

**APPLICATION FOR FINANCIAL ASSISTANCE  
FOR WATER AND WASTEWATER INFRASTRUCTURE PROJECTS**

This application is comprehensive, covering all loan and grant assistance applications for water and wastewater infrastructure financing through the various Texas Water Development Board (TWDB) programs. The format of the application is intended to expedite the review process for both the applicant and TWDB staff. This application can be used by political subdivisions, including water supply corporations.

Please submit one double-sided original and one indexed, electronic copy, via electronic storage media such as CD or flash drive using MS Word, Excel and/or Adobe Acrobat.

Please submit your application to:

Texas Water Development Board  
Water Supply and Infrastructure-Regional Water Planning and Development  
P O Box 13231  
1700 N. Congress Avenue, 5<sup>th</sup> Floor  
Austin, Texas 78711-3231  
(78701 for courier deliveries)

A complete application consists of all of the applicable information and forms requested in this document. When preparing this application please review the Application and all Guidance and Forms, listed at the end.

For more information, please contact your Regional Project Implementation Team at:

[http://www.twdb.texas.gov/financial/programs/swift/regional\\_project\\_teams.asp](http://www.twdb.texas.gov/financial/programs/swift/regional_project_teams.asp)

Thank you.

**TWDB Use Only**

Name of Applicant: \_\_\_\_\_

Date application received: \_\_\_\_\_

Date administratively complete: \_\_\_\_\_

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Contents

Part A: General Information.....	3
Part B: Legal Information.....	7
Part C: Financial Information.....	10
Part D: Project Information.....	18
Part E: State Water Implementation Fund for Texas (SWIFT) Applicants Only:.....	23
Part F: Economically Distressed Programs (EDAP) Applicants Only:.....	24
Part G: CWSRF/DWSRF Applicants Only.....	25
Part H: Documentation of "Green" Projects and Project Components.....	28
Part I: Summary of attachments to application.....	29
Part J: Guidance and Forms.....	31

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part A: General Information**

1. The legal authority under which the applicant was created and operates.
  - a)  TYPE A GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.001)
  - b)  TYPE B GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.002)
  - c)  TYPE C GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.003)
  - d)  HOME-RULE MUNICIPALITY (Texas Local Gov't Code Sec. 5.004)
  - e)  SPECIAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.005)
  - f)  NONPROFIT ORGANIZATION (Business Organization Code Chapter 22)
  - g)  NONPROFIT WATER SUPPLY OR SEWER SERVICE CORP. (Texas Water Code Chapter 67)
  - h)  ALL DISTRICTS (Texas Water Code Chapter 49)
  - i)  OTHER (attach)

2. Applicant Name and Contact Information:

<b>Name:</b>	City of Marfa, Texas
<b>County:</b>	Presidio
<b>Physical Address:</b>	113 S. Highland Ave. Marfa, Texas 79843
<b>Mailing Address:</b>	113 S. Highland Ave. Marfa, Texas 79843
<b>Phone:</b>	(432) 729-4315
<b>Fax:</b>	(432) 729-3158
<b>Website:</b>	www.visitmarfa.com

3. Brief description of the project: The City of Marfa (City) currently operates two water wells which supply the demand of the entire City. One of the wells has been in operation for 80 years and the pump is lodged in the casing. Attempts to repair/replace the pump have been unsuccessful. While the aquifer has plenty of water for the City, losing this well will hinder the City's ability to serve the domestic water demand. This project would drill and equip a new well to replace the existing well that has reached the end of its projected useful life.

4. Applicant's Officers and Members:

<u>Name</u>	<u>Office Held</u>
Daniel P. Dunlap	Mayor
David Fannin	Mayor Pro Tem
Manuel V. Baeza	Council Member
Geneviev Bassham	Council Member
Mark Scott	Council Member
Josie B. Simpson	Council Member
James R. Mustard, Jr.	City Administrator
Teresa Todd	City Attorney
Gary Mitschki	Fire Chief

5. Applicant's **primary contact person** for day-to-day project implementation.

<b>Name:</b>	Jim Mustard
<b>Title:</b>	City Administrator

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

	Marfa, Texas 79843
<b>Phone:</b>	(432) 729-4315
<b>Fax:</b>	(432) 729-3158
<b>Email:</b>	jmustard2506@sbcglobal.net

6. Applicant's Consultants (Attach copies of all draft and/or executed contracts for consultant services to be used by the Applicant in applying for financial assistance or constructing the proposed project.):

a) Applicant Engineer N/A

<b>Firm Name:</b>	Parkhill, Smith & Cooper, Inc.
<b>Contact:</b>	Keith Rutherford
<b>Address:</b>	501 W. San Antonio El Paso, Texas 79901
<b>Phone:</b>	(915) 533-6811
<b>Fax:</b>	(915) 543-3368
<b>Email:</b>	krutherford@team-psc.com

b) Bond Counsel N/A

<b>Firm Name:</b>	McCall, Parkhurst & Horton L.L.P.
<b>Contact:</b>	Leroy Grawunder, Jr.
<b>Address:</b>	717 North Harwood, 9 <sup>th</sup> Floor Dallas, Texas 75201
<b>Phone:</b>	(214) 754-9201
<b>Fax:</b>	(214) 754-9250
<b>Email:</b>	Lgrawunder@mphlegal.com

c) Financial Advisor N/A

<b>Firm Name:</b>	
<b>Contact:</b>	Larry J. Skiles
<b>Address:</b>	107 E. 1 <sup>st</sup> St. Box 506 Marfa, Texas 79843
<b>Phone:</b>	office: (432) 729-3776 cell: (432) 295-1400
<b>Fax:</b>	
<b>Email:</b>	LS4360@gmail.com

d) Certified Public Accountant (or other appropriate rep) N/A

<b>Firm Name:</b>	PMB Helin Donovan
<b>Contact:</b>	
<b>Address:</b>	5918 West Courtyard Drive Austin, Texas 78730
<b>Phone:</b>	(512) 258-9670
<b>Fax:</b>	(512) 258-5895
<b>Email:</b>	

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

e) Legal Counsel (if other than Bond Counsel) N/A

<b>Firm Name:</b>	
<b>Contact:</b>	Teresa Todd, Marfa City Attorney
<b>Address:</b>	P.O. Box 787 Marfa, Texas 79843
<b>Phone:</b>	(432) 249-0008
<b>Fax:</b>	
<b>Email:</b>	

f) Any other consultant representing the Applicant before the Board N/A

<b>Firm Name:</b>	
<b>Contact:</b>	
<b>Address:</b>	
<b>Phone:</b>	
<b>Fax:</b>	
<b>Email:</b>	

7. List the counties within the Applicant's service area. Presidio

8. Identify the Applicant's total service area population: 2,585

9. Applicant is requesting funding from which programs? Check all that apply.

	PROGRAM	AMOUNT REQUESTED
a) <input type="checkbox"/>	Drinking Water State Revolving Fund (DWSRF)	\$ _____
b) <input type="checkbox"/>	Clean Water State Revolving Fund (CWSRF)	\$ _____
c) <input type="checkbox"/>	Texas Water Development Fund (DFund)	\$ _____
d) <input type="checkbox"/>	State Participation	\$ _____
e) <input type="checkbox"/>	Rural Water Assistance Fund (RWAFF)	\$ _____
f) <input checked="" type="checkbox"/>	State Water Implementation Fund for Texas (SWIFT)	\$ <u>\$705,000.00</u>
g) <input type="checkbox"/>	Economically Distressed Areas Program (EDAP)	\$ _____
h) <input type="checkbox"/>	If other please explain: _____	\$ _____

10. Other Funding Sources: Provide a list of any other funding source(s) being utilized to complete the project, including Applicant's local contribution, if any, or commitments applied for and/or received from any other funding agency for this project or any aspect of this project. **Provide commitment letters if available. Additional funding sources must be included within the Project Budget (TWDB-1201).**

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
<b>Total</b>				

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

<b>from All Sources</b>				
-------------------------	--	--	--	--

Comments: Additional funds that may be required to complete the project will be paid by the City of Marfa. Original estimate from 2011 may be low based on current market prices for well drilling in the area.

11. Applicant is requesting funding for which phase(s)? Check all that apply.

- Planning
- Acquisition
- Design
- Construction

12. Is Applicant requesting funding to refinance existing debt?

- Yes If yes, attach a copy of the document securing the debt to be refinanced.  
 **Attached document**
- No

# **Attachments for Section A**

**Attachment Part A6: Draft or Executed Consulting Contracts**





Agreement for Professional Services

Date June 9, 2015  
PSC Job No 5202.15  
Project Manager Keith Rutherford, P.E.

Office Location:  
Address 501 W. San Antonio  
El Paso, TX 79901  
Phone 915-533-6811 Fax 915-544-2059

City of Marfa, Texas, hereinafter CLIENT, does hereby authorize Parkhill, Smith & Cooper, Inc., hereinafter CONSULTANT, a corporation organized and existing under the laws of the State of Texas, to perform the services set forth below, SUBJECT TO THE TERMS AND CONDITIONS SET FORTH BELOW AND ON THE NEXT PAGE, Standard Conditions.

A. Client Information

Name City of Marfa, Texas  
Address 113 S. Highland  
City Marfa State TX Zip 79843  
Representative Jim Mustard, City Administrator Phone 432-729-4315  
Owner of Property Involved City of Marfa

B. Project Description

Project Name City of Marfa New Water Well Client PO No.  
Location Marfa, Texas  
Estimated Completion Date June 30, 2016  
Description of CONSULTANT'S Service or Scope of Work:  
Design, permitting, bid and construction phase services for a new water well in Marfa, Texas

Client will provide access to work site(s).

C. Compensation

- 1. CONSULTANT'S total fee is estimated to be \$44,621. Actual fee shall not exceed such estimate by more than ten percent (10%) without the express written consent of CLIENT.
- 2. Basis of CONSULTANT'S fee (check one)  
 Lump Sum with Progress Payments  
 Time and Materials in accordance with the Schedule of Charges dated  
 Other (description)
- 3. CLIENT shall pay a retainage fee of \$, which fee shall be paid in full prior to commencement of the services herein contemplated. Said fee shall be applied to CLIENT'S final payment for the services or products provided under this agreement.

D. CLIENT has read and understood the terms and conditions set forth in the Standard Conditions and agrees that such items are hereby incorporated into and made a part of this agreement

E. Having read, understood and agreed to the foregoing, CLIENT and CONSULTANT, by and through their authorized representatives, have subscribed their names hereon effective the day of , 20.

Parkhill, Smith & Cooper, Inc.

City of Marfa, Texas

Name  
Title  
Date

Name  
Title  
Date

Agreement to be executed in duplicate

R:\PSC Standard Forms\Agreements-Contracts\Short Form Authorization for PS Engineering Agreement.doc

**CLIENT:** City of Marfa, Texas

**DATE:** June 9, 2015

**STANDARD CONDITIONS: CLIENT and CONSULTANT (Parkhill, Smith & Cooper, Inc.) agree that the following Provisions shall be part of their Agreement.**

**ARTICLE 1. SERVICES**

**1.1 INVOICING**

Payments are due and payable pursuant to Texas Prompt Payment Act, Texas Government Code 2251.

**1.2 SERVICES DURING CONSTRUCTION**

The CONSULTANT shall not supervise, direct or have control over the Contractor's work nor have any responsibility for the construction means, methods, techniques, sequences or procedures selected by the Contractor nor for the Contractor's safety precautions or programs in connection with the Work. These rights and responsibilities are solely those of the Contractor. The CLIENT agrees that the general contractor shall be solely responsible for jobsite and worker safety and warrants that this intent shall be carried out in the CLIENT's contract with the General Contractor.

The CONSULTANT shall not be responsible for any acts or omissions of the Contractor, any subcontractor, any entity performing any portions of the Work or any agents or employees of any of them. The CONSULTANT does not guarantee the performance of the Contractor and shall not be responsible for the Contractor's failure to perform its Work in accordance with the Contract Documents or any applicable laws, codes, rules or regulations.

**1.3 ESTIMATES OR OPINIONS OF PROBABLE CONSTRUCTION COST**

In providing estimates or opinions of probable construction cost, the CLIENT understands that the CONSULTANT has no control over the cost or availability of labor, equipment or materials, or over market conditions or the Contractor's method of pricing, and that the CONSULTANT's estimates or opinions of probable construction costs are made on the basis of the CONSULTANT's professional judgment and experience. The CONSULTANT makes no warranty, express or implied, that the bids or the negotiated construction cost will not vary from the CONSULTANT's estimates or opinions of probable construction cost.

**1.4 HAZARDOUS MATERIALS**

As used in this Agreement, the term hazardous materials shall mean any substances, including without limitation asbestos, toxic or hazardous waste, PCBs, combustible gases and materials, petroleum or radioactive materials (as each of these is defined in applicable federal statutes) or any other substances under any conditions and in such quantities as would pose a substantial danger to persons or property exposed to such substances at or near the project site.

Both parties acknowledge that the CONSULTANT's scope of services does not include any services related to the presence of any hazardous or toxic materials. In the event the CONSULTANT or any other person or entity involved in the project encounters any hazardous or toxic materials, or should it become known to the CONSULTANT that such materials may be present on or about the jobsite or any adjacent areas that may affect the performance of the CONSULTANT's services, the CONSULTANT may, at its sole option and without liability for consequential or any other damages, suspend performance of its services under this Agreement until the CLIENT retains appropriate qualified consultants and/or contractors to identify and abate or remove the hazardous or toxic materials and warrants that the jobsite is in full compliance with all applicable laws and regulations.

**1.5 ACCESSIBILITY**

The CLIENT acknowledges that the requirements of the Americans with Disabilities Act (ADA), Texas Accessibility Standards (TAS) for projects in the State of Texas, and other federal, state and local accessibility laws, rules, codes, ordinances, and regulations will be subject to various and possibly contradictory interpretations. The CLIENT further acknowledges that the ADA is a Civil Rights law and not a building code, and does not have prescriptive language. The CONSULTANT, therefore, will use its reasonable professional efforts and judgment to interpret applicable accessibility requirements in effect as of the date of the execution of this Agreement, and as they apply to the Project. The CONSULTANT, however, cannot and does not warrant or guarantee that the CLIENT's Project will comply with all interpretations of the accessibility requirements and/or the requirements of other federal, state and local laws, rules, codes, ordinances and regulations as they apply to the Project.

All projects in the State of Texas must be submitted to the Texas Department of Licensing and Regulations (TDLR) – Elimination of Architectural Barriers (EAB) Division for plan review for compliance with TAS requirements. The CONSULTANT will include in the design of the Project all changes that are the result of the TDLR plan review. After construction of the project TDLR requires an inspection of the project for compliance confirmation. However, the CONSULTANT cannot and does not warrant or guarantee that different rules and or interpretation may be applied to the CLIENT's Project at the time of the final TDLR inspection. Compliance with changes required by the TDLR final inspection that were not mentioned in the TDLR plan review will be additional services. CONSULTANT's plan review and inspection basis of compensation will be time and materials unless otherwise specified.

**1.6 SERVICES BY CLIENT**

CLIENT will provide access to work site, obtain applicable permits, provide all legal services in connection with the project, and provide environmental impact reports and energy assessments unless specifically included in the Scope of Work. CLIENT shall pay the costs of checking and inspection fees, zoning application fees, soils engineering fees, testing fees, surveying fees, and all other fees, permits, bond premiums, and all other charges not specifically covered by the terms of this Agreement.

**1.7 OWNERSHIP OF DOCUMENTS**

All reports, drawings, specifications, computer files, field data, notes, data on any form of electronic media, and other documents prepared by the CONSULTANT as Instruments of Service shall remain the property of the CONSULTANT. The CONSULTANT shall retain a common law, statutory and other reserved rights, including copyrights.

The CONSULTANT grants to the CLIENT a nonexclusive license to reproduce the CONSULTANT's Instruments of Service solely for the purpose of constructing, using and maintaining the Project. The CLIENT shall not use the Instruments of Service for other projects without prior written agreement of the CONSULTANT.

The CLIENT shall not make any modification to the Instruments of Service without the prior written authorization of the CONSULTANT. The CLIENT agrees, to the fullest extent permitted by law, to indemnify and hold harmless the CONSULTANT against any damages, liabilities or costs, including reasonable attorney's fees and defense costs, arising from or allegedly arising from or in any way connected with the unauthorized reuse or modification of the Instruments of Service by the CLIENT or any person or entity that acquires or obtains the Instruments of Service from or through the CLIENT without the written authorization of the CONSULTANT.

#### 1.8 DELIVERY OF ELECTRONIC FILES

In accepting and utilizing any form of electronic media generated and furnished by the CONSULTANT, the CLIENT agrees that all such electronic files are Instruments of Service of the CONSULTANT. The CLIENT is aware that differences may exist between the electronic files delivered and the printed hard-copy Contract Documents. In the event of a conflict between the original signed Contract Documents prepared by the CONSULTANT and electronic files, the original signed and sealed hard-copy Contract Documents shall govern.

Electronic files created by the CONSULTANT through the application of software licensed for the sole and exclusive use by the CONSULTANT will be furnished to the CLIENT in read-only format. The CLIENT is responsible to obtain and maintain software licenses as appropriate for the use of electronic files provided by the CONSULTANT.

Under no circumstances shall delivery of electronic files for use by the CLIENT be deemed a sale by the CONSULTANT, and the CONSULTANT makes no warranties, either express or implied, of merchantability and fitness for any particular purpose. In no event shall the CONSULTANT be liable for indirect or consequential damages as a result of the CLIENT's use or reuse of the electronic files.

### ARTICLE 2. GENERAL PROVISIONS

#### 2.1 APPLICABLE LAW

This agreement shall be interpreted and enforced according to the laws of the State of Texas, unless agreed otherwise.

#### 2.2 PRECEDENCE OF CONDITIONS

Should any conflict exist between the terms herein and the terms of any purchase order or confirmation issued by CLIENT, the terms of these Standard Conditions shall prevail.

#### 2.3 ASSIGNMENT

Neither party to this Agreement shall transfer, sublet or assign any rights or duties under or interest in this Agreement, including but not limited to monies that are due or monies that may be due, without the prior written consent of the other party. Subcontracting to subconsultants, normally contemplated by the CONSULTANT as a generally accepted business practice, shall not be considered an assignment for purposes of this Agreement.

#### 2.4 AMENDMENTS

This agreement may be amended only by a written instrument, signed by both CLIENT and CONSULTANT, which expressly refers to this agreement.

#### 2.5 DELAYS

The CLIENT agrees that the CONSULTANT is not responsible for damages arising directly or indirectly from any delays for causes beyond the CONSULTANT'S control. For purposes of this Agreement, such causes include, but are not limited to, strikes or other labor disputes; severe weather disruptions or other natural disasters or acts of God; fires, riots, war or other emergencies; failure of any government agency to act in timely manner; failure of performance by the CLIENT or the CLIENT's contractors or consultants; or discovery of any hazardous substances or differing site conditions.

In addition, if the delays resulting from any such causes increase the cost or time required by the CONSULTANT to perform its services in an orderly and efficient manner, the CONSULTANT shall be entitled to a reasonable adjustment in schedule and compensation.

#### 2.6 INSURANCE

The CONSULTANT agrees to provide Professional Liability Insurance and General Liability Insurance during the scope of the services provided for this project and for a period of 3 years after the completion of services.

#### 2.7 MERGER: WAIVER: SURVIVAL

Except as set forth in AMENDMENT above, this agreement constitutes the entire and integrated agreement between the parties hereto and supersedes all prior negotiations, representations and/or agreements, written or oral. One or more waiver of any term, condition or other provision of this agreement by either party shall not be construed as a waiver of a subsequent breach of the same or any other provisions. If any term or provision of this Agreement is held to be invalid or unenforceable under any applicable statute or rule of law, such holding shall be applied only to the provision so held, and the remainder of this Agreement shall remain in full force and effect.

2.8 TERMINATION

This agreement may be terminated by either party upon seven (7) days written notice should the other party fail substantially to perform in accordance with this agreement through no fault of the party initiating the termination. This agreement may be terminated by CLIENT upon at least fourteen (14) days written notice to CONSULTANT in the event that the Project is abandoned.

If this agreement is terminated by CLIENT through no fault of the CONSULTANT, CONSULTANT shall be paid for services performed and costs incurred by it prior to its receipt of notice of termination from CLIENT, including reimbursement for Direct Expenses due, plus an additional amount, not to exceed ten percent (10%) of charges incurred to the termination notice date to cover services to orderly conclude the services and prepare project files and documentation, plus any additional Direct Expenses incurred by CONSULTANT including but not limited to cancellation fees or charges. CONSULTANT will use reasonable efforts to minimize such additional charges.

2.9 CONSEQUENTIAL DAMAGES

Notwithstanding any other provision of this Agreement, and to the fullest extent permitted by law, neither the CLIENT nor the CONSULTANT, their respective officers, directors, partners, employees, contractors or subconsultants shall be liable to the other or shall make any claim for any incidental, indirect or consequential damages arising out of or connected in any way to the project or this Agreement. This mutual waiver of consequential damages shall include, but is not limited to, loss of use, loss of profit, loss of business, loss of income, loss of reputation and any other consequential damages that either party may have incurred from any cause of action including negligence, strict liability, breach of contract and breach of strict or implied warranty. Both the CLIENT and the CONSULTANT shall require similar waivers of consequential damages protecting all the entities or persons named herein in all contracts and subcontracts with others involved in this project.

2.10 THIRD-PARTY BENEFICIARIES

Nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party against either the CLIENT or the CONSULTANT. The CONSULTANT'S services under this Agreement are being performed solely for the CLIENT'S benefit, and no other party or entity shall have any claim against the CONSULTANT because of this Agreement or the performance or nonperformance of services hereunder. The CLIENT and CONSULTANT agree to require a similar provision in all contracts with contractors, subcontractors, subconsultants, vendors and other entities involved in this Project to carry out the intent of this provision.

2.11 MAINTENANCE/WEAR AND TEAR

Both the CLIENT and CONSULTANT acknowledge that the CLIENT, and only the CLIENT, is responsible for maintenance, wear and tear on the project upon substantial completion. The CLIENT is responsible for providing routine inspections and maintenance of the project to maintain a safe and weather tight facility. Should the CLIENT fail to provide routine inspections and maintenance, and damage occur to the project, the CONSULTANT is not responsible for any such resultant damage.

ARTICLE 3. ALLOCATION OF RISK, WARRANTY

3.1 WARRANTY; STANDARD OF CARE

In providing services under this Agreement, the CONSULTANT shall perform in a manner consistent with that degree of care and skill ordinarily exercised by members of the same profession currently practicing under similar circumstances at the same time and in the same or similar locality. The CONSULTANT makes no warranty, express or implied, as to its professional services rendered under this Agreement.

