 30, 2023 are as follows:

	Principal	Interest	Total
Year Ending September 30,			
2024	\$ 1,163,500	\$ 75,244	\$ 1,238,744
Total	<u>\$ 1,163,500</u>	<u>\$ 75,244</u>	<u>\$ 1,238,744</u>

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

Liability	Activity Type	Fund
Compensated Absences	Governmental	General Fund
Compensated Absences	Business-Type	Water Sewer Fund

CITY OF WOLFFORTH, 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). 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)	60/5,0/25
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI

CITY OF WOLFFORTH, 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	10
Inactive Employees Entitled to but not Yet Receiving Benefits	37
Active Employees	<u>47</u>
Total Plan Employees	<u><u>94</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 11.17% and 11.12% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$334,251, and were equal to the required contributions.

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 Asset (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
Amortization Period	23 years

CITY OF WOLFFORTH, 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%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%

CITY OF WOLFFORTH, 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 Liability
Balance 12/31/2021	\$ 5,688,841	\$ 4,834,794	\$ 854,047
Service Cost	314,688		314,688
Interest (on the Total Pension Liability)	384,666		384,666
Difference Between Expected and Actual Experience	141,514		141,514
Contributions - Employer		290,440	(290,440)
Contributions - Employee		131,779	(131,779)
Net Investment Income		(353,161)	353,161
Benefit Payments	(294,857)	(294,857)	
Administrative Expense		(3,054)	3,054
Other		3,646	(3,646)
Balance 12/31/2022	<u>\$ 6,234,852</u>	<u>\$ 4,609,587</u>	<u>\$ 1,625,265</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
\$ 2,565,856	\$ 1,625,265	\$ 864,329

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 WOLFFORTH, 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 expense of \$413,747 and calculated as shown below:

Total Service Cost	\$	314,688
Interest on the Total Pension Liability		384,666
Employee Contributions (Reduction of Expense)		(131,779)
Projected Earnings on Plan Investments (Reduction of Expense)		(326,349)
Administrative Expense		3,054
Other Changes in Fiduciary Net Position		(3,644)
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities		90,450
Recognition of Current Year Outflow (Inflow) of Resources-Assets		<u>82,661</u>
Total Pension Expense	\$	<u><u>413,747</u></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	\$ 270,364	\$
Changes in Assumptions	10,780	
Differences between projected and actual investment earnings	318,314	
Contributions Subsequent to the Measurement Date	<u>249,221</u>	
	<u>\$ 848,679</u>	<u>\$ 0</u>

\$249,221 of employer contribution deferrals will be fully amortized in plan 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	\$ 103,364
2024	143,464
2025	143,654
2026	188,622
2027	<u>20,354</u>
	<u>\$ 599,458</u>

CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

**Note 8 – Health Care Coverage**

The City provided health insurance benefits to eligible employees. Employees, at their option, authorize payroll withholdings to pay contributions for dependent coverage. Blue Cross Blue Shield, a licensed insurer, provided the health insurance coverage.

**Note 9 – Other Postemployment Benefits (OPEB)**

**Plan Description**

Texas Municipal Retirement System (TMRS) administers a defined 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 GASB 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 January 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.

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**CITY OF WOLFFORTH, 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	9
Inactive Employees Entitled to but not Yet Receiving Benefits	6
Active Employees	47
Total Plan Employees	62

Total OPEB Liability:

The City's total OPEB liability of \$57,656 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

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
Amortization Method	
Recognition of Economic/Demographic Gains and Losses and Assumptions Changes or Inputs	Straight-Line Amortization over Expected Working Life
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	4.05%
Retirees' Share of Benefit-Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.



CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

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.

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, 2019 actuarial valuation. For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (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:

Balance as of December 31, 2021	\$	78,132
Changes for the year:		
Service Cost		7,907
Interest on Total OPEB Liability		1,493
Experience Differences		4,650
Effect of Assumptions Changes or Inputs		(32,681)
Benefit Payments		(1,845)
Balance as of December 31, 2022	\$	<u>57,656</u>

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

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

CITY OF WOLFFORTH, TEXAS

NOTES TO FINANCIAL STATEMENTS

Sensitivity Analysis:

The following presents the Total OPEB Liability of the employer, calculated using the discount rate 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.

	<u>1% Decrease in Discount Rate (3.05%)</u>	<u>Discount Rate (4.05%)</u>	<u>1% Increase in Discount Rate (5.05%)</u>
Total OPEB Liability	\$ <u>69,802</u>	\$ <u>57,656</u>	\$ <u>48,483</u>

OPEB Expense and 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 \$8,105. 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	\$ 5,030	\$
Experience Differences		825
Changes in Assumptions		<u>17,036</u>
	<u>\$ 5,030</u>	<u>\$ 17,861</u>

\$5,030 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended September 30, 2023. The balances of deferred outflows and inflows of resources related to OPEB, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

	<u>Amortization of Deferred Resources</u>
2023	\$ (1,295)
2024	(1,295)
2025	(1,672)
2026	(4,742)
2027	(2,276)
Thereafter	<u>(6,581)</u>
	<u>\$ (17,861)</u>

**CITY OF WOLFFORTH, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**Note 10 - Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, error and omission, injuries to employees, and natural disasters. The City obtained general liability and automobile coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for the aforementioned insurance coverage.

The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss.

There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**Note 11 – 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.

**Litigation and Claims**

As of September 30, 2023, there were no claims or assessments nor any litigation pending against the City.

**Note 12- Prior Period Adjustment**

The beginning fund balance of the City's internal service fund has been restated on the fund basis financial statements to record a prior period adjustment in the amount of \$171,889 to correct prior year balances. This restatement also resulted in a prior period adjustment in the government-wide statements.

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

**Note 13- Subsequent Events**

In November 2023, the City entered into an agreement to purchase a new fire pumper truck in the amount of \$1,026,409.

**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

\_\_\_\_\_, 2024

**CITY OF WOLFFORTH, TEXAS  
COMBINATION TAX AND REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2024  
DATED OCTOBER 30, 2024  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$12,750,000**

AS BOND COUNSEL FOR THE CITY OF WOLFFORTH, TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Revenue Certificates of Obligation, Series 2024, described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, which bear interest from the dates and mature and are subject to redemption on the dates, in accordance with the terms and conditions stated in the text of the Certificates of Obligation. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates of Obligation (the "Ordinance").

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates of Obligation 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 of



Obligation are not "specified private activity bonds" and that, accordingly, interest on the Certificates of Obligation will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates of Obligation and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Certificates of Obligation may become includable in gross income retroactively to the date of issuance of the Certificates of Obligation.

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



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

Respectfully,