3.2 DISPUTE RESOLUTION

CONSULTANT and CLIENT agree to negotiate all disputes between them in good faith for a minimum of 30 days from the date of notice. Should such negotiations fail, the CONSULTANT and CLIENT agree that any dispute between their arising out of, or relating to this Agreement shall be submitted to nonbinding mediation prior to exercising any other rights under law, unless the parties mutually agree otherwise.

3.3 BETTERMENT

If, due to an error or an omission by the CONSULTANT, any required item or component of the project is omitted from the Construction Documents, the CONSULTANT shall not be responsible for paying the cost to add such item or component to the extent that such item or component would have been otherwise necessary to the project or otherwise add value or betterment to the project.

3.4 ALLOCATION OF RISK

**In recognition of the relative risks and benefits of the Project to both the CLIENT and the CONSULTANT, the risks have been allocated such that the CLIENT agrees, to the fullest extent permitted by law, to limit the liability of the CONSULTANT and CONSULTANT's officers, directors, partners, employees, shareholders, owners and subconsultants for any and all claims, losses, costs, damages of any nature whatsoever or claims expenses from any cause or causes, including attorney's fees and costs and expert-witness fees and costs, so that the total aggregate liability of the CONSULTANT and CONSULTANT's officers, directors, partners, employees, shareholders, owners and subconsultants shall not exceed the CONSULTANT's total fee for services rendered on this Project. It is intended that this limitation apply to any and all liability or cause of action however alleged or arising, unless otherwise prohibited by law.**

\*\*\* END \*\*\*

PARKHILL, SMITH & COOPER, INC. (CONSULTANT)

CITY OF MARFA, TEXAS (CLIENT)

By \_\_\_\_\_  
Mark O. Sanchez, P.E.  
Firm Principal

Accepted By: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

LAW OFFICES

**McCALL, PARKHURST & HORTON L.L.P.**

600 CONGRESS AVENUE  
SUITE 1800  
AUSTIN, TEXAS 78701-3248  
TELEPHONE: 512 478-3805  
FACSIMILE: 512 472-0871

717 NORTH HARWOOD  
SUITE 900  
DALLAS, TEXAS 75201-6587  
TELEPHONE: 214 754-9200  
FACSIMILE: 214 754-9250

700 N. ST. MARY'S STREET  
SUITE 1525  
SAN ANTONIO, TEXAS 78205-3503  
TELEPHONE: 210 225-2800  
FACSIMILE: 210 225-2984

City of Marfa, Texas  
113 S. Highland St.  
Marfa, Texas 79843

Re: Texas Water Development Board SWIFT Loan

Ladies and Gentlemen:

The purpose of this engagement letter is to set forth certain matters concerning the services we will perform as bond counsel to the City of Marfa, Texas (the "City") in connection with the issuance of bonds or other obligations (the "Obligations") issued in connection with the above-referenced loan.

In general, we will perform all usual and necessary legal services as bond counsel in connection with the authorization, issuance, and delivery of the Obligations. Specifically, we will prepare and direct the legal proceedings and perform the other necessary legal services with reference to the authorization, issuance, and delivery of the Obligations, including the following:

1. Prepare all resolutions, and other instruments pursuant to which the Obligations will be authorized, issued, delivered and secured, in cooperation and upon consultation with the City Council of the City, officials, and legal and financial advisors and consultants of the City.
2. Review applicable law and legal issues relating to the structure of the bond issue.
3. Attend meetings of the City Council with reference to the authorization and issuance of the Obligations to the extent required or requested.
4. Cooperate with the City and all other interested parties in the sale of the Obligations to the Texas Water Development Board ("TWDB").
5. Submission of a transcript of the proceedings authorizing the issuance of the Obligations and the initial Obligation or Obligations to the Attorney General of Texas for approval and registration of the initial Obligation or Obligations by the Comptroller of Public Accounts of the State of Texas.
6. Supervise the execution of the Obligations and the delivery thereof to TWDB.
7. When so delivered, rendering an opinion covering the validity of the Obligations under Texas law and, if applicable, the tax exempt status of the interest thereon under federal income tax laws, and to that end prepare all relevant documents necessary to assure compliance with the federal income tax laws relating to the issuance of tax-exempt obligations. Our Bond Opinion will be delivered by us on the date the Obligations are exchanged for their purchase price (the "Closing"). The City will be entitled to rely on our Bond Opinion.

The Bond Opinion will be based on facts and law existing as of its date. In rendering our Bond Opinion, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation, and we will assume continuing compliance by the City with applicable laws relating to the Obligations. During the course of this engagement, we will rely on you to provide us with complete and timely information on all developments pertaining to any aspect of the Obligations and their security. We understand that you will direct members of your staff and other employees and consultants of the City to cooperate with us in this regard.

Our duties in this engagement are limited to those expressly set forth above. Unless we are separately engaged in writing to perform other services, our duties do not include any other services, including the following:

- (1) Review of procurement requirements, or preparation or review of requests for bids or proposals or preparation or review of construction documents.
- (2) Assisting in the preparation or review of financial disclosure with respect to the Obligations.
- (3) Preparing requests for tax rulings from the Internal Revenue Service, or no action letters from the Securities and Exchange Commission.
- (4) Preparing state securities law memoranda or investment surveys with respect to the Obligations.
- (5) Drafting state constitutional or legislative amendments.
- (6) Pursuing test cases or other litigation.
- (7) Making an investigation or expressing any view as to the creditworthiness of the City or the Obligations.
- (8) Representing the City in Internal Revenue Service examinations or inquiries, or Securities and Exchange Commission investigations.
- (9) After Closing, providing continuing advice to the City or any other party concerning any actions necessary to assure that interest paid on the Obligations will continue to be excludable from gross income for federal income tax purposes (e.g., our engagement does not include rebate calculations for the Obligations).
- (10) Negotiating the terms of, or opining as to, any investment contract.
- (11) Except as hereinafter described, assisting in the preparation or review of a disclosure document with respect to the Obligations, or performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document or rendering advice that the disclosure document does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. We will review those sections of the disclosure document to be disseminated in connection with the sale of the Obligations which describe the Obligations, the resolution of the Board of Directors of the

Issuer authorizing the issuance of the Obligations, and, if applicable, the tax-exempt treatment of the interest on the Obligations for purposes of federal income taxation.

- (12) Addressing any other matter not specifically set forth above that is not required to render our Bond Opinion

Based upon: (i) our current understanding of the terms, structure, size and schedule of the financing represented by the Obligations; (ii) the duties we will undertake pursuant to this engagement letter; (iii) the time we anticipate devoting to the financing; and (iv) the responsibilities we will assume in connection therewith, our fee will be \$12,500, to be paid by the City, which includes bond counsel services and work performed with respect to any grant, loan forgiveness or financing agreements pertaining to the project for which the Obligations are issued for review of the agreements and preparation of documentation related thereto. The City will reimburse us for out-of-pocket expenses incurred in connection with the proposed transaction, such as travel costs, photocopying, deliveries, long distance telephone charges, telecopier charges, filing fees (including the Texas Attorney General filing fee for the Obligations if advanced by the firm). Our statement for payment of our fee and reimbursement for out-of-pocket expenses will be billed after the initial installment delivery of the Obligations.

Our duties in this engagement are limited to those expressly set forth above unless we are separately engaged to perform other services. In our capacity as bond counsel, we will not participate in the preparation of or pass upon any offering documents for the Obligations, except that we will, if requested, assist in preparation and pass upon certain matters therein relating to the description of the Obligations, the security therefor and our approving opinion, to the extent that such information constitutes matters of law or legal conclusions. We will also not participate in the preparation or review (except with respect to matters directly related to the financing documents and issues related to the financing of the proposed transaction) of real estate or construction documents.

Upon execution of this engagement letter, the City will be our client and an attorney-client relationship will exist between you and us. We further assume that all other parties in this transaction understand that we represent only the City in this transaction, we are not counsel to any other party, and we are not acting as an intermediary among the parties. Our services as bond counsel are limited to those contracted for in this letter; the City's execution of this engagement letter will constitute an acknowledgment of those limitations. Our representation of the City will not affect, however, our responsibility to render an objective Bond Opinion. Our representation of the City and the attorney-client relationships created by this engagement letter will be concluded upon issuance of the Obligations.

Our firm represents many political subdivisions and investment banking firms, among others, who do business with political subdivisions. It is possible that during the time that we are representing the City, one or more of our present or future clients will have transactions with the City. It is also possible that we may be asked to represent, in an unrelated matter, one or more of the entities involved in the issuance or purchase of the Obligations. We do not believe such representation, if it occurs, will adversely affect our ability to represent you as provided in this letter, either because such matters will be sufficiently different from the issuance of the Obligations so as to make such representations not adverse to our representation of you, or because the potential for such adversity is remote or minor and outweighed by the consideration that it is unlikely that advice given to the other client will be relevant to any aspect of the issuance of the Obligations. Execution of this letter will signify the City's consent to our representation of others consistent with the circumstances described in this paragraph.

As a consequence of the adoption of Rule 15Ba1-1 pursuant to the Securities Exchange Act of 1934 (the "Municipal Advisor Rule"), which has been promulgated by the Securities and Exchange Commission as a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the

"Dodd-Frank Act"), we hereby inform the City that we are not a "Municipal Advisor" within the meaning of the Municipal Advisor Rule or the Dodd-Frank Act (collectively, the "MA Rule"). The MA Rule pertains to activities of persons and entities that provide financial advice to issuers of municipal securities, such as the Bonds, and establishes a regimen of registration and compliance activities, and also establishes a regulatory fiduciary duty to the issuer of municipal securities, for persons and entities that are subject to the MA Rule.

The MA Rule exempts attorneys from its provisions with respect to the provision of legal advice or services of a traditional legal nature involving the issuance of municipal securities or a municipal financial product. In its release promulgating the MA Rule, the Securities and Exchange Commission noted that it "recognizes that legal advice and services of a traditional legal nature in the area of municipal finance inherently involves a financial advice component." The Securities and Exchange Commission also stated that it "recognizes that analysis, discussion, negotiation, and advice regarding the legal ramifications of the structure, timing, terms, and other provisions of a financial transaction by an attorney to a client are essential to the development of a plan of finance. In turn, these services become, among other things, the basis for a transaction's basic legal documents, the preparation and delivery of the official statement or other disclosure document that describes the material terms and provisions of the transaction, the preparation of the various closing certificates that embody the terms and provisions of the transaction, the preparation and delivery of the attorney's legal opinion." We agree with those statements, and we hereby advise the City that while we have expertise with respect to the legal aspects relating to the issuance of municipal securities, we are not "financial advisors" or "financial experts" in a manner that would subject us to the provisions of the MA Rule. We provide only legal advice, not purely financial advice that is not an inherent in our legal advice to the City as Bond Counsel, as the Securities and Exchange Commission has acknowledged. The City should seek the advice of its financial advisor with respect to the financial aspects of the issuance of the Bonds. By signing this engagement letter, the City acknowledges receipt of this information, and evidences its understanding of the limitations of our role to the City as Bond Counsel with respect to the MA Rule, and, further acknowledges that we are relying on the attorney exclusion provision of the MA Rule.

At your request, papers and property furnished by you will be returned promptly upon receipt of payment for outstanding fees and client charges. Our own files, including lawyer work product, pertaining to the transaction will be retained by us. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to dispose of any documents or other materials retained by us after the termination of this engagement.

If the foregoing terms are acceptable to you, please so indicate by returning the enclosed copy of this engagement letter dated and signed by an authorized officer, retaining the original for your files. We look forward to working with you.

Respectfully yours,

MCCALL, PARKHURST & HORTON L.L.P.

---

Leroy Grawunder, Jr.



ACCEPTED AND APPROVED

CITY OF MARFA, TEXAS

\_\_\_\_\_  
Title: \_\_\_\_\_

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

***PROPOSED***  
**FINANCIAL ADVISORY AGREEMENT**  
**by and between**  
**The City of Marfa, Texas**  
**(herein referred to as the “Issuer”)**  
**and**  
**The Skiles Company**

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

The Honorable Mayor and Members of the City Council  
Marfa City Hall  
Marfa, Texas 79843

Honorable Mayor and Councilmembers:

1. We understand that the City of Marfa (the “Issuer”) may have under consideration from time to time the authorization and issuance of obligations evidencing indebtedness (all such obligations shall be referred to as “Obligations”) and that in connection with the issuance of such Obligations you hereby agree to retain The Skiles Company to perform professional services as your financial advisor in accordance with the terms of this financial advisory agreement (“Agreement”). This Agreement shall apply to all Obligations that may be authorized and/or issued during the period in which this Agreement is effective.
2. As financial advisor, we agree to perform the following duties:
  - (a.) We will conduct a review of the financial resources of the Issuer to determine the extent of the Issuer's borrowing capacity. This review will include an analysis of (1) the existing debt structure in relation to sources of income projected by the Issuer which may be pledged to secure payment of the Obligations to be issued, and (2) where appropriate, the trends (as estimated by representatives of the Issuer) of assessed valuation, taxing power, and future financing needs.
  - (b.) On the basis of the information and estimates developed through our review and other information that we consider appropriate, we will submit written recommendations with respect to a plan of finance for the issuance of Obligations that will include (1) the date of issue, (2) interest payment dates, (3) a schedule of maturities, (4) early redemption options, and (5) other matters that we consider appropriate to increase the marketability of the Obligations.
  - (c.) In order to assist you in selecting a date for the sale of the Obligations, we will advise you of current conditions in the relevant debt market, upcoming bond issues, and other general information and economic data which might reasonably be expected to influence interest rates or bidding conditions.
  - (d.) We understand that you will retain or have retained a firm of recognized municipal bond attorneys, whose fees will be paid by you, who will prepare the proceedings, who will provide advice concerning the steps necessary to be taken to issue the Obligations, and who will issue an opinion approving the legality of the Obligations. We will maintain liaison with the bond attorneys and shall assist in all financial advisory aspects involved in the preparation of appropriate legal proceedings and documents.
  - (e.) If it is necessary to hold an election to authorize the Obligations, we will assist in coordinating the assembly and transmittal to the bond attorneys of information provided by or on behalf of the Issuer that is requested by the bond attorneys in connection with the preparation of

the documents evidencing the legal proceedings that are necessary to conduct the election.

(f) In connection with the issuance of Obligations, we will supervise the preparation of the official notice of sale, the disclosure documents, the uniform bid form containing provisions recognized by the municipal securities industry as being consistent with the securities offered for sale, and such other market documents which you may request or we deem appropriate. We will submit all such documents for examination, approval, and certification by appropriate officials, employees, and agents of the Issuer. After such documents have been examined, approved, and certified, we will mail certain of these documents (a copy of which shall be submitted to the Issuer upon request) to a list of prospective bidders. We will also provide copies of these documents to the purchaser of the Obligations in accordance with the terms of the official notice of sale.

(g) We will make recommendations to the Issuer on the matter of credit rating(s) for the proposed issue of Obligations. Upon the request of the Issuer, we will coordinate the preparation of information to be submitted to any rating agency. In those cases where it is appropriate to present personally information to any rating agency, we will arrange for such presentation.

(h) In connection with each competitive sale, we will (1) disseminate bidding and disclosure information to prospective bidders, (2) where appropriate, organize such meetings to present information relating to the Obligations, (3) assist prospective bidders in submitting proper bids, (4) coordinate the receipt of bids (and good faith checks where indicated), (5) advise you as to the best bid, (6) advise you concerning the acceptance or rejection of the best bid, (7) if a bid is accepted, coordinate the delivery of and payment for the Obligations, (8) assist in the verification of final closing figures, and (9) upon request, recommend (based on information provided by representatives of the Issuer regarding the estimated timing of the application of the proceeds of the Obligations) a program of temporary investment of such proceeds.

(i) As your agent, we will (1) arrange for the printing of the Obligations, (2) submit the Obligations for execution and impression of a seal, and (3) cause the Obligations to be delivered to the Attorney General for approval and the Comptroller of Public accounts of registration. The Issuer shall maintain ownership of the Obligations until they are sold and delivered to the purchaser.

(j) After closing, we will deliver to the Issuer and the paying agents(s) definitive debt records, including a schedule of annual debt service requirements on the Obligations.

3. While this Agreement is in effect, the Issuer agrees (upon our request) to provide or cause to be provided to us information relating the Issuer, the security for the Obligations, and other matters that we consider appropriate to enable us to perform our duties under this Agreement. With respect to all information provided by or on behalf of the Issuer to us under this Agreement, the Issuer agrees to use its best efforts to obtain certifications (in a form reasonably satisfactory to us) from appropriate representatives as to the accuracy of such information. The Issuer acknowledges that we shall be entitled to rely on the accuracy of all information provided by or on behalf of the issuer. In the event that such information is inaccurate, the Issuer agrees that it shall assume full responsibility (from any funds that are lawfully available for such purpose) for all losses suffered by us as a result of the inaccuracy of such information.

4. All actions taken and all recommendations made by us in performing our duties under this Agreement will be based on our best professional judgment with the goal of obtaining the most favorable terms for the Issuer.

5. In consideration for the services rendered by us pursuant to this Agreement in connection with the authorization, issuance, and sale of Obligations, the Issuer agrees that our fee will be computed as shown on the fee schedule attached hereto. Our fee and reimbursable expenses shall become due and

The Honorable Mayor and Council Members

Marfa, Texas

Page 3 of 4

payable simultaneously with the delivery of the Obligations to the purchaser except that our reimbursable expenses shall be payable monthly upon our submission of a written statement. Our fees do not include the following costs: (a) the printing and distribution of the notice of sale and disclosure documents and the printing of the Obligations, (b) the fees of the bond attorneys, the Attorney General, and the Comptroller of Public Accounts, (c) publication of notice in the Texas Bond Reporter, (d) fees of the rating agencies, (e) travel and communications in connection with obtaining a rating of the Obligations, attending the closing of any issue of Obligations, or any other matter, (f) the registration of the Obligations, or (g) litigation, (if any) in connection with the issuance of the Obligations.

6. The Issuer agrees that we may submit a bid (either independently or as a member of a syndicate) for any issue of Obligations when offered.

7. It is acknowledged that the purchase and sale of securities, at the request of the Issuer, and for ultimate use in defeasing outstanding obligations of the Issuer does not constitute the rendering of financial advisory services and is not subject to the terms of this Agreement.

8. If, during the term of this Agreement, we are asked to serve as underwriter with respect to any issues of obligations of the Issuer, we may terminate our obligations under this Agreement with respect to that series of obligations only. This contract will stay in effect with respect to other issues of obligations of the Issuer for which we are not acting as underwriter.

9. This Agreement shall be for a period of sixty (60) months from its date; however, either party upon thirty (30) days' written notice may terminate this Agreement.

10. This Agreement is submitted in triplicate originals. When accepted by you, it will constitute the entire Agreement between you and us for the purpose and consideration herein specified. Proper signatures of your authorized representative on both copies and the returning of one executed copy to us will indicate your acceptance.

Respectfully submitted,

THE SKILES COMPANY

By: \_\_\_\_\_  
Larry J. Skiles  
Consultant

ACCEPTANCE

ACCEPTED pursuant to motion adopted by the governing body of the City of Marfa, Texas on

\_\_\_\_\_.

By: \_\_\_\_\_  
Mayor, City of Marfa

ATTEST:

\_\_\_\_\_  
City Secretary, City of Marfa

## FEE SCHEDULE

In consideration for the services performed by The Skiles Company, the issuer agrees that our fee for each issue of obligations will be as follows:

Base Fee, Any Issue:				\$ 3,750
Plus				
\$12.50 per \$1,000 up to	\$ 250,000	or	\$ 6,875 for	\$ 250,000 Bonds
Plus				
\$11.50 per \$1,000 up to	\$ 250,000	or	\$ 9,750 for	\$ 500,000 Bonds
Plus				
\$ 7.00 per \$1,000 up to	\$ 500,000	or	\$13,250 for	\$ 1,000,000 Bonds
Plus				
\$ 4.75 per \$1,000 up to	\$ 1,500,000	or	\$20,375 for	\$ 2,500,000 Bonds
Plus				
\$ 2.75 per \$1,000 up to	\$ 2,500,000	or	\$27,250 for	\$ 5,000,000 Bonds
Plus				
\$ 1.50 per \$1,000 up to	\$ 5,000,000	or	\$34,750 for	\$10,000,000 Bonds
Plus				
\$ 1.00 per \$1,000 over	\$10,000,000			

Fees for revenue bonds or bonds issued to state or federal agencies shall be as computed from the above schedule, plus 25% (\$125% of the scheduled amount). For any issue of advanced refunding bonds and/or other debt instruments involving escrow agreements, it is understood and agreed that our fee will be the fee schedule set out above plus 10% (110% of the scheduled amount). It is also understood and agreed that we may charge, in addition to our financial advisory fee, a computer fee to be negotiated on a case-by-case basis.

The Skiles Company will bill the Issuer at closing for each issue of obligations a net amount, which will include a fee calculated on the above schedule, as well as costs and expenses, where applicable, incurred on behalf of the Issuer. Such costs and expenses may include, but not be limited to, expenditures related to the preparation of, printing, and distribution of the Notice of Sale, Official Statement, Uniform Bid Form or Private Placement Memorandum, independent consultants, information meetings, presentations to rating and/or insurance agencies, rating fees, insurance premiums, fees of the State Comptroller's Office or Municipal Advisory Council, travel costs, communications costs, courier charges, printing of the obligations, and all appropriate costs and expenses associated with the closing and delivery of the obligations.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part B: Legal Information**

13. Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues. Article XI, Section 5, Texas Constitution, Chapter 271, Subchapter C, Texas Local Government Code and Chapter 1502, Texas Government Code
14. What type of pledge will be used to repay the proposed debt?  
 Systems Revenue  
 Taxes  
 Combination of systems revenues and taxes  
 Other (Contract Revenue, etc.)
15. Provide the full legal name of the security for the proposed debt issue(s). City of Marfa, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2015
16. Describe the pledge being offered and any existing rate covenants. The Certificates are payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's combined waterworks and sewer system (the "System"), remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with any 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 System.
17. Attach the resolution from the governing body requesting financial assistance.  
TWDB-0201A (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Resolution**
18. Attach the Application Affidavit  
TWDB-0201 (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Applicant Affidavit**
19. Attach the Certificate of Secretary  
TWDB-201B (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Certificate of Secretary**
20. Is the applicant a Water Supply Corporation (WSC)?  
 Yes If yes, attach each of the following:  
 **Articles of Incorporation**  
 **Certificate of Incorporation from the Texas Secretary of State evidencing that the current Articles of Incorporation are on file with the Secretary**  
 **By-laws and any amendments**  
 **Certificate of Status from the Texas Secretary of State (i.e. Certificate of Existence)**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Certificate of Account Status from the Texas Comptroller of Public Accounts (certifies that the WSC is exempt from the franchise tax and that the WSC is in good standing).**

No

21. Is the applicant proposing to issue revenue bonds?

Yes If yes, attach copies of the most recent resolution/ordinance(s) authorizing any outstanding parity debt. This is essential to insure outstanding bond covenants are consistent with covenants that might be required for TWDB financing.

**Attached resolution/ordinance(s)**

No

22. Does the applicant possess a Certificate of Convenience and Necessity (CCN)?

Yes If yes, attach a copy of the CCN and service area map showing the areas the applicant is allowed to provide water or wastewater services.

**Attached CCN and service area map**

No If no, indicate the status of the CCN. \_\_\_\_\_

N/A

23. Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?

Yes If yes, attach a brief description of every enforcement action within the past three years and action(s) to address requirements.

**Attached**

No

24. Are any facilities to be constructed or the area to be served within the service area of a municipality or other public utility?

Yes If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?

If yes, attach a copy of the affidavit.

**Attached affidavit**

If no, provide an explanation as to why not. \_\_\_\_\_

No

25. If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than **FIVE** years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.)

Yes Enter date of Applicant's WCP adoption: June 10, 2014

No If no, attach a copy of a draft Water Conservation Plan and Drought Contingency Plan prepared in accordance with the TWDB WCP Checklist (<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1968.pdf>)

**Attached Draft WCP and Drought Contingency Plan**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Attached Utility Profile TWDB-1965**  
<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>  
 N/A (Request is \$500,000 or less per Water Code §§ 15.106(c), 17.125(c), 17.277(c), and 17.857(c))

**Note:** If the applicant will utilize the project financed by the TWDB to furnish services to another entity that in turn will furnish services to the ultimate consumer, the requirements for the WCP may be met through contractual agreements between the applicant and the other entity providing for establishment of a water conservation plan. The provision requiring a WCP shall be included in the contract at the earliest of: the original execution, renewal or substantial amendment of that contract, or by other appropriate measures.

26. Does the applicant provide retail water services?  
 Yes If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last **THREE** years?  
 Yes  
 No If no, please download survey forms and attach a copy of the completed water use surveys to the application.  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
 **Attached Water Use Survey**  
 No
27. Is the applicant a retail public utility that provides potable water?  
 Yes If yes, has the applicant already submitted the most recently required water loss audit to the TWDB?  
 Yes  
 No If no, and if applying for a water supply project, please complete the online TWDB Water Audit worksheet found at <http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp> and attach a copy to the application.  
 **Attached TWDB Water Audit worksheet**  
 No
28. Does the Applicant provide wastewater services?  
 Yes  
 No



# **Attachments for Section B**

**Attachment Part B: No Conflicts Letter for the City of Marfa**

LAW OFFICES

MCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE  
SUITE 1800  
AUSTIN, TEXAS 78701-3248  
TELEPHONE: 512 478-3805  
FACSIMILE: 512 472-0871

717 NORTH HARWOOD  
SUITE 900  
DALLAS, TEXAS 75201-6587  
TELEPHONE: 214 754-9200  
FACSIMILE: 214 754-9250

700 N. ST. MARY'S STREET  
SUITE 1525  
SAN ANTONIO, TEXAS 78205-3503  
TELEPHONE: 210 225-2600  
FACSIMILE: 210 225-2984

June 15, 2015

Ms. Alexis Lorick  
Texas Water Development Board  
1700 N. Congress Avenue  
Austin, Texas 78701

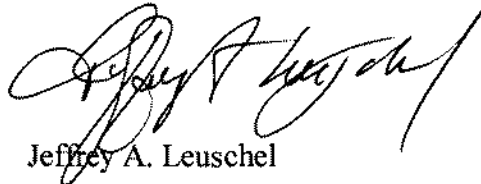
Re: City of Marfa, Texas

Dear Ms. Lorick:

Our firm acts as Bond Counsel to the City of Marfa, Texas (the "City"), and in that capacity will be preparing the financing documents for, and rendering an approving opinion with respect to, the issuance of bonds to be purchased by the Texas Water Development Board through its State Water Implementation Revenue Fund for Texas revenue bond program. Our firm also acts as Bond Counsel to the Texas Water Development Board on several of its bond programs, including the State Water Implementation Revenue Fund for Texas revenue bond program, and in that capacity we have given the Board advice regarding the ability to issue bonds on a tax-exempt basis to provide the Board the funds that it intends to use to purchase obligations from the City. In our capacity as Bond Counsel to the City, we will draft the financing documents to accurately reflect the terms of the financing as discussed by the City and its financial advisor, who will deal directly with the Texas Water Development Board on this matter. Since we are not representing the City in an advocacy capacity with respect to the negotiation of the terms of the loan to City by the Board, our representation of the City on this matter would not result in our being in a conflict of interest position in respect to our representation of the Board as Bond Counsel. If you wish, I will be happy to discuss this in greater detail at your convenience.

Very truly yours,

MCALL, PARKHURST & HORTON L.L.P.



Jeffrey A. Leuschel

**Attachment Part B17: Resolution**

**Application Filing and Authorized Representative Resolution (WRD-201a)**

A RESOLUTION by the City of Marfa of the State of Texas requesting financial assistance from the Texas Water Development Board; authorizing the filing of an application for assistance; and making certain findings in connection therewith.

BE IT RESOLVED BY THE City Council OF THE City of Marfa, Texas :

SECTION 1: That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not to exceed \$ 705,000 to provide for the costs of design and construction of a new water well and related water system facilities

SECTION 2: That Daniel P. Dunlap, Mayor be and is hereby designated the authorized representative of the City of Marfa for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

SECTION 3: That the following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the City of Marfa before any hearing held by the Texas Water Development Board on such application, to wit:

Financial Advisor: Larry J. Skiles  
The Skiles Company  
P.O. Box 506, Marfa, Texas 79843

Engineer: Parkhill, Smith & Cooper, Inc., Keith Rutherford  
501 W. San Antonio  
El Paso, Texas 79901

Bond Counsel: McCall, Parkhurst & Horton L.L.P., Leroy Grawunder, Jr.  
717 North Harwood, Suite 900  
Dallas, Texas 75201

PASSED AND APPROVED, this the 25th day of June, 20 15.

ATTEST:

James F. Mustard

By:

Daniel P. Dunlap

(Seal)



**Attachment Part B18: Application Affidavit**

**Application Affidavit (WRD-201)**

THE STATE OF TEXAS §  
COUNTY OF Presidio §  
APPLICANT City of Marfa §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Daniel P. Dunlap, Mayor as the Authorized Representative of the City of Marfa, Texas, who being by me duly sworn, upon oath says that:

1. the decision by the City of Marfa, Texas (authority, city, county, corporation, district) to request financial assistance from the Texas Water Development Board ("Board") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq.) and after providing all such notice as required by such Act as is applicable to the City of Marfa, Texas (authority, city, county, corporation, district);

2. the information submitted in the application is true and correct according to my best knowledge and belief;

3. the City of Marfa, Texas (authority, city, county, corporation, district) has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none"):

None

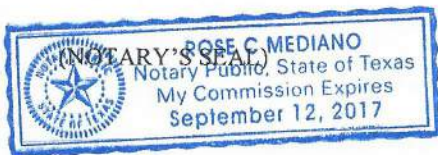
4. the City of Marfa, Texas (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the Board provides the financial assistance; and

5. the City of Marfa, Texas (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the Board.

Daniel P. Dunlap  
Official Representative

Title: Mayor

SWORN TO AND SUBSCRIBED BEFORE ME, by Daniel P. Dunlap  
this 1st day of June, 2015.



Rose C. Mediano  
Notary Public, State of Texas

**Attachment Part B19: Certificate of Secretary**



### Application Resolution - Certificate of Secretary (WRD-201b)

THE STATE OF TEXAS §  
COUNTY OF PRESIDIO §  
APPLICANT CITY OF MARFA §

I, the undersigned, Secretary of the City of Marfa Texas,  
DO HEREBY CERTIFY as follows:

1. That on the 25th day of June, 2015, a regular/special meeting of the  
City Council of the City of Marfa, Texas was held at a meeting place within the City; the duly  
constituted members of the City Council being as follows:

**MANUEL BAEZA, MARK SCOTT, PETER STANLEY, JOSIE SIMPSON AND GENEVIEVE BASSHAM**  
and all of said persons were present at said meeting, except the following:

**NONE**

Among other business considered at said meeting, the attached resolution entitled:

"A RESOLUTION by the City Council of the City of Marfa, Texas  
requesting financial participation from the Texas Water Development Board; authorizing the filing  
of an application for financial participation; and making certain findings in connection therewith."

was introduced and submitted to the City Council for passage and adoption. After  
presentation and due consideration of the resolution, and upon a motion made by **COUNCIL MEMBER SIMPSON**  
and seconded by **COUNCIL MEMBER SCOTT**, the resolution was duly passed and adopted by the  
**MARFA CITY COUNCIL** by the following vote:

5 voted "For" 0 voted "Against" 0 abstained

all as shown in the official Minutes of the City Council of the City of Marfa, Texas for the meeting held on the aforesaid date.

2. That the attached resolution is a true and correct copy of the original on file in the official records  
of the City of Marfa, Texas; the duly qualified and acting members of the City Council  
on the date of the aforesaid meeting are those persons shown above and, according to the records of my office,  
advance notice of the time, place and purpose of said meeting was given to each member of the  
City Council; and that said meeting, and deliberation of the aforesaid public business, was open to  
the public and written notice of said meeting, including the subject of the above entitled resolution, was posted and  
given in advance thereof in compliance with the provisions of Chapter 551 of the Texas Government Code.

IN WITNESS WHEREOF, I have hereunto signed my name officially and affixed the seal of  
said City of Marfa, this the 29 of June, 2015.



*Jan R. Mendez*  
Secretary

**Attachment Part B22: Map of CCN and Service Area**

# Public Utility Commission of Texas

By These Presents Be It Known To All That

CITY OF MARFA, TEXAS

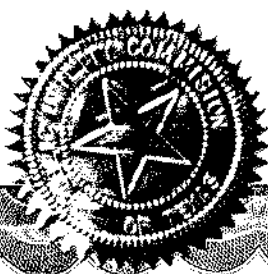
having duly applied for certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

## Certificate of Convenience and Necessity

numbered 16223, to provide water utility service to that service area or those service areas designated by final Order or Orders duly entered by this Commission, which Order or Orders are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection;

and be it known further that these presents do evidence the authority and the duty of this Grantee to provide such utility service in accordance with the laws of this State and the Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this 1st day of November, 1979.

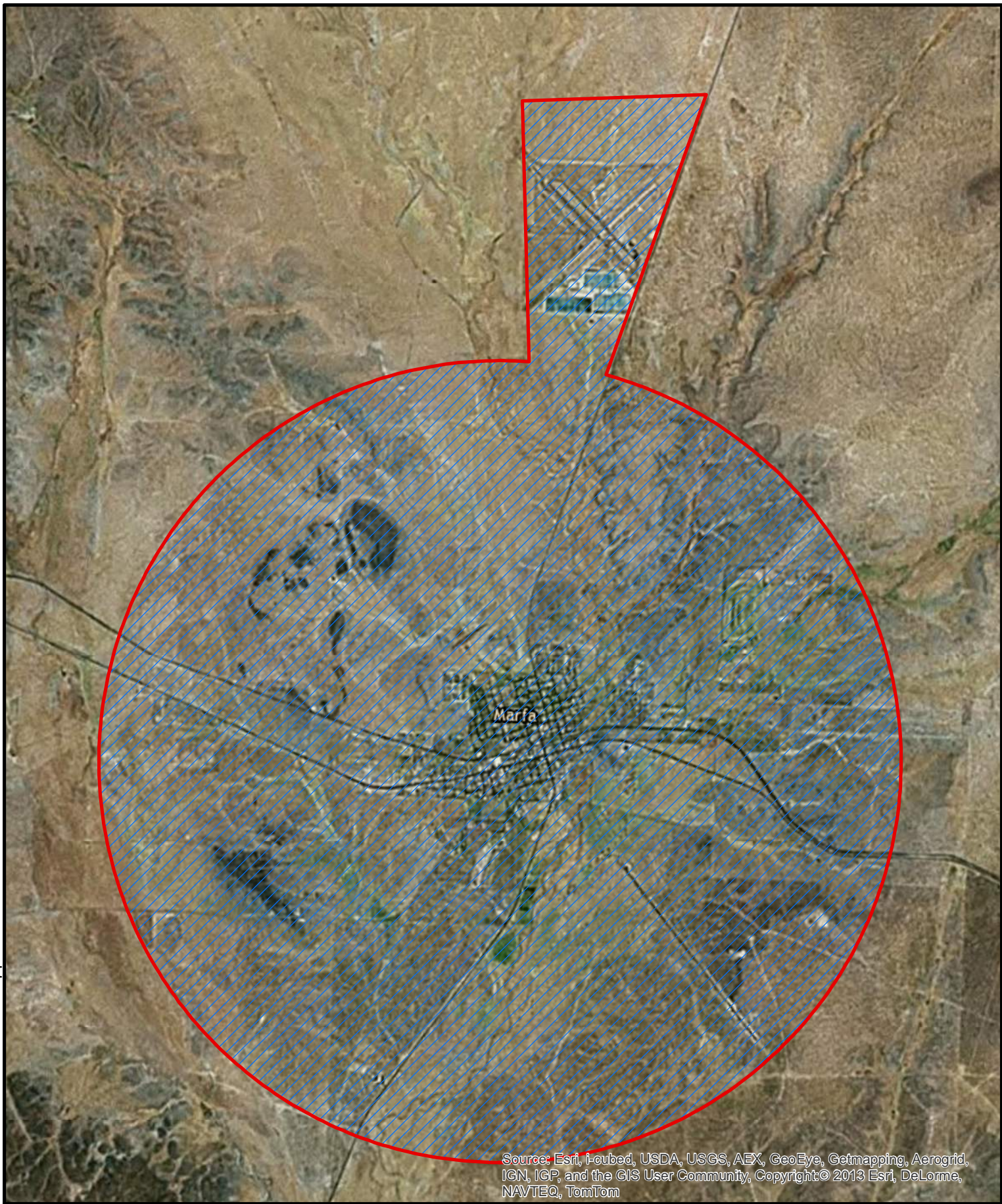


*Philip F. Ricketts*

Philip F. Ricketts  
SECRETARY OF THE COMMISSION



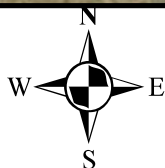




Source: Esri, i-cubed, USDA, USGS, AEX, GeoEye, Getmapping, Aerogrid, IGN, IGP, and the GIS User Community, Copyright© 2013 Esri, DeLorme, NAVTEQ, TomTom



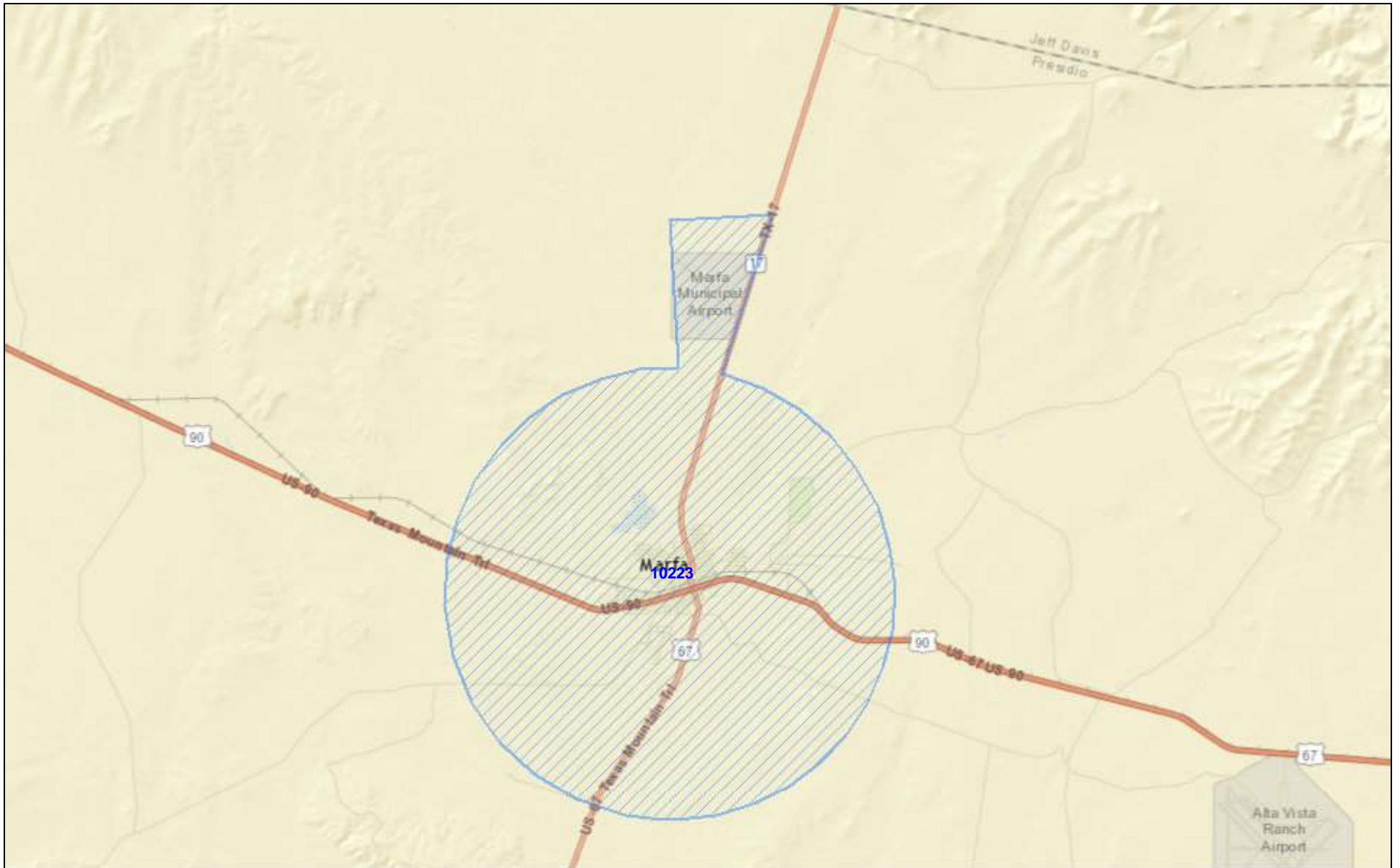
PARKHILLSMITH&COOPER




CITY OF MARFA  
CCN/SERVICE AREA



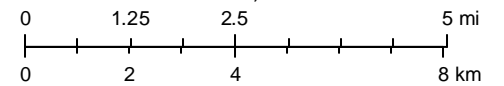
# Water and Sewer CCN Viewer



June 3, 2015

 Water CCN Service Areas

1:144,448



Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand),

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part C: Financial Information**

**Regional or wholesale providers, complete questions 29-31.**

**Retail providers, complete questions 32-34.**

29. List top **TEN** customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (gal)	Percent of Usage	Bankruptcy (Y/N)

Comments:   N/A  

30. List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy

Customer Name	Annual Revenue(\$)	Percent of Revenue	Bankruptcy (Y/N)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

31. Provide a summary of the wholesale contracts with customers

Contract Type	Minimum annual amount	Usage fee per 1,000 gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other

32. List top **TEN** customers of the water and/or wastewater system by annual revenue with corresponding usage and percentage of total use, including whether any are in bankruptcy.

a. **WATER**

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
Village Farms	2,765,600	2.78%	N
The Paisano Hotel	2,479,600	2.64%	N
Marfa Villa Apartments	1,170,110	1.94%	N
Marfa ISD	1,687,190	1.33%	N
Presidio County Jail	1,396,120	1.26%	N
Marfa Joy	1,079,813	1.21%	N
Riata Inn	849,490	1.21%	N
Marfa Joy	798,690	1.15%	N
GSA Finance Div. Utility	781,060	0.97%	N
GSA Finance Div. Utility	936,450	0.70%	N

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

b. **WASTEWATER**

Customer Name	Annual Usage (gal)	Percent of Total Wastewater Revenue	Bankruptcy (Y/N)
The Paisano Hotel	N/A	4.65%	N
Marfa Housing	N/A	4.20%	N
The Riata Inn	N/A	2.82%	N
Chinati Foundation	N/A	2.02%	N
Presidio County Jail	N/A	1.86%	N
Tumbleweed Laundry	N/A	1.60%	N
Marfa Joy	N/A	1.56%	N
WJCKK Inc	N/A	1.38%	N
Town-N-Country	N/A	1.30%	N
Marfa Villa Apartments	N/A	0.70%	N

33. Current Average Residential Usage and Rate Information

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer(\$)	Projected Monthly Increase Necessary (\$)
Water	Oct 2009	11,970	29.36	N/C	
Wastewater	Oct 2009	N/A	20.15	N/C	

34. Provide the number of customers for each of the past five years.

Year	Number of Customers
2014	1,052
2013	1,061
2012	1,070
2011	1,067
2010	1,095

All applicants complete questions 35-51 of the financial section, as applicable.

35. Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc.).  
none

36. Has the applicant ever defaulted on any debt?  
 Yes If yes, disclose all circumstances surrounding prior default(s). \_\_\_\_\_  
 No

37. Does the applicant have taxing authority?  
 Yes  
 No



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

38. Provide the last five-years of data showing total taxable assessed valuation including net ad valorem taxes levied, corresponding tax rate (detailing debt service and general purposes), and tax collection rate.

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy \$	Percentage Current Collections	Percentage Total Collections
2014	81,955,150.00	0.4979 10	0.38454 9	0.113361	408,0 62	93%	1.20%
2013	78,895,580.00	0.4969 78	0.36363 7	0.133341	392,0 93	100.83%	1.20%
2012	77,288,487.00	0.4770 88	0.34181 5	0.135273	368,7 34	95.81%	1.15%
2011	74,431,910.00	0.4634 78	0.32176 0	0.141219	344,9 75	105.43%	1.20%
2010	69,914,270.00	0.4675 41	0.31264 8	0.154893	327,3 84	105.50%	1.21%

Comments: \_\_\_\_\_

39. Attach the last five-years of tax assessed values delineated by Classification (Residential, Commercial and Industrial). **If applicant does not have taxing authority, provide the assessed values of the county.**

**Information is not available from Presidio County Appraisal District.**

- a)  **2014 attached**
  - b)  **2013 attached**
  - c)  **2012 attached**
  - d)  **2011 attached**
  - e)  **2010 attached**
40. Attach the direct and overlapping tax rate table:  
 **Attached tax rate table**
41. Provide the current top **TEN** taxpayers showing percentage of ownership to total assessed valuation. State if any are in bankruptcy and explain anticipated prospective impacts in the Comments blank, below. If any of these have changed in the past three years, please provide information on the changes to the top ten.

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)
Joe Bob & Lanna Tweedy Duncan (Residential)	\$2,542,00	3.10%	
West Texas Utilities (Utility)	\$1,530,420	1.87%	
Marfa Joy LTD (Residential)	\$1,502,100	1.87%	

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Marfa National Bank (Bank)	\$782,410	0.95%	
Southern Pacific/Union Pacific (Railroad)	\$606,100	0.74%	
Larry Skiles (Residential)	\$565,870	0.69%	
AT&T (Telephone Utility)	\$539,470	0.66%	
Timothy Matthew Crowley (Residential)	\$502,190	0.61%	
Bobby McKnight & Liz Lambert (Residential)	\$500,520	0.61%	
Mary Shaffer (Residential)	\$500,230	0.61%	

Comments: \_\_\_\_\_

42. Provide the maximum tax rate permitted by law per \$100 of property value. \$1.50 for M&O. and debt.

43. Does the applicant collect sales tax?  
 Yes Provide the sales tax collection history for the past five years.

Fiscal Year Ending	Total Collections
2014	172,987.53
2013	199,192.79
2012	202,924.18
2011	172,448.19
2010	158,914.91

No

44. Indicate the tax status of the proposed loan?

Tax-Exempt  
 Taxable

45. Proforma (Select one of the four listed below) Please be sure the proforma reflects the schedule requested, including multi-phased funding options.

a. System revenues are anticipated to be used to repay the proposed debt. Attach a proforma indicating the following information for each year the debt is outstanding:

- projected gross revenues
- operating and maintenance expenditures
- outstanding and proposed debt service requirements
- net revenues available for debt service and coverage of current and proposed debt paid from revenues

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- b. Taxes are anticipated to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
  - outstanding and proposed debt service requirements
  - the tax rate necessary to repay current and proposed debt paid from taxes
  - list the assumed collection rate and tax base used to prepare the schedule
  
- c. Combination of system revenues and taxes to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
  - projected gross revenues, operating and maintenance expenditures, net revenues available for debt service
  - outstanding and proposed debt service requirements
  - the tax rate necessary to pay the current and proposed debt
  - list the assumed collection rate and tax base used to prepare the schedule
  
- d. Another type of pledge will be used to repay the proposed debt. Attach a pro forma with information for each year the debt is outstanding, which includes projected revenues, annual expenditures, outstanding debt requirements, and revenues available for debt service.
  - Attached
  
- 46. Attach a **FIVE** year comparative system operating statement (not condensed) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.
  - Attached Operating Statement.**
  
- 47. Attach **ONE** copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.
  - Attached Annual Audit**
  - Attached Management Letter**
  - If applicable, attached interim financial information**
  
- 48. Does the applicant have any outstanding debt? (Check all that apply)
  - Yes, General obligation debt
  - Yes, Revenue debt
  - Yes, Authorized but unissued debt
  - No
  
- 49. Attach a listing of total outstanding debt and identify the debt holder. Segregate by type (General Obligation or Revenue) and present a consolidated schedule for each, showing total annual requirements. Note any authorized but unissued debt.
  - a. General Obligation Debt:
    - Yes
      - Attached schedule. The schedule should also identify the debt holder.**
    - No
  
  - b. Revenue:
    - Yes

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Attached schedule. The schedule should also identify the debt holder.**
- No

c. Authorized by Unissued Debt:

- Yes
- Attached schedule. The schedule should also identify the debt holder.**
- No

50. List the ten largest employers of the Applicant's service area:

Name	Number of Employees
U.S. Customs and Border Patrol	Not Available
Presidio County	80
Marfa Independent School District	60
Village Farms Inc.	
Chinati Foundation	37
City of Marfa	26
Marfa Stripes	17
Judd Foundation	11
Presidio County Health Clinic	6
T. Crowley Enterprizes	4

Comments (example, any anticipated changes to the tax base, employers etc.) \_\_\_\_\_

51. Provide any current bond ratings with date received.

	Standard & Poor's	Date Received	Moody's	Date Received	Fitch	Date Received
G.O.						
Revenue						

52. Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?

- Yes. If yes, the applicant must attach, at a minimum, the proposed agreement, contract, or other documentation establishing the service relationship, with the final and binding agreements provided prior to loan closing.
- Attached**
- No.

**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

# **Attachments for Section C**

**Attachment Part C39: Last Five Years' Taxable Assessed Valuations, by Classification**

Last Five Years' Taxable Assessed Valuations, by Classification

Tax Year	Category				Exemptions & Adjustments	Total
	Residential	Commercial	Industrial	Other *		
2014	100,416,960	25,490,920	5,898,300	5,061,250	-13,749,252	\$123,118,178
2013	112,704,080	16,864,460	29,340,600	4,336,180		\$81,955,150
2012						\$78,895,580
2011						\$77,301,994
2010						\$74,431,910

\* "Other" includes vacant lots, land tracts, and open space land



**Attachment Part C40: Tax Rate Table**

2014 Tax Rates	
County	0.63804
Marfa ISD	1.2400
City of Marfa	0.4500
Presidio ISD	1.4100
City of Presidio	0.71130
Hospital	0.12260

2013 Tax Rates	
County	0.64809
Marfa ISD	1.3300
City of Marfa	0.497910
Presidio ISD	1.41000
City of Presidio	0.779860
Hospital Dist.	0.12500

2012 Tax Rates	
County	0.6422
Marfa ISD	1.3600
City of Marfa	0.49698
Presidio ISD	1.4100
City of Presidio	0.72812
Hospital Dist.	0.12500

2011 Tax Rates	
County	0.6822
Marfa ISD	1.3700
City of Marfa	0.477088
Presidio ISD	1.41140
City of Presidio	0.7196
Hospital Dist.	0.121244

2010 Tax Rates	
County	0.6914
Marfa ISD	1.3908
Presidio ISD	1.41140
City of Marfa	0.46350
City of Presidio	0.71130
Hospital Dist.	0.12260

**Attachment Part C45: Proforma**

Sec. C	Proforma Analysis of System and Tax Revenues										
Item 45.c											
	Debt Service						Projected			Indicated	
	This Issue			Outstanding Debt Service			Gross Revs	O&M Exp	Net Rev Avail	Tax Rate	
Year	Principal	Interest	Total	WW/SS	G.O.	Total Debt Svc				(Cents)	
2016		14,127	14,127	65,000	256,243	335,370	2,037,970	1,916,364	121,606	27.2396	
2017	25,000	17,590	42,590	70,000	250,895	363,485	2,037,970	1,916,364	121,606	29.5232	
2018	30,000	16,891	46,891	70,000	160,954	277,845	2,037,970	1,916,364	121,606	22.5673	
2019	30,000	16,129	46,129	80,000	156,821	282,950	2,037,970	1,916,364	121,606	22.9820	
2020	30,000	15,367	45,367	80,000	152,435	277,802	2,037,970	1,916,364	121,606	22.5638	
2021	30,000	14,605	44,723	80,000	157,558	282,280	2,037,970	1,916,364	121,606	22.9276	
2022	30,000	13,843	44,744	80,000	0	124,744	2,037,970	1,916,364	121,606	10.1321	
2023	30,000	13,081	44,766	90,000	0	134,766	2,037,970	1,916,364	121,606	10.9460	
2024	35,000	12,256	44,787	90,000	0	134,787	2,037,970	1,916,364	121,606	10.9478	
2025	35,000	11,367	44,809	90,000	0	134,809	2,037,970	1,916,364	121,606	10.9495	
2026	35,000	10,478	44,830	90,000	0	134,830	2,037,970	1,916,364	121,606	10.9513	
2027	35,000	9,589	44,852	0	0	44,852	2,037,970	1,916,364	121,606	3.6430	
2028	35,000	8,700	44,873	0	0	44,873	2,037,970	1,916,364	121,606	3.6447	
2029	35,000	7,811	44,895	0	0	44,895	2,037,970	1,916,364	121,606	3.6465	
2030	40,000	6,858	44,916	0	0	44,916	2,037,970	1,916,364	121,606	3.6482	
2031	40,000	5,842	44,938	0	0	44,938	2,037,970	1,916,364	121,606	3.6500	
2032	40,000	4,826	44,959	0	0	44,959	2,037,970	1,916,364	121,606	3.6517	
2033	40,000	3,810	44,981	0	0	44,981	2,037,970	1,916,364	121,606	3.6535	
2034	40,000	2,794	45,002	0	0	45,002	2,037,970	1,916,364	121,606	3.6552	
2035	45,000	1,715	45,024	0	0	45,024	2,037,970	1,916,364	121,606	3.6569	
2036	45,000	572	45,045	0	0	45,045	2,037,970	1,916,364	121,606	3.6587	
	705,000	208,246	913,246	885,000	1,134,905	2,933,151					

Notes: Indicated Tax Rate assumes all debt service paid from tax revenues.  
101.89% total collection rate assumed based on previous 4-yr average  
Tax rates calculated on 2014 Assessed Valuation of: \$123,118,178  
Revenues and Expenditures based on previous 4-yr average  
System Revenues based on 2014 customer counts: 1,266 water; 1,050 sewer

**City of Marfa - Series 2015 Debt Service Schedule**

<b>Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	<b>Annual Debt Service</b>
3/15/2016	\$ -	\$ 5,255	\$ 5,255	
9/15/2016	-	9,095	9,095	14,349
3/15/2017	25,000	9,095	34,095	
9/15/2017	-	8,772	8,772	42,867
3/15/2018	30,000	8,772	38,772	
9/15/2018	-	8,385	8,385	47,157
3/15/2019	30,000	8,385	38,385	
9/15/2019	-	7,998	7,998	46,383
3/15/2020	30,000	7,998	37,998	
9/15/2020	-	7,611	7,611	45,609
3/15/2021	30,000	7,611	37,611	
9/15/2021	-	7,224	7,224	44,835
3/15/2022	30,000	7,224	37,224	
9/15/2022	-	6,837	6,837	44,061
3/15/2023	30,000	6,837	36,837	
9/15/2023	-	6,450	6,450	43,287
3/15/2024	35,000	6,450	41,450	
9/15/2024	-	5,999	5,999	47,449
3/15/2025	35,000	5,999	40,999	
9/15/2025	-	5,547	5,547	46,546
3/15/2026	35,000	5,547	40,547	
9/15/2026	-	5,096	5,096	45,643
3/15/2027	35,000	5,096	40,096	
9/15/2027	-	4,644	4,644	44,740
3/15/2028	35,000	4,644	39,644	
9/15/2028	-	4,193	4,193	43,837
3/15/2029	35,000	4,193	39,193	
9/15/2029	-	3,741	3,741	42,934
3/15/2030	40,000	3,741	43,741	
9/15/2030	-	3,225	3,225	46,966
3/15/2031	40,000	3,225	43,225	
9/15/2031	-	2,709	2,709	45,934
3/15/2032	40,000	2,709	42,709	
9/15/2032	-	2,193	2,193	44,902
3/15/2033	40,000	2,193	42,193	
9/15/2033	-	1,677	1,677	43,870
3/15/2034	40,000	1,677	41,677	
9/15/2034	-	1,161	1,161	42,838
3/15/2035	45,000	1,161	46,161	
9/15/2035	-	581	581	46,742
3/15/2036	45,000	581	45,581	45,581
<b>Total</b>	<b>\$ 705,000</b>	<b>\$ 211,526</b>	<b>\$ 916,526</b>	<b>\$ 916,526</b>

**Attachment Part C46: Operating Statement**

Sec. C.46

Five Year Comparative System Operating Statement

FY	2010	2011	2012	2013	2014	2015 YTD as of 6/30/15
<b>OPERATING REVENUES</b>						
Charges for water services	\$425,356	549,922	560,731	423,782	467,486	247,777
Charges for sewerage services	305,146	319,016	369,245	301,609	293,642	185,113
Charges for sanitation services	548,844	504,852	563,088	564,286	594,034	425,968
Charges for gas services	n/a	n/a	56,695	746,366	832,003	780,054
Other Revenue	31,759	33,991	385,722	41,711	48,160	107,587
Investment Earnings	300,306	175,251				
Interest		120	71			
TWDB Surcharge	130,872	129,540	64,918	65,128	60,512	39,808
<b>TOTAL OPERATING REVENUES</b>	<b>\$1,742,283</b>	<b>\$1,712,692</b>	<b>\$2,000,470</b>	<b>\$2,142,882</b>	<b>\$2,295,837</b>	<b>\$1,786,307</b>
<b>OPERATING EXPENSES</b>						
Payroll Costs	315,942	338,252	495,939	493,798	536,807	
Seminars & Training	310	2,899	20,492	9,336	28,056	
Professional/Contract Svcs	387,252	326,576	381,617	392,449	396,529	
Utilities	39,472	76,492	54,246	48,167	66,912	
Maintenance/Repairs	84,891	44,442	241,795	148,367	82,699	
Other Operating Costs	76,775	41,591	333,002	299,106	390,689	
Supplies/Materials	102,312	112,583	248,258	181,250	143,748	
Interest Expense	39,090	38,506	37,893	37,247	36,031	
Depreciation	193,767	199,434	400,231	403,875	413,268	
Allowance for Bad Debt	22,837	19,502	13,707	61,245	68,420	
<b>TOTAL OPERATING EXPENSES</b>	<b>1,262,648</b>	<b>\$1,200,277</b>	<b>2,227,180</b>	<b>2,074,840</b>	<b>2,163,159</b>	<b>1,243,061</b>
<b>OPERATING INCOME</b>	<b>\$479,635</b>	<b>\$512,415</b>	<b>(\$226,710)</b>	<b>\$68,042</b>	<b>\$132,678</b>	<b>\$543,246</b>

**Attachment Part C47: Annual Audit and Management Letter**



# CITY OF MARFA

Annual Financial Report  
(With Independent Auditors' Report Thereon)

September 30, 2014



**CITY OF MARFA**  
Annual Financial Report  
September 30, 2014

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
 <b><u>Basic Financial Statements</u></b>	
 <b><u>Exhibit</u></b>	
Government Wide Statements:	
A-1 Statement of Net Position	11
B-1 Statement of Activities	12
Governmental Fund Financial Statements:	
C-1 Balance Sheet	13
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances	15
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	17
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	18
D-3 Statement of Cash Flows	19
Notes to the Financial Statements	20 - 34
 <b><u>Required Supplementary Information-Unaudited</u></b>	
Schedule of Funding Progress	35
Budgetary Comparison Schedule-General Fund	36
Notes to Required Supplementary Information	37
 <b><u>Other Report</u></b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38 - 39

## Independent Auditors' Report

Honorable Mayor and Members of the City Council  
City of Marfa

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marfa, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marfa, Texas as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the schedule of funding progress on page 34, and the budgetary comparison information on page 35, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marfa, Texas' internal control over financial reporting and compliance.

**PMB HELIN DONOVAN, LLP**

*PMB Helin Donovan, LLP*

March 31, 2015  
Austin, Texas

**CITY OF MARFA**  
Management's Discussion and Analysis (Unaudited)  
September 30, 2014

In this section of the Annual Financial Report, we, the managers of the City of Marfa (the "City"), discuss and analyze the City's financial performance for the fiscal year ended September 30, 2014. Please read it in conjunction with the independent auditors' report on page 1 and the City's Basic Financial Statements, which begin on page 11.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 and 12). 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 (beginning on page 13) 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 describe how goods or services of the City were sold to departments within the City or to external customers and how the sales and tax revenues covered the expenses of the goods or services provided.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

**Reporting the City as a Whole**

***The Statement of Net Position and the Statement of Activities***

The analysis of the City's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the City is better off or worse off financially as a result of the year's activities. The Statement of Net Position includes all of 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 are presented using 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. The City's revenues are divided into those provided by outside parties who share the costs of some programs and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are reported 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, one must also consider non-financial factors, such as changes in the City's property tax base and the condition of the City's facilities.

**CITY OF MARFA**  
Management's Discussion and Analysis (Unaudited)  
September 30, 2014

**Reporting the City as a Whole - Continued**

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities - Most of the City's basic services are reported here. Property and sales taxes and state and federal grants finance most of these activities.
- Business-type activities - The City charges a fee to "customers" to help it cover all or most of the cost of services it provides for water, wastewater, and sanitation services.

**Reporting the City's Most Significant Funds**

***Fund Financial Statements***

The fund financial statements begin on page 13 and provide detailed information about the City's most significant funds - not the City as a whole. Laws and contracts require the City to establish some funds, such as grant funds. The City's administration establishes other funds to help it control and manage money for particular purposes. The City's two primary types of funds, governmental and proprietary, are described below.

- Governmental funds - Most of the City's basic services are reported in governmental funds. The Governmental fund statements use the 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 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 each of the fund financial statements.
- Proprietary funds - The City reports the activities for which it charges users (outside customers) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The City's enterprise funds are the business-type activities reported in the government-wide statements but contain more detail and additional information, such as cash flows.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Net position of the City's governmental activities decreased by \$326,320, or 9.8%, during 2014, excluding internal transfers. This decrease in net position was primarily due to an increase in overall general government expenses that exceeded the increase in general government revenue. Unrestricted net position of the governmental activities – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$561,132 from \$999,200 in 2013 to \$1,560,332 during 2014, primarily as a result of an increase in cash from issuance of tax notes.

**CITY OF MARFA**  
Management's Discussion and Analysis (Unaudited)  
September 30, 2014

In 2014, the net position of the City's business-type activities increased by \$131,084, or 3.2%, excluding internal transfers. This increase was primarily due to an increase in charges for services.

**Table I**  
**Net Position**

<b>2014</b>	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,970,958	\$ 1,987,143	\$ 3,958,101
Capital assets	2,050,107	3,358,306	5,408,413
Total assets	<u>4,021,065</u>	<u>5,345,449</u>	<u>9,366,514</u>
Current liabilities	370,919	486,299	857,218
Noncurrent liabilities	1,050,000	626,358	1,676,358
Total liabilities	<u>1,420,919</u>	<u>1,112,657</u>	<u>2,533,576</u>
Net position:			
Net investment in capital assets	770,107	2,671,948	3,442,055
Restricted for debt service	269,707	-	269,707
Restricted for capital projects	-	235,516	235,516
Unrestricted	1,560,332	1,325,328	2,885,660
Total net position	<u>\$ 2,600,146</u>	<u>\$ 4,232,792</u>	<u>\$ 6,832,938</u>
<b>2013</b>	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,407,919	\$ 1,324,925	\$ 2,732,844
Capital assets	2,135,620	3,670,964	5,806,584
Total assets	<u>3,543,539</u>	<u>4,995,889</u>	<u>8,539,428</u>
Current liabilities	202,073	266,608	468,681
Noncurrent liabilities	-	687,573	687,573
Total liabilities	<u>202,073</u>	<u>954,181</u>	<u>1,156,254</u>
Net position:			
Net investment in capital assets	2,045,620	2,960,637	5,006,257
Restricted for debt service	296,646	-	296,646
Restricted for capital projects	-	235,516	235,516
Unrestricted	999,200	845,555	1,844,755
Total net position	<u>\$ 3,341,466</u>	<u>\$ 4,041,708</u>	<u>\$ 7,383,174</u>

**CITY OF MARFA**  
Management's Discussion and Analysis (Unaudited)  
September 30, 2014

**Table II**  
**Changes in Net Position**

<b>2014</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Revenues:			
Program revenues:			
Charges for services	\$ 357,750	\$ 2,294,243	\$ 2,651,993
Other revenue	-	-	-
General Revenues:			
Property taxes	424,504	-	424,504
Sales taxes	316,933	-	316,933
Franchise taxes	288,050	-	288,050
Intergovernmental grants and revenue	127,340	-	127,340
Investment earnings	3,476	-	3,476
Total revenue	<u>1,518,053</u>	<u>2,294,243</u>	<u>3,812,296</u>
Expenses:			
General government	655,942	-	655,942
Law enforcement	286,769	-	286,769
Fire department	19,736	-	19,736
Municipal court	30,124	-	30,124
EMS	325,001	-	325,001
Library	122,793	-	122,793
Golf course	-	-	-
Marfa Activity Center	66,027	-	66,027
Parks	11,575	-	11,575
Hotel	177,979	-	177,979
Depreciation	129,194	-	129,194
Interest	19,233	-	19,233
Proprietary expenses	-	2,163,159	2,163,159
Total expenses	<u>1,844,373</u>	<u>2,163,159</u>	<u>4,007,532</u>
Transfers in (out)	<u>(415,000)</u>	<u>60,000</u>	<u>(355,000)</u>
Change in net position	(741,320)	191,084	(550,236)
Net position at beginning of year	<u>3,341,466</u>	<u>4,041,708</u>	<u>7,383,174</u>
Net position at end of year	<u>\$ 2,600,146</u>	<u>\$ 4,232,792</u>	<u>\$ 6,832,938</u>



**CITY OF MARFA**  
Management's Discussion and Analysis (Unaudited)  
September 30, 2014

**Table II (Continued)**  
**Changes in Net Position**

<b>2013</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 218,563	\$ 1,939,032	\$ 2,157,595
Other revenue	357,416	-	357,416
<b>General Revenues:</b>			
Property taxes	401,021	-	401,021
Sales taxes	358,022	-	358,022
Franchise taxes	247,655	-	247,655
Intergovernmental grants and revenue	111,150	-	111,150
Investment earnings	2,525	-	2,525
Total revenue	<u>1,696,352</u>	<u>1,939,032</u>	<u>3,635,384</u>
<b>Expenses:</b>			
General government	658,929	-	658,929
Law enforcement	257,639	-	257,639
Fire department	28,066	-	28,066
Municipal court	26,596	-	26,596
EMS	323,501	-	323,501
Library	92,686	-	92,686
Golf course	20,000	-	20,000
Marfa Activity Center	81,375	-	81,375
Parks	10,480	-	10,480
Hotel	127,608	-	127,608
Depreciation	130,353	-	130,353
Interest	4,680	-	4,680
Proprietary expenses	-	2,074,840	2,074,840
Total expenses	<u>1,761,913</u>	<u>2,074,840</u>	<u>3,836,753</u>
Transfers in (out)	<u>293,150</u>	<u>(293,150)</u>	<u>-</u>
Change in net position	227,589	(428,958)	(201,369)
Net position at beginning of year	<u>3,113,877</u>	<u>4,470,666</u>	<u>7,584,543</u>
Net position at end of year	<u>\$ 3,341,466</u>	<u>\$ 4,041,708</u>	<u>\$ 7,383,174</u>

**CITY OF MARFA**  
Management's Discussion and Analysis (Unaudited)  
September 30, 2014

**THE CITY'S FUNDS**

The City reported a combined fund balance of \$1,749,070, an increase of \$529,012 from last year's total of \$1,220,058. The fund balance of the City's General Fund increased \$655,430 from \$946,648 to \$1,602,078 during fiscal year 2014. This increase resulted primarily from transfers into the fund to clear interfund balances.

The fund balance of the City's Debt Service Fund decreased \$26,939 from \$296,646 to \$269,707 during fiscal year 2014, primarily due to a decrease in property tax revenues.

The fund balance for the City's Other Funds decreased \$99,479 from \$(23,236) to \$(122,715) during 2014. This decrease was primarily due to increased expenditures that exceeded intergovernmental revenues.

For the 2014 fiscal year, the City's proprietary funds reported combined total net position increased \$191,084 from \$4,041,708 to \$4,232,792. This increase was primarily the result of an increase in revenues and non-operating transfers to settle interfund balances with the City's governmental funds.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At September 30, 2014, the City had \$5,408,413 invested in a broad range of capital assets, including land, infrastructure, buildings, improvements, and machinery and equipment. This activity related to ongoing projects funded by the Revenue bond issuance in the previous fiscal years.

**Table III**  
**Capital Assets**

<b>2014</b>	Governmental Activities	Business-Type Activities	Total
Land	\$ 103,105	\$ 85,000	\$ 188,105
Furniture and equipment	692,962	1,107,645	1,800,607
Infrastructure	4,487,708	9,865,329	14,353,037
	<u>5,283,775</u>	<u>11,057,974</u>	<u>16,341,749</u>
Less accumulated depreciation	(3,233,668)	(7,699,668)	(10,933,336)
Capital assets, net of depreciation	<u>\$ 2,050,107</u>	<u>\$ 3,358,306</u>	<u>\$ 5,408,413</u>
<b>2013</b>			
Land	\$ 103,105	\$ 85,000	\$ 188,105
Furniture and equipment	682,565	1,047,249	1,729,814
Infrastructure	4,454,424	9,825,114	14,279,538
	<u>5,240,094</u>	<u>10,957,363</u>	<u>16,197,457</u>
Less accumulated depreciation	(3,104,474)	(7,286,399)	(10,390,873)
Capital assets, net of depreciation	<u>\$ 2,135,620</u>	<u>\$ 3,670,964</u>	<u>\$ 5,806,584</u>

**CITY OF MARFA**  
Management's Discussion and Analysis (Unaudited)  
September 30, 2014

**Long-Term Debt**

At September 30, 2014, the City had \$1,966,358 in debt outstanding in comparison to \$800,327 last year due to the issuance of a 2014 Texas Tax Note.

**Table IV**  
**Debt**

<u>2014</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Tax notes, and certificates of obligation	\$ 1,280,000	\$ -	\$ 1,280,000
Revenue bonds, net of unamortized discounts of \$258,642	-	686,358	686,358
Total	<u>\$ 1,280,000</u>	<u>\$ 686,358</u>	<u>\$ 1,966,358</u>
<u>2013</u>			
Tax notes, and certificates of obligation	\$ 90,000	\$ -	\$ 90,000
Revenue bonds, net of unamortized discounts of \$294,673	-	710,327	710,327
Total	<u>\$ 90,000</u>	<u>\$ 710,327</u>	<u>\$ 800,327</u>

**THE CITY BUDGET**

During the year ending September 30, 2014, the City adjusted the general fund budgeted amounts by a net \$75,755. The City's final revenue budget exceeded actual revenue by \$89,396, and the final expenditure budget exceeded actual expenditures by \$481,254. The City had budgeted \$250,000 for Library expansion but did not expend the funds.

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP BASIS)</u>	<u>Final Budget</u>
Revenue	\$ 1,276,867	\$ 1,391,884	\$ 1,302,488	\$ (89,396)
Expenditures	(1,954,050)	(1,993,312)	(1,512,058)	481,254
Change before other financing sources and uses	<u>\$ (677,183)</u>	<u>\$ (601,428)</u>	<u>\$ (209,570)</u>	<u>\$ 391,858</u>

**CITY OF MARFA**  
Management's Discussion and Analysis (Unaudited)  
September 30, 2014

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at the City of Marfa City Hall, P.O. Box 787, Marfa, Texas 79843.

**CITY OF MARFA**  
Statement of Net Position  
September 30, 2014

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Nonmajor Component Unit
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,396,723	\$ 742,370	\$ 3,139,093	\$ 496,226
Cash - restricted	-	235,516	235,516	-
Investments	-	65,872	65,872	-
Taxes receivable	80,969	-	80,969	-
Accounts receivable	35,666	400,985	436,651	-
Internal balances	(542,400)	542,400	-	-
Capital assets:				
Land and buildings, net	103,105	85,000	188,105	74,781
Furniture and equipment, net	136,544	351,087	487,631	684
Infrastructure, net	1,810,458	2,922,219	4,732,677	241,245
Construction in progress	-	-	-	47,643
Other assets	-	-	-	13,346
Total assets	4,021,065	5,345,449	9,366,514	873,925
<b>LIABILITIES</b>				
Accounts payable	73,483	52,110	125,593	-
Accrued wages payable	35,008	25,271	60,279	-
Customer deposits	-	92,614	92,614	-
Due to other governments	32,428	-	32,428	-
Deferred outflows	-	256,304	256,304	-
Noncurrent liabilities:				
Due within one year	230,000	60,000	290,000	-
Due in more than one year	1,050,000	626,358	1,676,358	-
Total liabilities	1,420,919	1,112,657	2,533,576	-
<b>NET POSITION</b>				
Net investment in capital assets	770,107	2,671,948	3,442,055	364,353
Restricted for debt service	269,707	-	269,707	-
Restricted for capital projects	-	235,516	235,516	-
Unrestricted	1,560,332	1,325,328	2,885,660	509,572
Total net position	\$ 2,600,146	\$ 4,232,792	\$ 6,832,938	\$ 873,925

The accompanying notes are an integral part of these financial statements.

**CITY OF MARFA**  
Statement of Activities  
For the Year Ended September 30, 2014

EXHIBIT B-1

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
GOVERNMENTAL ACTIVITIES:								
Administration	\$ 655,942	\$ -	\$ -	\$ -	(655,942)	\$ -	(655,942)	\$ -
Law enforcement	286,769	-	-	-	(286,769)	-	(286,769)	-
Fire department	19,736	-	-	-	(19,736)	-	(19,736)	-
Municipal court	30,124	33,178	-	-	3,054	-	3,054	-
EMS	325,001	151,052	-	-	(173,949)	-	(173,949)	-
Library	122,793	-	-	-	(122,793)	-	(122,793)	-
Marfa activity center	66,027	-	-	-	(66,027)	-	(66,027)	-
Parks	11,575	-	-	-	(11,575)	-	(11,575)	-
Hotel	177,979	173,520	-	-	(4,459)	-	(4,459)	-
Depreciation	129,194	-	-	-	(129,194)	-	(129,194)	-
Interest	19,233	-	-	-	(19,233)	-	(19,233)	-
Total governmental activities	<u>1,844,373</u>	<u>357,750</u>	<u>-</u>	<u>-</u>	<u>(1,486,623)</u>	<u>-</u>	<u>(1,486,623)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:								
Enterprise fund	<u>2,163,159</u>	<u>2,294,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,084</u>	<u>131,084</u>	<u>-</u>
Total Business-Type Activities:	<u>2,163,159</u>	<u>2,294,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,084</u>	<u>131,084</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 4,007,532</u>	<u>\$ 2,651,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,486,623)</u>	<u>\$ 131,084</u>	<u>\$ (1,355,539)</u>	<u>-</u>
<b>Component Unit:</b>								
Nonmajor component unit	\$ 71,043	\$ 87,139	\$ -	\$ -	\$ -	\$ -	\$ -	16,096
<b>TOTAL COMPONENT UNIT:</b>	<u>\$ 71,043</u>	<u>\$ 87,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>16,096</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 341,259	\$ -	\$ 341,259	-
Property taxes, levied for debt service					83,245	-	83,245	-
Sales taxes					316,933	-	316,933	-
Franchise taxes					288,050	-	288,050	-
Intergovernmental grants and revenue					127,340	-	127,340	-
Investment earnings					3,476	-	3,476	-
Transfers in (out)					(415,000)	60,000	(355,000)	355,000
Total general revenues and transfers					<u>745,303</u>	<u>60,000</u>	<u>805,303</u>	<u>355,000</u>
Change in net position					(741,320)	191,084	(550,236)	371,096
Net position, beginning of year					<u>3,341,466</u>	<u>4,041,708</u>	<u>7,383,174</u>	<u>502,829</u>
Net position, end of year					<u>\$ 2,600,146</u>	<u>\$ 4,232,792</u>	<u>\$ 6,832,938</u>	<u>\$ 873,925</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MARFA**  
Balance Sheet  
September 30, 2014

EXHIBIT C-1

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,374,206	\$ 22,517	\$ -	\$ 2,396,723
Taxes receivable	50,309	30,660	-	80,969
Accounts receivable	30,953	-	4,713	35,666
Due (to)/from other funds	<u>(701,092)</u>	<u>247,190</u>	<u>(88,498)</u>	<u>(542,400)</u>
 Total assets	 <u>\$ 1,754,376</u>	 <u>\$ 300,367</u>	 <u>\$ (83,785)</u>	 <u>\$ 1,970,958</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 73,183	\$ -	\$ 300	\$ 73,483
Accrued wages payable	28,806	-	6,202	35,008
Due to other governments	-	-	32,428	32,428
Deferred outflows	<u>50,309</u>	<u>30,660</u>	<u>-</u>	<u>80,969</u>
Total liabilities	<u>152,298</u>	<u>30,660</u>	<u>38,930</u>	<u>221,888</u>
Fund balances:				
Restricted	-	269,707	-	269,707
Unassigned	<u>1,602,078</u>	<u>-</u>	<u>(122,715)</u>	<u>1,479,363</u>
Total fund balances	<u>1,602,078</u>	<u>269,707</u>	<u>(122,715)</u>	<u>1,749,070</u>
 Total liabilities and fund balances	 <u>\$ 1,754,376</u>	 <u>\$ 300,367</u>	 <u>\$ (83,785)</u>	 <u>\$ 1,970,958</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MARFA**

EXHIBIT C-2

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	1,749,070
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$5,136,989 and the accumulated depreciation was \$3,104,474. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.		2,135,620
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of including the 2014 capital outlays is to increase net position.		43,681
The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(129,194)
The issuance of debt is reflected as an other financing source in the fund financial statements, but is reported as long-term debt in the government-wide financial statements. The effect of including the proceeds of debt is to decrease net position.		(1,280,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The effect of including the beginning balances for long-term debt in the governmental activities is to decrease net position.		(90,000)
Long-term debt principal payments are expenditures in the fund financial statements, but they are shown as reductions in long-term debt in the government-wide financial statements. The effect of including the 2014 principal payments is to increase net position.		90,000
Deferred outflows are reported in the governmental fund financial statements. On the government-wide financial statements, such revenue is recognized only when received or an enforceable legal claim arises. The effect of the 2014 deferred outflow is to increase net position.		80,969
<b>Net Postion of Governmental Activities</b>	\$	<u><u>2,600,146</u></u>

The accompanying notes are an integral part of these financial statements.



**CITY OF MARFA**  
 Statements of Revenues, Expenditures, and Changes in Fund Balances  
 For the Year Ended September 30, 2014

EXHIBIT C-3

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>				
Property tax	\$ 337,094	\$ 82,229	\$ -	\$ 419,323
Sales tax	316,933	-	-	316,933
Hotel and franchise tax	288,050	-	-	288,050
Court fees	33,178	-	-	33,178
Health services	151,052	-	-	151,052
Interest	3,411	65	-	3,476
Other revenue	172,770	-	750	173,520
Intergovernmental	-	-	127,340	127,340
Total revenues	<u>1,302,488</u>	<u>82,294</u>	<u>128,090</u>	<u>1,512,872</u>
<b>EXPENDITURES:</b>				
Current:				
Administration	578,956	-	76,986	655,942
Law enforcement	146,582	-	140,187	286,769
Fire department	33,586	-	-	33,586
Municipal court	30,124	-	-	30,124
EMS	325,001	-	-	325,001
Library	122,793	-	-	122,793
Marfa activity center	66,027	-	-	66,027
Parks	11,575	-	-	11,575
Hotel	197,414	-	-	197,414
Debt service:				
Principal	-	90,000	-	90,000
Interest	-	19,233	-	19,233
Capital outlay	-	-	10,396	10,396
Total expenditures	<u>1,512,058</u>	<u>109,233</u>	<u>227,569</u>	<u>1,848,860</u>
Deficiency of revenues over expenditures	<u>(209,570)</u>	<u>(26,939)</u>	<u>(99,479)</u>	<u>(335,988)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of tax note	1,280,000	-	-	1,280,000
Transfers in	-	-	-	-
Transfers out	(415,000)	-	-	(415,000)
Total other financing sources (uses)	<u>865,000</u>	<u>-</u>	<u>-</u>	<u>865,000</u>
Net changes in fund balances	655,430	(26,939)	(99,479)	529,012
Fund Balances - beginning	946,648	296,646	(23,236)	1,220,058
Fund Balances - ending	<u>\$ 1,602,078</u>	<u>\$ 269,707</u>	<u>\$ (122,715)</u>	<u>\$ 1,749,070</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MARFA**

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
For the Year Ended September 30, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	529,012
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of removing the 2014 capital outlays is to increase the net position.		43,681
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(129,194)
The issuance of debt is reflected as an other financing source in the fund financial statements, but is reported as long-term debt in the government-wide financial statements. The effect of removing the proceeds of debt is to decrease net position.		(1,280,000)
Current year long-term debt principal payments are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 debt principal payments is to increase net position.		90,000
Decreases of deferred outflows in the fund financial statements are recognized as a decrease of tax revenues in the government-wide financial statements. The effect of this recognition is to decrease net position.		5,181
<b>Change in Net Position of Governmental Activities</b>	\$	<u><u>(741,320)</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MARFA**  
**Statements of Net Position**  
**Proprietary Funds**  
**September 30, 2014**

EXHIBIT D-1

	Enterprise Funds			Total Enterprise Funds
	Water & Sewer Utilities Fund	Public Works Fund	Natural Gas Utilities Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 109,938	\$ 150	\$ 632,282	\$ 742,370
Cash - restricted	235,516	-	-	235,516
Investment in SWTMGC	-	-	65,872	65,872
Accounts receivable, net	225,384	88,983	86,618	400,985
Due (to)/from other funds	628,645	(191,095)	104,850	542,400
Capital assets:				
Land	-	-	85,000	85,000
Furniture and equipment	-	949,977	157,668	1,107,645
Infrastructure	8,766,370	964,405	134,554	9,865,329
Less: accumulated depreciation	(6,109,659)	(1,495,478)	(94,531)	(7,699,668)
Total capital assets, net	<u>2,656,711</u>	<u>418,904</u>	<u>282,691</u>	<u>3,358,306</u>
Total assets	<u>3,856,194</u>	<u>316,942</u>	<u>1,172,313</u>	<u>5,345,449</u>
<b>LIABILITIES</b>				
Accounts payable	9,014	36,335	6,761	52,110
Accrued wages payable	-	14,859	10,412	25,271
Customer deposits	55,135	8,562	28,917	92,614
Deferred outflows	-	256,304	-	256,304
Noncurrent liabilities:				
Due within one year	60,000	-	-	60,000
Due in more than one year	626,358	-	-	626,358
Total liabilities	<u>750,507</u>	<u>316,060</u>	<u>46,090</u>	<u>1,112,657</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,970,353	418,904	282,691	2,671,948
Restricted for capital projects	235,516	-	-	235,516
Unrestricted	899,818	(418,022)	843,532	1,325,328
Total net position	<u>\$ 3,105,687</u>	<u>\$ 882</u>	<u>\$ 1,126,223</u>	<u>\$ 4,232,792</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MARFA**  
 Statements of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 For the Year Ended September 30, 2014

EXHIBIT D-2

	Enterprise Funds			Total Enterprise Funds
	Water & Sewer Utilities Fund	Public Works Fund	Natural Gas Utilities Fund	
<b>OPERATING REVENUES:</b>				
Charges for water services	\$ 467,486	\$ -	\$ -	\$ 467,486
Charges for sewer services	293,642	-	-	293,642
Charges for sanitation services	-	594,034	-	594,034
Charges for gas services	-	-	832,003	832,003
Other revenue	45,359	-	2,801	48,160
TWDB surcharge	60,512	-	-	60,512
Total operating revenues	<u>866,999</u>	<u>594,034</u>	<u>834,804</u>	<u>2,295,837</u>
<b>OPERATING EXPENSES:</b>				
Payroll costs	-	368,206	168,601	536,807
Seminars and training	5,985	-	22,071	28,056
Professional and contracted services	22,189	367,379	6,961	396,529
Utilities	51,725	7,844	7,343	66,912
Maintenance and repairs	25,578	53,397	3,724	82,699
Other operating costs	21,822	52,110	316,757	390,689
Supplies and materials	83,967	10,535	49,246	143,748
Interest expense	36,031	-	-	36,031
Depreciation	305,231	72,821	35,216	413,268
Bad debt	-	68,420	-	68,420
Total operating expenses	<u>552,528</u>	<u>1,000,712</u>	<u>609,919</u>	<u>2,163,159</u>
Operating income	<u>314,471</u>	<u>(406,678)</u>	<u>224,885</u>	<u>132,678</u>
<b>NON OPERATING REVENUES AND EXPENSES</b>				
Change in value of investment in SWTMGC	-	-	(1,594)	(1,594)
Transfers in	60,000	-	-	60,000
Total non operating revenues and expenses	<u>60,000</u>	<u>-</u>	<u>(1,594)</u>	<u>58,406</u>
Increase (decrease) in net position	374,471	(406,678)	223,291	191,084
Total net position - beginning of year	<u>2,731,216</u>	<u>407,560</u>	<u>902,932</u>	<u>4,041,708</u>
Total net position - end of year	<u>\$ 3,105,687</u>	<u>\$ 882</u>	<u>\$ 1,126,223</u>	<u>\$ 4,232,792</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MARFA**  
**Statements of Cash Flows**  
**Proprietary Funds**  
For the Year Ended September 30, 2014

EXHIBIT D-3

	Enterprise Funds			Total Enterprise Funds
	Water & Sewer Utilities Fund	Public Works Fund	Natural Gas Utilities Fund	
<b>Cash Flows from Operating Activities:</b>				
Cash received from user charges	\$ 718,985	\$ 721,264	\$ 725,432	\$ 2,165,681
Cash payments to employees for services	-	(366,646)	(169,037)	(535,683)
Cash payments to suppliers	(245,376)	(491,800)	(405,226)	(1,142,402)
Other operating income	60,512	-	-	60,512
Net cash provided (used) by operating activities	534,121	(137,182)	151,169	548,108
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers in	60,000	-	-	60,000
Transfers out	(628,645)	191,095	(104,850)	(542,400)
Net cash provided (used) by non-capital financing activities	(568,645)	191,095	(104,850)	(482,400)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of capital assets	(1,326)	(53,913)	(45,372)	(100,611)
Principal payments	(23,969)	-	-	(23,969)
Net cash used for capital and related financing activities	(25,295)	(53,913)	(45,372)	(124,580)
<b>Cash Flows from Investing Activities:</b>				
Proceeds from investments	-	-	-	-
Net cash provided by investing activities	-	-	-	-
Net increase (decrease) in cash and cash equivalents	(59,819)	-	947	(58,872)
Cash and cash equivalents at beginning of the year	405,273	150	631,335	1,036,758
Cash and cash equivalents at end of the year	\$ 345,454	\$ 150	\$ 632,282	\$ 977,886
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</b>				
Operating income (loss)	\$ 314,471	\$ (406,678)	\$ 224,885	\$ 132,678
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	305,231	72,821	35,216	413,268
Effect of increases and decreases in current assets and liabilities:				
Accounts receivable	(87,502)	(6,164)	(86,618)	(180,284)
Accounts payable	494	1,038	(1,465)	67
Accrued wages payable	-	1,560	(436)	1,124
Deferred outflows	-	201,814	(22,754)	179,060
Customer deposits	1,427	(1,573)	2,341	2,195
Net cash provided (used) by operating activities	\$ 534,121	\$ (137,182)	\$ 151,169	\$ 548,108

The accompanying notes are an integral part of these financial statements.

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The City of Marfa (the “City”) is a municipal corporation incorporated in the State of Texas and operates as a general law type A municipality utilizing a Council-City Administrator form of organization. The Council is composed of a Mayor and five Council members, all of whom are elected at large for two-year terms. The City provides the following services: fire and police protection, streets, sanitation, water service, gas service, health and social services, culture-recreation and general administration services.

The City’s annual financial report includes the accounts of all City operations and the accounts of one discretely presented component unit, the City of Marfa Section 4B Sales Tax funded Parks and Recreational Project. The Parks and Recreational Project is funded by a ½ cent sales tax. The City Council appoints the members of the Parks and Recreational Project Board and is responsible for the collection and remission of the sales tax. The accounting policies of the City conform to generally accepted accounting principles. The following is a summary of significant accounting policies.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all governmental and business-type activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Taxes and other items not allocated among program revenues are reported as general revenues.

The accounts of the City are organized on the basis of funds. The fund level statements focus on the governmental and proprietary funds. Each fund was established to account for specific activities in accordance with applicable regulations, restrictions, or limitations. Major funds are determined by criteria specified by GASB Statement 34, as amended. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are aggregated into governmental or enterprise other fund groupings.

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e. both measurable and available). Revenues, other than grants, are considered available when they are collectible within the current period or soon enough thereafter to liquidate liabilities of the current period (defined by the City as collected within 60 days of the end of the fiscal year). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed or when all eligibility requirements of the provider have been met, and they are considered to be available if expected to be collected within one year. Expenditures generally are recorded when a liability is due. However, expenditures related to compensated absences are recorded when payment is due. Debt service expenditures are recognized when payment is due. The reported fund balance of governmental funds is considered a measure of available spendable resources.

Property taxes, sales taxes, franchise taxes, hotel occupancy taxes, emergency medical service charges, municipal court fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available in the fiscal period the City receives cash.

Governmental Funds: Consist of the general fund, debt service fund, and grant fund.

The City reports the following major governmental fund:

General Fund: The primary operating fund of the City. It is used to account for all financial resources that are not required to be accounted for in another fund. It includes the following activities: general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; and urban growth management.

In addition, the City reports the following non-major governmental funds:

Debt Service Funds: Account for the accumulation of resources for, and the payment of, general long-term debt.

Other Funds: Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, including grant funds.

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing electric, gas, or water-wastewater services. Other revenues or expenses are nonoperating items.

Proprietary Funds: Consist of enterprise funds.

Enterprise Funds: Account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

**D. ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. Investments are carried at fair value, which is based on quoted market prices.
2. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

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

3. After one year, all full time employees earn between 80 to 120 hours of vacation time per year. Employees are permitted to accumulate accrued vacation leave up to a maximum of between 80 to 240 hours each calendar year. Upon retirement or termination, the employee is paid for accumulated, unpaid vacation at their then current rate of pay. All vacation benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirement or termination.
4. Capital assets, which include land, infrastructure, buildings, improvements other than buildings, machinery and equipment, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life of at least one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.



**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

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

Infrastructure, buildings, improvements other than buildings, and machinery and equipment of the City and the component units are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	25 - 75
Machinery and Equipment	7 - 15

5. In the fund financial statements, the City classifies its fund balance into five categories: nonspendable, restricted, committed, assigned or unassigned. *Nonspendable* fund balances include amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. *Restricted* fund balances have constraints on use of resources by externally imposed creditors or by constitutional provisions or enabling legislation. *Committed* fund balances are used for specific purposes pursuant to constraints imposed by the formal action of the City’s highest level of decision making. *Assigned* fund balances are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed by the City. *Unassigned* fund balance is the residual classification for the general fund.
6. The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.
7. The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.
8. Accounts receivable are recorded at the value of the revenue earned and require payment within 30 days. The City recognizes a provision for doubtful accounts based on an assessment of specific accounts that are no longer estimated to be collectible. Delinquent accounts receivable do not accrue interest. The City’s allowance for doubtful accounts was \$227,162 at September 30, 2014.
9. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

10. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. NEW PRONOUNCEMENTS**

GASB Statement No. 68, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement. GASB No. 68 is effective for financial statements for fiscal years beginning after June 15, 2014, earlier application is encouraged. The City has not adopted GASB No. 68.

**II. BUDGETARY DATA**

**A. GENERAL BUDGET POLICIES**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to September 1, the mayor (as the chief budgetary official) submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Prior to September 30, the budget is legally enacted through Council approval.
- (4) The City Secretary is required by the City Council to present a monthly report to the City Council explaining any variance from the approved budget.
- (5) The budget adopted includes revenues and expenses in connection with the utility and garbage service.
- (6) Appropriations lapse at the end of each fiscal year.
- (7) The City Council may authorize supplemental appropriations during the year.

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

**B. ENCUMBRANCES**

As part of formal budgetary control over governmental funds, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent-year expenditures for the governmental funds. There were no outstanding encumbrances as of September 30, 2014.

**III. NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

Deposit and investment resources are exposed to risks that have the potential to result in losses that could impact the delivery of the City’s services. The following is a reconciliation of cash and cash equivalents and investments as shown on the Statement of Net Position for the primary government at September 30, 2014:

Cash and cash equivalents	\$ 3,139,093
Money market mutual fund	235,516
Investment in Joint Venture	65,872
Total	<u>\$ 3,440,481</u>

Cash and cash equivalents	\$ 3,139,093
Cash – restricted	235,516
Investments	65,872
Total	<u>\$ 3,440,481</u>

The following is a reconciliation of cash and cash equivalents and investments as shown on the Statement of Net Position for the component unit at September 30, 2014:

Deposits with financial institutions	\$ 445,899
Certificate of deposit	50,327
Total	<u>\$ 496,226</u>

Cash and cash equivalents	\$ 496,226
Total	<u>\$ 496,226</u>

***Custodial Credit Risk***

**Deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover its collateral securities that are in the possession of an outside party. The City has a safekeeping clause in its investment policy which notes that collateral pledged to secure City deposits will be held in accordance with a safekeeping agreement which clearly defines the procedures for obtaining access to the collateral. The safekeeping institution is defined as the Federal Reserve

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

Bank, or an institution not affiliated with the firm pledging the collateral. At September 30, 2014, the carrying amount of the City's cash held in demand deposits was \$3,366,894. The bank balance was \$3,468,086 as of September 30, 2014.

There is no limit on the amount the City may deposit in any one institution. At September 30, 2014, bank balances exceeded the FDIC insured limits by \$3,023,152. This excess was fully covered by pledged securities in the City's name in the amount of \$3,564,678 at September 30, 2014.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the City, and are held by the counterparty, its trust or agent, but not in the City's name. The City's investment securities are not exposed to custodial credit risk because all securities are held by the City's custodial banks in the City's name.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City is authorized to invest funds in accordance with its investment policy, bond indentures, and the Texas Public Funds Investment Act. Authorized investments for the City include, but are not limited to: U.S. government obligations and its agencies, obligations of Texas and its agencies, fully collateralized repurchase agreements, certificates of deposit, government pools and money market funds. Authorized investments for the City include obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds, and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes). The assets that make up the money market mutual fund are comprised of U.S. Treasury Bills and U.S. Treasury Notes.

The City's investments are insured or registered and are held by the City or its agent in the City's name.

***Interest Rate Risk***

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Interest rate risk may be mitigated by investing operating funds primarily in shorter term securities, money market funds or similar investment pools and limiting the average maturity of the portfolio.

The City's investment policy notes that with regard to maximum maturities, the City will attempt to match its investments with its anticipated cash flow requirements. The average maturity of investments of the operating funds is one year. The maximum stated maturity of any investment shall not exceed five years.

As of September 30, 2014, the City's certificates of deposit had a remaining maturity of less than one year.

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

***Investments***

The City adhered to the requirements of the Texas Public Funds Investment Act. The investment practices of the City were in accordance with City policies.

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the City. To help mitigate credit risk, credit quality guidelines are incorporated into the investment policy, as follows:

- Limiting investments to the safest types of securities, as listed above under the ‘Concentration of Credit Risk’ section; and
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business.

**B. PROPERTY TAXES AND RECEIVABLES**

The City’s property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and business personal property located in the City. The assessed value at January 1, 2013, upon which the fiscal year 2014 levy was based, was \$81,955,150. This amount is the net taxable value adjusted for frozen taxable value. The amount of the levy attributable to frozen taxes was \$4,240,470. The total levy assessed was \$402,235. The total taxable value before the adjustment for frozen taxable value was \$86,195,620.

The tax assessment of October 1, 2013 set a tax levy at \$0.486628 per \$100 of assessed valuation at 100% of assumed market value. Taxes are due by January 31 following the October 1 levy date, at which time a lien attaches to the property.

Property taxes at the fund level are recorded as receivable at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. At September 30, 2014, delinquent property taxes receivable are \$80,969, net of an allowance for doubtful accounts of \$0.

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

**C. CAPITAL ASSET ACTIVITY**

Capital asset activity for the City's governmental activities for the year ended September 30, 2014, was as follows:

<b>Governmental activities:</b>	<b>Beginning Balance</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 103,105	\$ -	\$ -	\$ 103,105
Total capital assets, not being depreciated	<u>103,105</u>	<u>-</u>	<u>-</u>	<u>103,105</u>
Capital assets, being depreciated:				
Infrastructure	4,454,423	33,285	-	4,487,708
Furniture and equipment	682,566	10,396	-	692,962
Total assets being depreciated	<u>5,136,989</u>	<u>43,681</u>	<u>-</u>	<u>5,180,670</u>
Less accumulated depreciation for:				
Infrastructure	(2,589,088)	(88,162)	-	(2,677,250)
Furniture and equipment	(515,386)	(41,032)	-	(556,418)
Total accumulated depreciation	<u>(3,104,474)</u>	<u>(129,194)</u>	<u>-</u>	<u>(3,233,668)</u>
Total capital assets, being depreciated, net	<u>2,032,515</u>	<u>(85,513)</u>	<u>-</u>	<u>1,947,002</u>
Governmental activities capital assets, net	<u>\$ 2,135,620</u>	<u>\$ (85,513)</u>	<u>\$ -</u>	<u>\$ 2,050,107</u>

Capital asset activity for the City's business-type activities for the year ended September 30, 2014, was as follows:

<b>Business-type activities:</b>	<b>Beginning Balance</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 85,000	\$ -	\$ -	\$ 85,000
Total capital assets, not being depreciated	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>85,000</u>
Capital assets, being depreciated:				
Infrastructure	9,825,114	40,215	-	9,865,329
Furniture and equipment	1,047,249	60,396	-	1,107,645
Total assets being depreciated	<u>10,872,363</u>	<u>100,611</u>	<u>-</u>	<u>10,972,974</u>
Less accumulated depreciation for:				
Infrastructure	(6,613,209)	(329,901)	-	(6,943,110)
Furniture and equipment	(673,190)	(83,368)	-	(756,558)
Total accumulated depreciation	<u>(7,286,399)</u>	<u>(413,269)</u>	<u>-</u>	<u>(7,699,668)</u>
Total capital assets, being depreciated, net	<u>3,585,964</u>	<u>(312,658)</u>	<u>-</u>	<u>3,273,306</u>
Business-type activities capital assets, net	<u>\$ 3,670,964</u>	<u>\$ (312,658)</u>	<u>\$ -</u>	<u>\$ 3,358,306</u>

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

Capital asset activity for the City's nonmajor component unit for the year ended September 30, 2014, was as follows:

<b>Component Unit:</b>	<b>Beginning Balance</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Construction in progress	\$ 10,780	\$ 36,863	\$ -	\$ 47,643
Total capital assets, not being depreciated	<u>10,780</u>	<u>36,863</u>	<u>-</u>	<u>47,643</u>
Capital assets, being depreciated:				
Building	91,654	-	-	91,654
Infrastructure	308,520	2,820	-	311,340
Furniture and equipment	63,761	-	-	63,761
Total assets being depreciated	<u>463,935</u>	<u>2,820</u>	<u>-</u>	<u>466,755</u>
Less accumulated depreciation for:				
Building	(14,513)	(2,360)	-	(16,873)
Infrastructure	(47,702)	(22,393)	-	(70,095)
Furniture and equipment	<u>(62,646)</u>	<u>(431)</u>	<u>-</u>	<u>(63,077)</u>
Total accumulated depreciation	<u>(124,861)</u>	<u>(25,184)</u>	<u>-</u>	<u>(150,045)</u>
Total capital assets, being depreciated, net	<u>339,074</u>	<u>(22,364)</u>	<u>-</u>	<u>316,710</u>
Component unit capital assets, net	<u>\$ 349,854</u>	<u>\$ 14,499</u>	<u>\$ -</u>	<u>\$ 364,353</u>

**D. BONDS AND LONG-TERM NOTES PAYABLE**

The following is a summary of the City's governmental long-term debt at September 30, 2014:

**Governmental Activities:**

\$1,280,000; 2014 Texas Tax Note; due in annual installments through 2021; variable interest rate from 1.8%-3.3%.

Outstanding at September 30, 2014	\$ 1,280,000
Less: current maturities	<u>(230,000)</u>
Long-term debt at September 30, 2014	<u>\$ 1,050,000</u>

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

The following is a summary of the City's proprietary long-term debt at September 30, 2014:

**Business-Type Activities:**

\$1,265,000; 2007; Texas Waterworks and Wastewater System Revenue Bonds; due in annual installments through 2026. This bond bears no interest; therefore the City discounted the bond using the Treasury Constant Maturities rate as of the bond's effective date (5.34% at June 15, 2007). At September 30, 2014, the unamortized discount totaled \$258,642.

Outstanding at September 30, 2014, less unamortized discounts	\$	686,358
Less: current maturities		<u>(60,000)</u>
Long-term debt at September 30, 2014, less unamortized discounts	\$	<u><u>626,358</u></u>

The 2007 Bond is secured by a pledge of the net revenues of the City's combined water and wastewater system.

A summary of changes in long-term debt for the year ended September 30, 2014 is as follows:

Description	Amounts Outstanding October 1, 2013	Additions	Retirements	Amounts Outstanding September 30, 2014
Governmental activities:				
2010 Tax note	\$ 90,000	\$ -	\$ (90,000)	\$ -
2014 Tax note	-	1,280,000	-	1,280,000
	<u>90,000</u>	<u>1,280,000</u>	<u>(90,000)</u>	<u>1,280,000</u>
Business-type activities:				
Revenue bonds	710,327	-	(23,969)	686,358
	<u>710,327</u>	<u>-</u>	<u>(23,969)</u>	<u>686,358</u>
Totals	<u>\$ 800,327</u>	<u>\$ 1,280,000</u>	<u>\$ (113,969)</u>	<u>\$ 1,966,358</u>



**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

**E. DEBT SERVICE REQUIREMENTS – BONDS AND NOTES PAYABLE**

Debt service requirements for the City’s obligations are as follows:

<b>Governmental Activities</b>			
<b>Tax Note</b>			
Year Ended September 30,	Principal	Interest	Total Requirements
2015	\$ 230,000	\$ 32,490	\$ 262,490
2016	230,000	20,103	250,103
2017	230,000	17,625	247,625
2018	145,000	14,749	159,749
2019	145,000	10,616	155,616
2020-2021	300,000	9,838	309,838
	<u>\$ 1,280,000</u>	<u>\$ 105,421</u>	<u>\$ 1,385,421</u>

<b>Business-Type Activities</b>			
<b>Revenue Bond</b>			
Year Ended September 30,	Principal	Interest	Total Requirements
2015	\$ 25,248	\$ 34,752	\$ 60,000
2016	31,597	33,403	65,000
2017	38,284	31,716	70,000
2018	40,328	29,672	70,000
2019	52,482	27,518	80,000
2020-2024	328,096	91,904	420,000
2025-2026	170,323	9,677	180,000
	<u>\$ 686,358</u>	<u>\$ 258,642</u>	<u>\$ 945,000</u>

**F. EMPLOYEE RETIREMENT SYSTEMS**

Texas Municipal Retirement System

*Plan Description*

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee’s contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee’s accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee’s accumulated contributions and the monetary

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate in advance for budgetary purposes; there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2012 valuation is effective for rates beginning January 2014).

**Actuarial Assumptions**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years – Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7.0%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost-of-Living Adjustments	3.0% CPI
City-specific assumptions:	
Payroll growth assumptions	3.0%
Withdrawal rates for male/female	High/Mid-High

The City of Marfa is one of 844 active municipalities having the benefit plan administered by TMRS. Each of the 844 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2013 valuations are contained in the 2013 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

The annual pension costs and net pension obligations are as follows:

<u>Year End</u>	<u>Total Salaries</u>	<u>TMRS Funding Rate</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/2012	\$ 1,033,989	0.70%	\$ 7,238	\$ 11,830	163.4%	\$ (4,592)
9/30/2013	986,091	0.80%	7,889	17,039	216.0%	(9,150)
9/30/2014	958,635	1.94%	18,598	29,098	156.5%	(10,500)

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Texas Emergency Services Retirement System

*Plan Description*

The City provides pension, disability and survivor benefits for all persons whom perform services as a volunteer and auxiliary member of the Marfa Volunteer Fire Department through the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple-employer pension system.

No contributions are required by individual members. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. At the date the plan began, the City granted monetary credits for service rendered before the plan began of \$28,539. Monetary credits for service since the plan began are \$45 per active member per month. Contributions made by the City the last three years are as follows:

<u>Year End</u>	<u>Actual Contribution Made</u>
9/30/2012	\$ 6,570
9/30/2013	12,525
9/30/2014	8,055

Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service. Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

**CITY OF MARFA**  
Notes to the Financial Statements  
September 30, 2014  
(continued)

Under the state law governing TESRS, the actuary biennially determines the City’s contribution rate to determine if it is adequate to pay the benefits that are promised.

**Actuarial Assumptions**  
**As of August 31, 2013**

Actuarial Cost Method	Entry Age
Amortization Method	Level dollar, open
Remaining Amortization Period	Infinity
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Investment Rate of Return	7.75%
Projected Salary Increases	N/A
Includes Inflation At	3.5%
Cost-of-Living Adjustments	None

The City of Marfa is one of 188 member fire or emergency services departments having the benefit plan administered by TESRS. None of the 188 member fire or emergency services departments has an annual or biennial, individual actuarial valuation performed.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**G. JOINT VENTURE**

The Southwest Texas Municipal Gas Corporation (“STMGC”), a nonprofit Texas corporation, operated the gas distribution system for the cities of Marfa and Alpine in accordance with the inter-local governmental agreement effective February 18, 2009. In February 2012, Southwest Texas Municipal Gas Corporation dissolved and the City of Marfa began operations of a City Gas Department. The assets held by STMGC are divided equally between the cities of Marfa and Alpine. The fair value of assets received by the City in the liquidation as of September 30, 2013 was \$67,466. The fair value of these assets as of September 30, 2014 is \$65,872.

**H. SUBSEQUENT EVENTS**

The City evaluates events that occur subsequent to the Statement of Net Position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the City’s financial statements are issued. For the financial statements as of and for the year ending September 30, 2014, this date was March 31, 2015. No subsequent events occurred that would require an adjustment to the 2014 financial statements.

**CITY OF MARFA**  
 Required Supplementary Information-Unaudited  
 Schedule of Funding Progress  
 For the Year Ended September 30, 2014

**EMPLOYEE RETIREMENT PLANS**

Texas Municipal Retirement System

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Actuarial Value of Assets	\$ 2,505,114	\$ 2,383,732	\$ 2,368,284
Actuarial Accrued Liability (AAL)	\$ 2,014,580	\$ 1,805,594	\$ 1,839,434
Percentage Funded	124%	132%	129%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	\$ (490,534)	\$ (578,138)	\$ (528,850)
Annual Covered Payroll	\$ 864,158	\$ 840,628	\$ 760,901
UAAL as a Percentage of Covered Payroll	56.76%	68.77%	69.50%

Texas Emergency Services Retirement System

**Schedule of Funding Progress for All Members of Fire or Emergency Services  
 Departments Administered by TESRS**

<u>Actuarial Valuation Date</u> <u>(completed December 4, 2014)</u>	<u>August 31,</u> <u>2014</u>	<u>August 31,</u> <u>2012</u>	<u>August 31,</u> <u>2010</u>
Actuarial Value of Assets	\$ 83,761,038	\$ 67,987,487	\$ 64,113,803
Actuarial Accrued Liability (AAL)	\$ 109,854,799	\$ 101,856,042	\$ 81,264,230
Percentage Funded	76.2%	66.7%	78.9%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	\$ 26,093,761	\$ 33,868,555	\$ 17,150,427
Annual Covered Payroll	\$ N/A	\$ N/A	\$ N/A
UAAL as a Percentage of Covered Payroll	N/A	N/A	N/A

**CITY OF MARFA**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual-General Fund-Unaudited  
For the Year Ended September 30, 2014

	<u>(Unaudited)</u>		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property tax	\$ 309,330	\$ 340,000	\$ 337,094	\$ (2,906)
Sales tax	359,000	334,850	316,933	(17,917)
Hotel and franchise tax	245,000	309,000	288,050	(20,950)
Court fees	26,000	26,000	33,178	7,178
Health services	215,507	216,057	151,052	(65,005)
Interest	2,200	2,200	3,411	1,211
Other revenue	119,830	163,777	172,770	8,993
Total revenues	<u>1,276,867</u>	<u>1,391,884</u>	<u>1,302,488</u>	<u>(89,396)</u>
<b>EXPENDITURES:</b>				
Current:				
Administration	661,708	666,217	578,956	87,261
Law enforcement	181,229	181,229	146,582	34,647
Fire department	47,900	47,900	33,586	14,314
Municipal court	34,650	38,150	30,124	8,026
EMS	343,578	345,478	325,001	20,477
Library	404,236	395,089	122,793	272,296
Marfa activity center	62,456	64,956	66,027	(1,071)
Parks	5,500	5,500	11,575	(6,075)
Hotel	212,793	248,793	197,414	51,379
Total expenditures	<u>1,954,050</u>	<u>1,993,312</u>	<u>1,512,058</u>	<u>481,254</u>
Expenditures in excess of revenues	\$ <u>(677,183)</u>	\$ <u>(601,428)</u>	(209,570)	\$ <u>391,858</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of tax notes			1,280,000	
Transfers in			-	
Transfers out			<u>(415,000)</u>	
Total other financing sources (uses)			<u>865,000</u>	
Net change in fund balances			655,430	
Fund Balance - beginning balance			<u>946,648</u>	
Fund Balance - ending balance			<u>\$ 1,602,078</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF MARFA**  
Notes to Required Supplementary Information-Unaudited  
For the Year Ended September 30, 2014

**Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to September 1, the mayor (as the chief budgetary official) submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to September 30, the budget is legally enacted through Council approval.
- 4) The City Secretary is required by the City Council to present a monthly report to the City Council explaining any variance from the approved budget.
- 5) The budget adopted includes revenues and expenses in connection with the utility and garbage service.
- 6) Appropriations lapse at the end of each fiscal year.
- 7) The City Council may authorize supplemental appropriations during the year.

**Encumbrances**

As part of formal budgetary control over governmental funds, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent-year expenditures for the governmental funds. There were no outstanding encumbrances as of September 30, 2014.

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

Honorable Mayor and  
Members of the City Council  
City of Marfa, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marfa ("the City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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



**Purpose of this Report**

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

**PMB HELIN DONOVAN, LLP**

*PMB Helin Donovan, LLP*

March 31, 2015  
Austin, Texas

March 31, 2015

Mayor Dan Dunlap  
City of Marfa  
PO Box 787  
113 South Highland Avenue  
Marfa, Texas 79843

To the City Council and Management  
of the City of Marfa:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marfa (the City) for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 31, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements include fixed asset depreciation and useful lives, and the allowance for doubtful accounts.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Cash and Investments, Capital Assets, Long-term Debt and Employee Retirement Plan.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements



detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. See Exhibit A.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 31, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of Funding Progress and Budgetary Comparison Schedule-General Fund, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Marfa and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

**PMB HELIN DONOVAN, LLP**

*PMB Helin Donovan, LLP*

March 31, 2015  
Austin, Texas

**EXHIBIT A**

<b>Adjusting Journal Entries JE # 1</b>		I-03	
To correct items improperly accrued or not properly accrued			
01.00.201.050	Accts Payable-General	7,360.00	
01.01.615.157	Retirement	8,037.00	
01.05.622.163	Vehicle Fuel & Oil	2,203.00	
01.08.638.175	Advertising - Events-Grants	502.00	
01.10.633.167	Utilities - Electricity	9,065.00	
02.00.201.050	Accts Payable-Public Works	4,717.00	
05.00.201.050	Accts Payable-Nat'l Gas	2,487.00	
01.00.201.050	Accts Payable-General		19,807.00
01.00.205.056	Health Insurance		7,360.00
02.00.205.056	Health Insurance		4,717.00
05.00.205.056	Health Insurance Nat'l Gas		2,487.00
<b>Total</b>		<b>34,371.00</b>	<b>34,371.00</b>
<b>Adjusting Journal Entries JE # 2</b>			
To clear variance between B-01 and Client GL created by bank recon module error.			
01.01.689.181	Other Expense	5,773.00	
01.00.101.011	General Fund Check Acct		5,773.00
<b>Total</b>		<b>5,773.00</b>	<b>5,773.00</b>
<b>Adjusting Journal Entries JE # 3</b>			
Adjustment to true up gain on investment in SWTMG.			
05.25.530.092	Gain/Loss SWTMG	1,594.00	
05.00.170.041	Investment SWTMG Corp		1,594.00
<b>Total</b>		<b>1,594.00</b>	<b>1,594.00</b>
<b>Adjusting Journal Entries JE # 4</b>			
To properly reflect 9.30.2014 property tax receivable and deferred revenue.			
01.00.121.039	AD VALOREM Taxes Receivable	3,219.00	
04.00.121.038	AD Valorem Taxes Receivable	1,962.00	
01.00.201.039	Deferred Tax Revenue		3,219.00
04.00.201.039	Deferred Tax Revenue		1,962.00
<b>Total</b>		<b>5,181.00</b>	<b>5,181.00</b>
<b>Adjusting Journal Entries JE # 5</b>			
To record the current year unamortized discount adjustment for 9/30/2014			
03.23.700.00	Interest Expense	36,030.00	
03.00.220.068	Unamortized discount on notes payable		36,030.00
<b>Total</b>		<b>36,030.00</b>	<b>36,030.00</b>
<b>Adjusting Journal Entries JE # 6</b>			
Account for final principle payment on 2010 tax note payable.			
04.30.697.207	Principal Payments on debt -KF made acct, see if they have dif num	90,000.00	
04.00.220.063	2010 Tax Note Payable		90,000.00
<b>Total</b>		<b>90,000.00</b>	<b>90,000.00</b>



**EXHIBIT A**  
**(Continued)**

<b>Adjusting Journal Entries JE # 7</b>		<b>G-02-1</b>	
To reclass cy proprietary capital additons from capital outlay			
02.00.170.042	Equipment/Vehicles/Trailers	53,913.00	
05.00.170.040	Infrastructure	38,889.00	
05.00.170.042	Equipment/Vehicles/Trailers Natl Gas	6,483.00	
02.21.691.184	Capital Outlay		53,913.00
05.25.691.184	Capital Outlay		45,372.00
<b>Total</b>		<b>99,285.00</b>	<b>99,285.00</b>
<b>Adjusting Journal Entries JE # 8</b>		<b>G-02-1</b>	
To reclass expenses out of capital outlay to proper expense acct-assets don't meet capitalization policy.			
01.01.620.159	Supplies	733.00	
01.05.631.165	Equipment Maintenance	8,735.00	
01.06.620.159	Supplies	1,418.00	
01.08.620.159	Supplies	11,369.00	
01.08.632.166	Vehicle Maintenance	2,837.00	
01.10.631.164	Building Maintenance	1,225.00	
02.21.691.219	street repair & paving	626.00	
03.23.620.159	Supplies	2,158.00	
05.25.620.159	Supplies	4,365.00	
09.13.620.159	Supplies	4,497.00	
01.01.691.184	Capital Outlay		733.00
01.05.691.184	Capital Outlay		8,735.00
01.06.689.184	Capital Outlay		1,418.00
01.08.691.184	Capital Outlay		14,206.00
01.10.691.184	Capital Outlay		1,225.00
02.21.691.184	Capital Outlay		626.00
03.23.691.184	Capital Outlay		2,158.00
05.25.691.184	Capital Outlay		4,365.00
09.13.691.184	Capital Outlay		4,497.00
<b>Total</b>		<b>37,963.00</b>	<b>37,963.00</b>
<b>Adjusting Journal Entries JE # 9</b>		<b>G-02-1</b>	
To record cy depreciation in proprietary funds.			
02.21.689.207	Depreciation Expense	19,288.00	
02.21.689.207	Depreciation Expense	53,533.00	
03.23.689.207	Depreciation Expense	113,202.00	
03.24.689.207	Depreciation	55,861.00	
03.24.689.207	Depreciation	136,168.00	
05.25.689.207	Depreciation Expense	5,382.00	
05.25.689.207	Depreciation Expense	29,834.00	
02.00.170.048	Depreciation - Sanitation		19,288.00
02.00.170.049	Depreciation - Equipment		53,533.00
03.00.170.042	Accumulated Depreciation-Infrastructure		136,168.00
03.00.170.047	Depreciation - Water		113,202.00
03.00.170.048	Depreciation - Sewer		55,861.00
05.00.170.047	Depreciation - Infrastructure		5,382.00
05.00.170.049	Depreciation - Equipment Natl Gas		29,834.00
<b>Total</b>		<b>413,268.00</b>	<b>413,268.00</b>
<b>Adjusting Journal Entries JE# 10</b>		<b>D-02</b>	
Adjust AR allowance and bad debt expense.			
02.21.611.181	Bad Debt Expense	68,420.00	
02.00.121.039	Reserve for Doubtful Accounts		68,420.00
<b>Total</b>		<b>68,420.00</b>	<b>68,420.00</b>

**EXHIBIT A**  
(Continued)

<b>Adjusting Journal Entries JE # 11</b>				
To reclass transfer from General Fund.				
2710	Tax Note payable		355,000.00	
8595	Transfers In			355,000.00
<b>Total</b>			<b>355,000.00</b>	<b>355,000.00</b>
<b>Adjusting Journal Entries JE # 12</b>				
Correct py entry # 12 to correct BOY equity.		PYAJE		
Funds out of balance.				
02.00.390.070	Fund Balance		3,791.00	
03.00.391.046	Due From (To) Other		3,791.00	
02.00.391.046	Due From (To) Other			3,791.00
03.00.390.070	Fund Balance			3,791.00
<b>Total</b>			<b>7,582.00</b>	<b>7,582.00</b>
<b>Adjusting Journal Entries JE # 13</b>				
Correct BOY fund balance.				
03.00.217.066	2007 Bonds due withing one year		60,000.00	
03.00.390.070	Fund Balance		31,731.00	
03.00.150.035	Funds Transfer			89,071.00
03.23.689.181	Other Expense			2,660.00
<b>Total</b>			<b>91,731.00</b>	<b>91,731.00</b>

**Attachment Part C49:**

**a. Schedule**

**General obligation outstanding debt of \$1,050,000 held by Big Bend Banks, N.A.**

**b. Schedule**

**Revenue outstanding debt of \$885,000 held by Tx. Water Development Board**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

### Part D: Project Information

53. Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.):  
The City currently operates three water wells which supply the demand of the entire City. One of the wells is over 50 years old and the pump is stuck in the casing and attempts to repair/replace the pump have been unsuccessful. While the aquifer has plenty of water for the City, losing this well would hinder the City's ability to serve the domestic water demand.

54. Description of Project, including a bulleted list of project elements/components, and alternatives considered (including existing facilities):  
The project would drill and equip a new well to replace the existing well that has reached the end of its projected useful life. The major components of this project along with their costs are listed in the PEFR attached.

A complete preliminary engineering feasibility data must include:

- a. A description and purpose of the project, including existing facilities.
  - Note: CWSRF and DWSRF must address issues scored in Intended Use Plan submittal

**Attached**

- b. **If project is for Construction only, then attach** the appropriate Engineering Feasibility Report:

a) **Water** (TWDB-0555 at

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0555.pdf>)

**Attached**

b) **Wastewater** (TWDB-0556 at

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0556.pdf>)

**Attached**

- c. DWSRF applicants must complete a Projected Draw Schedule (TWDB-1202 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1202.xls>)

55. Water Made Available (For projects requesting a construction component):

a. *New supply* 967.8 (acre-feet/year) 557,754 (\$) capital cost

- The **increase** in the total annual volume of water supply that will be made available to the recipient(s) by the proposed project.
- Water Plan project examples: new groundwater wells, reservoir development, pipelines to sources.

b. *New Conservation savings* 0 (acre-feet/year) 0 (\$) capital cost

- Annual volume of anticipated water savings resulting from implementation of the proposed conservation project (including water loss) and other conservation activities,
- Water Plan project examples: municipal conservation, advanced Water Conservation, on-farm conservation, brush control, irrigation conservation.

c. *New Reuse supply* 0 (acre-feet/year) 0 (\$) capital cost



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Increase in the annual volume of (direct or indirect) reuse water supply that will be made available to the recipient(s) by the proposed project.
- Water Plan project examples: direct reuse, non-potable reuse, recycled water programs.

d. Maintenance of Current Supply \_\_\_\_\_ 0 \_\_\_\_\_ (acre-feet/year) \_\_\_\_\_ (\$) capital cost

- Volume of recipients' current supplies that will be maintained by implementing the proposed project
- Water Plan project examples: None. Not a water plan project. (Examples of these type projects: treatment rehabilitation, system storage facilities, system upgrades).

56. Project Location:  
The project is located in the City of Marfa, TX. The location of the new well will be determined in the planning and design process.

Attach a map of the service area and drawings as necessary to locate and describe the project. The map should show the project footprint and major project components.

**Attached**

57. Attach the Census tract numbers in which the applicant's service area is within. The Census tracts within your area may be found at:  
<http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>.

**Please follow these steps:**

- Select Advanced Search.
- Select the Geographies button located below Topics (left side of page).
- On the top of the window select the Name tab.
- In the text box, type "All Census Tracts within \_\_\_\_" (Fill in the blank with the name of a County Subdivision or a Place.) Select "Go".
- If your town is a County Subdivision, select the geography labeled "All Census Tracts (or parts) within City, County, State" from the Geography Results. If your town is a place select the geography labeled "All Census Tracts (or parts) full-or-partially within City, State" from the Geography Results.
- Close the Geographies Search window.
- Use the Topics on the left side of the page to further refine your search or to select a table(s) from your search results.

**Attached Census tracts**

58. Project Schedule:

- a) Requested loan closing date.  
December 2015
- b) Estimated date to submit environmental planning documents.  
March 2016
- c) Estimated date to submit engineering planning documents.  
May 2016
- d) Estimated date for completion of design.  
June 2016
- e) Estimated Construction start date for first contract.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

July 2016

- f) Estimated Construction end date for last contract.  
September 2016

59. **Attach** a copy of current and future populations and projected water use or wastewater flows. Include entities to be served.  
 **Attached**
60. Attach the most current itemized project cost estimate (include all costs and funding sources). Utilize the budget format provided (TWDB-1201 at <http://www.twdb.texas.gov/financial/instructions/>). If applying for pre-construction costs only (i.e., P, A, D) then itemize only the relevant portions in the attached budget template  
 **Attached**
61. Attach the appropriate Project Information Form:  
 **Wastewater:** Attached a completed Wastewater Project Information Form WRD-253a <http://www.twdb.texas.gov/financial/instructions/index.asp>  
 **Water:** Attached a completed Water Project Information Form WRD-253d <http://www.twdb.texas.gov/financial/instructions/index.asp>
62. If the project is for Construction only, wastewater projects that involve the construction of a new plant or the expansion of an existing plant and/or associated facilities, attach evidence that an application for a new Texas Pollution Discharge Elimination System Permit or amendment to an existing permit related to the proposed project has been filed with the Texas Commission on Environmental Quality (TCEQ). Final permit authorization must be obtained from the TCEQ before funds can be released for construction activities.  
 **Attached**  
 No. Provide explanation:  
**N/A**
63. If this project will result in: (a) an increase by the applicant in the use of groundwater, (b) drilling a new water well, or (c) an increase by the applicant in use of surface water, then the applicant must demonstrate that it has acquired – by contract, ownership or lease – the necessary property rights, groundwater permits, and/or surface water rights sufficient for the project before funds can be released for construction.
- a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?  
 Yes If yes, please attach the completed, appropriate form.  
1. WRD 208A (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Surface Water)  
 **Attached**  
2. WRD 208B (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Groundwater)  
 **Attached**  
 No  
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.
N/A				

- c) List any major permits not identified elsewhere that are necessary for completion of project. Also, list any more necessary minor permits that may involve particular difficulty due to the nature of the proposed project.

Permit	Issuing Entity	Permit Acquired (Y/N)
Water Well Permit	TCEQ	N

64. Has the applicant obtained all necessary land and easements for the project?

- Yes. If yes, attach the site certificate (ED-101 at <http://www.twdb.texas.gov/financial/instructions/index.asp>)  
 **Attached**

- No. If no, **fill out the table below** and describe the land or easements that will need to be acquired, provide the anticipated date by which the applicant expects to have the land or easements, and indicate if funding from TWDB is to be used for the acquisition.

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	To Be Funded by TWDB (Yes/No)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

65. Has a Categorical Exclusion (CE), Determination of No Effect (DNE), Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?

- Yes
- Attach a copy of the finding.
- No

66. Is the project potentially eligible for a Categorical Exclusion (CE)/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?

If the well is approved to be drilled on the existing water plant site, it is expected that it would qualify for a Determination of No Effect and no environmental review would be required.

- Yes
- No

67. Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)?

- Yes
  - If yes, attach additional information
- No

# **Attachments for Section D**

**Attachment Part D54:  
Preliminary Engineering Feasibility Data**

# PRELIMINARY ENGINEERING FEASIBILITY REPORT

**Water Well**

**June 2015**

**Prepared for:**



**City of Marfa, Texas**

**Submitted to:**



**SWIFT  
Texas Water Development Board**



# **PRELIMINARY ENGINEERING FEASIBILITY REPORT**

**Water Well**

**June 2015**

**Prepared for:  
City of Marfa, Texas**

**Submitted to:  
SWIFT  
Texas Water Development Board**

**Prepared By:**



**501 W. San Antonio  
El Paso, Texas 79901  
[www.team-psc.com](http://www.team-psc.com)**



# Table of Contents

<b>I. ENGINEERING FEASIBILITY REPORT .....</b>	<b>2</b>
<b>(A) Description of the Existing System Along with Problems .....</b>	<b>2</b>
<b>(B) Projected Needs .....</b>	<b>3</b>
<b>(C) Demands.....</b>	<b>4</b>
<b>(D) Alternatives.....</b>	<b>4</b>
<b>(E) New Sources.....</b>	<b>4</b>
<b>(F) Site .....</b>	<b>4</b>
<b>(G) Treatment .....</b>	<b>5</b>
<b>(H) Design Data.....</b>	<b>5</b>
<b>(I) Adequacy .....</b>	<b>5</b>
<b>(J) Operations and Maintenance.....</b>	<b>5</b>
<b>(K) Schedule .....</b>	<b>5</b>
<b>(L) Permits, Approvals and Contracts .....</b>	<b>5</b>
<b>(M) Project Budget.....</b>	<b>5</b>
<b>II. PURCHASE OF FACILITIES.....</b>	<b>6</b>
<b>III. COST OF THE PROJECT .....</b>	<b>7</b>

# **I. ENGINEERING FEASIBILITY REPORT**

## **(A) Description of the Existing System Along with Problems**

a. The City of Marfa currently has three wells of which two are the main producers. These three wells are all located on the same site. The two wells that are in operation supply the water demand for the entire City of Marfa.

b. The City of Marfa obtains water from the Igneous Aquifer. This aquifer has plenty of water to supply the City of Marfa. It has been reported that there are fluoride concentrations ranging from 2.5 to 3 mg/l in the Igneous Aquifer. Tests have shown that all other solids were below the drinking water standard and the TDS is typically less than 400 mg/l.

There are currently three wells in the City of Marfa. Two of these wells are capable of producing 1,100 gallons per minute while the other well is capable of 450 gallons per minute.

c. Of the three wells operated by the City of Marfa, only two of the wells are currently in serviceable condition. The well that is not serviceable is well over 50 years old and the pump of the well is stuck in the casing. There have been attempts to repair/replace the pump and all attempts have been unsuccessful. It is a concern that if one of the two operational wells were to fail, the supply would be cut in half and would not have enough capacity to supply the demand of the City.

d. Some concern has been brought up by TCEQ regarding the location of the three wells. Since all three wells are on the same site TCEQ is concerned that if a change in the aquifer recharge, contamination of the site or any other major impact to the site will have an impact on all three wells.

e. There are currently no EPA or TCEQ enforcement actions on the City of Marfa.

f. There are currently no violation of drinking water standards. The only concerns are to drill a new well to replace the well that is not in operation and to have this new well at a different location to reduce and impact to the water supply if the current site was to be impacted.

g. Figure 1 shows the water service area for the City of Marfa. Figure 2 shows the current location of the wells.

**(B) Projected Needs**

a. The current water system supplies water to the entire City of Marfa, which has a population of 1,994. The population within the City limits is 1,994, however the population of the service area is 2,585. The proposed new well will not increase the population served, this new well will replace the currently well that is not serviceable. The projected population served after this new well is installed is still 2,585.

b. Industrial, commercial and other water need will remain the same after the new well has been installed.

c. Population projects will remain the same. The installation of the new well will not increase the current service area.

d. A planning horizon is not needed for this project since a demand or supply in water is not increasing or decreasing. This project is to replace an existing well and will not affect the supply or demand of the City.

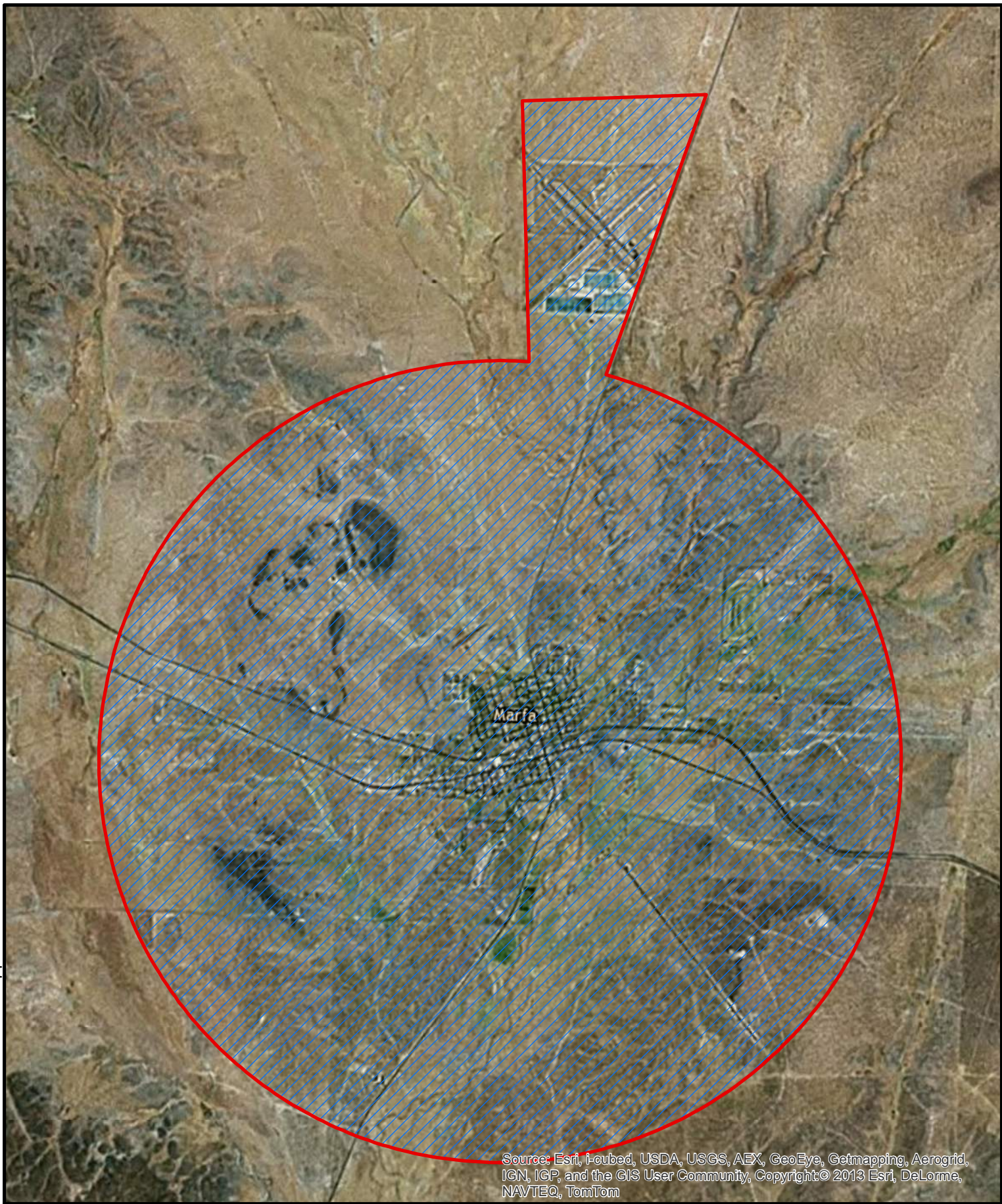
e. The project water demands used in the 2011 Regional Water plan for the City of Marfa are shown in Table 1 below.

Table 1: 2011 Region Water Plan Water Demand Projections (Acre-Feet/Year)

Water User Group	2010	2020	2030	2040	2050	2060
Marfa	886	969	1,060	1,049	1,042	1,042

f. The current need for water is still the same. The need for an additional well to replace the well that is not serviceable is needed in case one of the two main wells in operation were to fail. If one of the two wells in operation were to fail, one well could not supply the water need for the entire town.

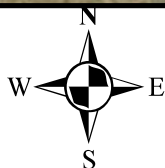




Source: Esri, i-cubed, USDA, USGS, AEX, GeoEye, Getmapping, Aerogrid, IGN, IGP, and the GIS User Community, Copyright© 2013 Esri, DeLorme, NAVTEQ, TomTom



PARKHILLSMITH&COOPER



CITY OF MARFA  
CCN/SERVICE AREA

FIGURE 1





Copyright: © 2012 Esri, DeLorme, NAVTEQ, TomTom, Source: Esri, DigitalGlobe, GeoEye, i-cubed, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, and the GIS User Community



PARKHILL SMITH & COOPER



### CITY OF MARFA LOCATION OF WATER WELLS

1 inch = 200 feet

**FIGURE 2**

g. The population projects used in the 2011 Regional Water Plan for the City of Marfa are shown in Table 2 below.

Table 2: 2011 Region Water Plan Population Projections

Water User Group	2010	2020	2030	2040	2050	2060
Marfa	2,585	2,855	3,154	3,154	3,154	3,154

**(C) Demands**

This project will not affect the current demands required from the system. The demand for the City of Marfa will stay the same. The 2011 Regional Water Plan compared the water supply capacity with the water demand during drought conditions, this comparison is shown in Table 3.

Table 3: 2011 Region Water Plan Water Supply Capacity and Water Demand Comparison During Drought-Of-Record Conditions (Acre-Foot/Year)

County/ Water Use Category	Supply/ Demand	2010	2020	2030	2040	2050	2060
Marfa	S	4,839	4,839	4,839	4,839	4,839	4,839
	D	886	969	1,060	1,049	1,042	1,042
	Diff.	3,953	3,870	3,779	3,790	3,797	3,797

**(D) Alternatives**

The installation of a new well was the only alternative that was considered. Attempts to fix and replace the pump of the well had been tried in the past. All these attempts were unsuccessful due to the pump being stuck in the casing. The only solution to this problem is to drill a new well.

**(E) New Sources**

The new well will still supply water from the Igneous Aquifer. This means that there will still be a supply capable of 4,839 acre-feet/year for the City of Marfa. A new water source is not being used for this project.

**(F) Site**

a. The location for the site of the new well is proposed to be on the Water Treatment Plant site. A cost to purchase land has been included in the event that the TCEQ does not approve a well drilled on the Water Treatment Plant site.

b. Additional pipeline routes will need to be run to connect the new well to the existing water system.

c. The flood plain location, required buffers and easements will be determine in the planning and design process.

**(G) Treatment**

According to the 2011 Regional Water Plan a treatment facility to mitigate the issue with the fluoride levels in the water is currently in the planning and design phase.

**(H) Design Data**

Design data including pumping capacities, water storage and flexibility of system operation under normal and emergency conditions will be determines during the planning and design process.

**(I) Adequacy**

The new well will be designed to deliver adequate capacity and pressure to the system. The systems pressures and capacity will not be affected.

**(J) Operations and Maintenance**

The annual operations and maintenance cost for this project was anticipated in the 2011 Regional Water Plan to be \$5,000.

**(K) Schedule**

The schedule for this project is estimated on the SWIFT timeline from TWDB.

a. Loan closing date: December 2015

b. Completion of Environmental Review and Finding: March 2016

c. Start of First Construction Contract: July 2016

d. Completion of Final Construction Contract: September 2016

e. Number of Construction Contracts Proposed: 1

**(L) Permits, Approvals and Contracts**

Permits, approvals and contracts required will be determined during the planning process. TCEQ Well permitting and a TxDOT crossing permit are among the permits and approvals that will be necessary. The City of Marfa will not need to obtain a drilling permit from Presidio County Underground Water Conservation District (UWDC). There are no permits required for the land portions of this project.

**(M) Project Budget**

The current estimates project cost is a total of \$702,770 which includes \$552,754 for construction of the new well, \$5,000 for the purchase of land/easements, a 10%



contingency of \$55,775, and an engineering and administration fee of \$89,241. The \$5,000 for land/easements is based on land being \$20,000 per acre. This project will require 0.25 acres in the event that the TCEQ does not approve a well drilled on the Water Treatment Plant site. There are no permits required for the land portions. The major construction components of this project along with their costs are listed below:

- Mobilization - \$10,000
- Well Drilling - \$90,000
- Stainless Steel Screen - \$75,000
- Steel Casing - \$46,000
- Gravel Pack - \$31,000
- Cementing - \$41,000
- Development and Disinfection – \$63,880
- Water Quality Testing - \$2,500
- Line Shaft Pump - \$148,000
- Surface Facilities and Piping - \$45,374

The facility is already fenced so there will be no cost for fencing.

## **II. PURCHASE OF FACILITIES**

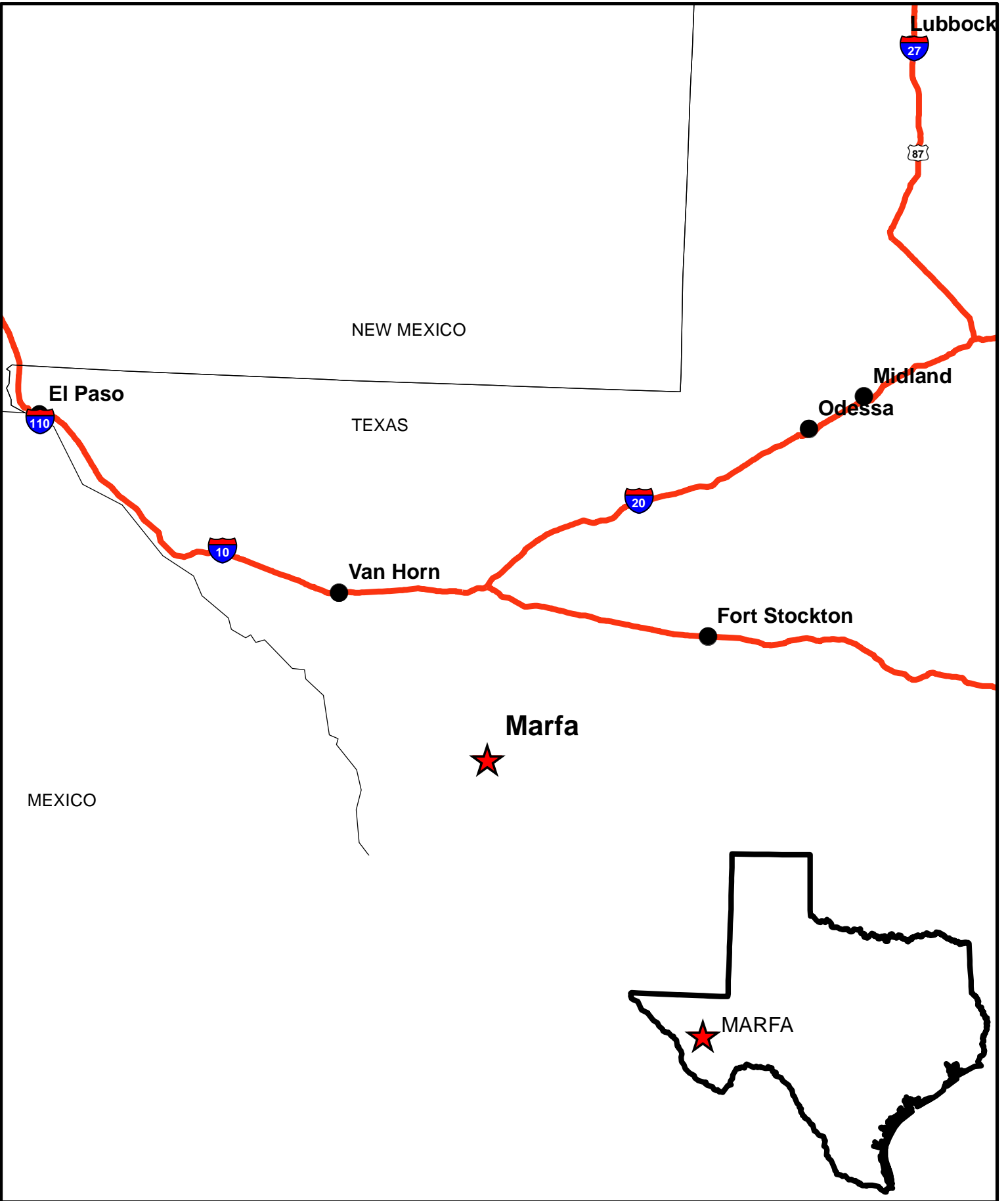
This project does not require the purchase of additional facilities.



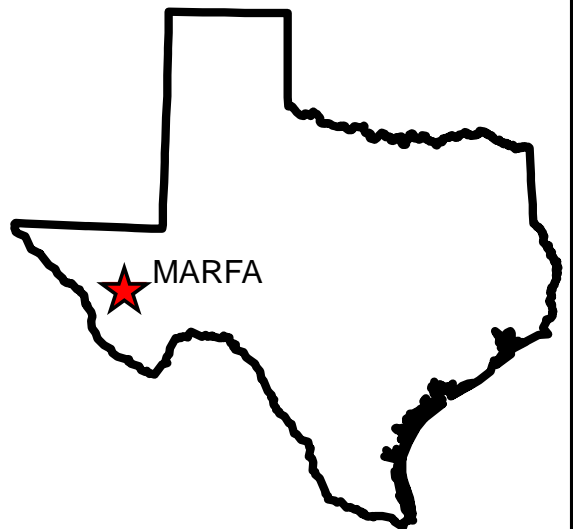
### III. COST OF THE PROJECT

PROJECT BUDGET - Entity Name		City of Marfa				
Uses	TWDB Funds Series 1	TWDB Funds Series 2	TWDB Funds Series 3	Total TWDB Cost	Other Funds	Total Cost
<b>Construction</b>						
Construction	\$552,754	\$0	\$0	\$552,754	\$0	\$552,754
<b>Subtotal Construction</b>	<b>\$552,754</b>	<b>\$0</b>	<b>\$0</b>	<b>\$552,754</b>	<b>\$0</b>	<b>\$552,754</b>
<b>Basic Engineering Fees</b>						
Planning +	\$16,700	\$0	\$0	\$16,700	\$0	\$16,700
Design	\$27,900	\$0	\$0	\$27,900	\$0	\$27,900
Construction Engineering	\$8,000	\$0	\$0	\$8,000	\$0	\$8,000
<b>Basic Engineering Other</b>						
<b>** Inspection</b>	\$3,175	\$0	\$0	\$3,175	\$0	\$3,175
<b>Subtotal Basic Engineering Fees</b>	<b>\$55,775</b>	<b>\$0</b>	<b>\$0</b>	<b>\$55,775</b>	<b>\$0</b>	<b>\$55,775</b>
<b>Special Services</b>						
Application	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$0	\$0	\$0	\$0	\$0	\$0
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical	\$0	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution	\$0	\$0	\$0	\$0	\$0	\$0
<b>Special Services Other</b>						
<b>**</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Special Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other</b>						
Administration	\$0	\$0	\$0	\$0	\$0	\$0
Land/Easements	\$5,000	\$0	\$0	\$5,000	\$0	\$5,000
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Other Services</b>	<b>\$5,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,000</b>	<b>\$0</b>	<b>\$5,000</b>
<b>Fiscal Services</b>						
Financial Advisor	\$16,733	\$0	\$0	\$16,733	\$0	\$16,733
Bond Counsel	\$16,733	\$0	\$0	\$16,733	\$0	\$16,733
Issuance Cost	\$0	\$0	\$0	\$0	\$0	\$0
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Fiscal Services</b>	<b>\$33,466</b>	<b>\$0</b>	<b>\$0</b>	<b>\$33,466</b>	<b>\$0</b>	<b>\$33,466</b>
<b>Contingency</b>						
Contingency	\$55,775	\$0	\$0	\$55,775	\$0	\$55,775
<b>Subtotal Contingency</b>	<b>\$55,775</b>	<b>\$0</b>	<b>\$0</b>	<b>\$55,775</b>	<b>\$0</b>	<b>\$55,775</b>
<b>TOTAL COSTS</b>	<b>\$702,770</b>	<b>\$0</b>	<b>\$0</b>	<b>\$702,770</b>	<b>\$0</b>	<b>\$702,770</b>
<b>Other ** description must be entered</b>						

**Attachment Part D56: Project Location Map**



LOCATION MAP



**Attachment Part D57: Census Tracts**



B01003

TOTAL POPULATION

Universe: Total population  
2008-2012 American Community Survey 5-Year Estimates

Supporting documentation on code lists, subject definitions, data accuracy, and statistical testing can be found on the American Community Survey website in the Data and Documentation section.

Sample size and data quality measures (including coverage rates, allocation rates, and response rates) can be found on the American Community Survey website in the Methodology section.

Although the American Community Survey (ACS) produces population, demographic and housing unit estimates, it is the Census Bureau's Population Estimates Program that produces and disseminates the official estimates of the population for the nation, states, counties, cities and towns and estimates of housing units for states and counties.

	Census Tract 9501 (part), Marfa city, Marfa CCD, Presidio County, Texas		Census Tract 9501 (part), Remainder of Marfa CCD, Marfa CCD, Presidio County, Texas	
	Estimate	Margin of Error	Estimate	Margin of Error
Total	2,549	+/-290	376	+/-267

Data are based on a sample and are subject to sampling variability. The degree of uncertainty for an estimate arising from sampling variability is represented through the use of a margin of error. The value shown here is the 90 percent margin of error. The margin of error can be interpreted roughly as providing a 90 percent probability that the interval defined by the estimate minus the margin of error and the estimate plus the margin of error (the lower and upper confidence bounds) contains the true value. In addition to sampling variability, the ACS estimates are subject to nonsampling error (for a discussion of nonsampling variability, see Accuracy of the Data). The effect of nonsampling error is not represented in these tables.

While the 2008-2012 American Community Survey (ACS) data generally reflect the December 2009 Office of Management and Budget (OMB) definitions of metropolitan and micropolitan statistical areas; in certain instances the names, codes, and boundaries of the principal cities shown in ACS tables may differ from the OMB definitions due to differences in the effective dates of the geographic entities.

Estimates of urban and rural population, housing units, and characteristics reflect boundaries of urban areas defined based on Census 2000 data. Boundaries for urban areas have not been updated since Census 2000. As a result, data for urban and rural areas from the ACS do not necessarily reflect the results of ongoing urbanization.

Source: U.S. Census Bureau, 2008-2012 American Community Survey

Explanation of Symbols:

1. An '\*\*\*' entry in the margin of error column indicates that either no sample observations or too few sample observations were available to compute a standard error and thus the margin of error. A statistical test is not appropriate.
2. An '-' entry in the estimate column indicates that either no sample observations or too few sample observations were available to compute an estimate, or a ratio of medians cannot be calculated because one or both of the median estimates falls in the lowest interval or upper interval of an open-ended distribution.
3. An '-' following a median estimate means the median falls in the lowest interval of an open-ended distribution.
4. An '+' following a median estimate means the median falls in the upper interval of an open-ended distribution.
5. An '\*\*\*\*' entry in the margin of error column indicates that the median falls in the lowest interval or upper interval of an open-ended distribution. A statistical test is not appropriate.
6. An '\*\*\*\*\*' entry in the margin of error column indicates that the estimate is controlled. A statistical test for sampling variability is not appropriate.
7. An 'N' entry in the estimate and margin of error columns indicates that data for this geographic area cannot be displayed because the number of sample cases is too small.
8. An '(X)' means that the estimate is not applicable or not available.

**Attachment Part D59: Current and Future Populations and Projections**

According to the 2010 U.S. Census the current population of the City of Marfa, Texas is 1,981.

Below are the projections that are in the 2011 Regional Water Plan for population and for water demand.

**2011 Regional Water Plan Population Projections**

<b>Water User Group</b>	<b>2010</b>	<b>2020</b>	<b>2030</b>	<b>2040</b>	<b>2050</b>	<b>2060</b>
<b>Marfa</b>	<b>2,585</b>	<b>2,855</b>	<b>3,154</b>	<b>3,154</b>	<b>3,154</b>	<b>3,154</b>

**2011 Regional Water Plan Water Demand Projections (Acre-Feet/Year)**

<b>Water User Group</b>	<b>2010</b>	<b>2020</b>	<b>2030</b>	<b>2040</b>	<b>2050</b>	<b>2060</b>
<b>Marfa</b>	<b>886</b>	<b>969</b>	<b>1,060</b>	<b>1,049</b>	<b>1,042</b>	<b>1,042</b>

**Attachment Part D60: Project Budget**

PROJECT BUDGET - Entity Name		City of Marfa				
Uses	TWDB Funds Series 1	TWDB Funds Series 2	TWDB Funds Series 3	Total TWDB Cost	Other Funds	Total Cost
<b>Construction</b>						
Construction	\$552,754	\$0	\$0	\$552,754	\$0	\$552,754
<b>Subtotal Construction</b>	<b>\$552,754</b>	<b>\$0</b>	<b>\$0</b>	<b>\$552,754</b>	<b>\$0</b>	<b>\$552,754</b>
<b>Basic Engineering Fees</b>						
Planning +	\$16,700	\$0	\$0	\$16,700	\$0	\$16,700
Design	\$27,900	\$0	\$0	\$27,900	\$0	\$27,900
Construction Engineering	\$8,000	\$0	\$0	\$8,000	\$0	\$8,000
<b>Basic Engineering Other ** Inspection</b>	<b>\$3,175</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,175</b>	<b>\$0</b>	<b>\$3,175</b>
<b>Subtotal Basic Engineering Fees</b>	<b>\$55,775</b>	<b>\$0</b>	<b>\$0</b>	<b>\$55,775</b>	<b>\$0</b>	<b>\$55,775</b>
<b>Special Services</b>						
Application	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$0	\$0	\$0	\$0	\$0	\$0
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer Evaluation	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical	\$0	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution Modeling	\$0	\$0	\$0	\$0	\$0	\$0
<b>Special Services Other **</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal Special Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other</b>						
Administration	\$0	\$0	\$0	\$0	\$0	\$0
Land/Easements Acquisition	\$5,000	\$0	\$0	\$5,000	\$0	\$5,000
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal Other Services</b>	<b>\$5,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,000</b>	<b>\$0</b>	<b>\$5,000</b>
<b>Fiscal Services</b>						
Financial Advisor	\$16,733	\$0	\$0	\$16,733	\$0	\$16,733
Bond Counsel	\$16,733	\$0	\$0	\$16,733	\$0	\$16,733
Issuance Cost	\$0	\$0	\$0	\$0	\$0	\$0
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal Fiscal Services</b>	<b>\$33,466</b>	<b>\$0</b>	<b>\$0</b>	<b>\$33,466</b>	<b>\$0</b>	<b>\$33,466</b>
<b>Contingency</b>						
Contingency	\$55,775	\$0	\$0	\$55,775	\$0	\$55,775
<b>Subtotal Contingency</b>	<b>\$55,775</b>	<b>\$0</b>	<b>\$0</b>	<b>\$55,775</b>	<b>\$0</b>	<b>\$55,775</b>
<b>TOTAL COSTS</b>	<b>\$702,770</b>	<b>\$0</b>	<b>\$0</b>	<b>\$702,770</b>	<b>\$0</b>	<b>\$702,770</b>

**Other \*\* description must be entered**

+ For Planning applications under the EDAP Program, please break down Planning costs as follows:

Category A				0
Category B				0
Category C				0
Category D				0
<b>Total Planning Costs</b>			0	0



**Attachment Part D61: Water Project Information Form**

Texas Water Development Board Water Project Information							
A. Project Name		B. Project No.		C. County		D. Regional Planning Group (A-P)	
E. Program(s)		F. Loan <input type="checkbox"/> / Grant <input type="checkbox"/> Amount:		G. Loan Term:			
<p>H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc)  <b>The City currently operates three water wells which supply the demand of the entire City. One of the wells is over 50 years old and the pump is stuck in the casing. Attempts to repair/replace the pump have been unsuccessful. While the aquifer has plenty of water for the City, losing this well would hinder the City's ability to serve the domestic water demand. This project would drill and equip a new well to replace the existing well that has reached the end of its projected useful life.</b></p> <p style="text-align: center;"><b>Attach map of service area affected by Project or other documentation.</b></p>							
I. Is an Inter Basin Transfer potentially involved? Yes <input type="checkbox"/> No <input type="checkbox"/>				J. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input type="checkbox"/> No <input type="checkbox"/>			
K. Projected Population from application for at least a 20 year period. Attach justification and list service area populations if different from Planning Area.	Year	Reference Year	2010	2020	2030	2040	
	Population Projection						
Project Design Year				Design Population			
L. Is the proposed project included in a current Regional Water Plan? Yes <input type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: _____)							
M. What type of water source is associated directly with the proposed project? Surface Water <input type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
N. Will the project increase the volume of water supply? Yes <input type="checkbox"/> No <input type="checkbox"/>							
O. What volume of water is the project anticipated to deliver/ treat per year? _____ Acre-Feet/Year							
P. Current Water Supply Information							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer		Well Field location		Source County		Annual Volume and Unit	
Q. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer		Well Field location:		Source County		Annual Volume and Unit	
R. Consulting Engineer Name			Telephone No.		E-mail address		
S. Applicant Contact Name, Title			Telephone No.		E-mail address		

**Attachment Part D63: Ground Water Affidavit**



6. Does the applicant intend to lease the proposed well site(s)? N/A  
Yes  No

Attach a copy of the draft lease agreement(s) or other contractual arrangement documenting that the applicant is in the process of acquiring the contractual right to drill for and produce groundwater at the Project site(s).

Item attached: Yes  No

7. Is the project located within the boundaries of a groundwater conservation district? BUT, PURSUANT TO STATE STATUTE (THE "MIDLAND EXEMPTION") THE CITY OF MARFA IS NOT SUBJECT TO THE JURISDICTION OF THE PRESIDIO COUNTY GROUND WATER DISTRICT.  
Yes  No

(a) Attach all groundwater district permits issued by the District authorizing groundwater production from the proposed groundwater well(s).

Item attached: Yes  No  N/A

(b) Attach copies of all applications filed with a groundwater conservation district for any permit(s) required for the proposed groundwater well(s).

Item attached: Yes  No  N/A

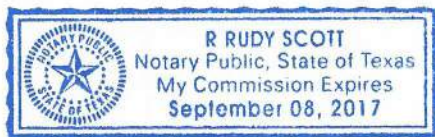
Signed the 9th day of June, 2015.

James R. Mustard, Jr.  
Name

CITY ADMINISTRATOR  
Title

Sworn to and subscribed before me by JAMES R. Mustard, Jr.

on JUNE 9, 2015.



[SEAL]

R. Rudy Scott

Notary Public in and for the State of Texas

My Commission expires: 09-08-2017

**Attachment Part D64: Site Certificate**

STATE OF TEXAS

§  
§  
§

COUNTY OF PRESIDIO

**SITE CERTIFICATE**

Before me, the undersigned notary, on this day personally appeared JAMES R. MUSTARD, JR., a person whose identify is known to me or who has presented to me a satisfactory proof of identity. After I administered an oath, this person swore to the following:

- (1) My name is JAMES R. MUSTARD, JR.. I am over 18 years of age and I am of sound mind, and capable of swearing to the facts contained in this Site Certificate. The facts stated in this certificate are within my personal knowledge and are true and correct.
- (2) I am an authorized representative of CITY OF MARFA, an entity that has filed an application for financial assistance with the Texas Water Development Board for a (water) ~~(wastewater)~~ project.

**LEGAL CERTIFICATION – OWNERSHIP INTEREST**

This is to certify that CITY OF MARFA  
(Legal Name of Applicant, i.e., City, District, etc.)

has acquired or is in the process of acquiring the necessary real property interest, as evidenced by fee simple purchase or fully executed earnest money contracts, firm option agreements to purchase the subject property or the initiation of eminent domain procedures, that such acquisition will guarantee access and egress and such interest will contain the necessary easements, rights of way or unrestricted use as is required for the project being financed by the Texas Water Development Board. The legal description is referenced below:

\_\_\_\_\_. LOTS 15 AND 16 BLOCK 46 ORIGINAL TOWN CITY OF MARFA, PRESIDIO COUNTY, TEXAS  
(Location and Description of Property Interests acquired for Project)

Any deeds or other instruments required to be recorded to protect the title(s) held by

\_\_\_\_\_  
CITY OF MARFA  
(Legal Name of Applicant)

have been recorded or filed for the record in the County deed records or other required location.



**LEGAL CERTIFICATION – LEASE/CONTRACT**

In the alternative, I certify that \_\_\_\_\_  
(Legal Name of Applicant, i.e., City, District, etc.)

has executed a written lease or other contractual agreement to use the property needed for this (water) (wastewater) project that extends through \_\_\_\_\_, the life of the Texas Water Development Board loan or grant that will be used to finance this project, either in whole or in part. A copy of this lease or agreement is attached hereto.

**LEGAL CERTIFICATION – PROPERTY EASEMENT**

In the alternative, I certify that \_\_\_\_\_  
(Legal Name of Applicant, i.e., City, District, etc.)

has executed an express easement to use the property needed for this (water) (wastewater) project that extends through \_\_\_\_\_, the life of the Texas Water Development Board loan or grant that will be used to finance this project, either in whole or in part. A copy of the express easement agreement is attached hereto.

EXECUTED this 26<sup>th</sup> day of Jun, 20 15.

James R. Mustard, Jr.  
(Signature)

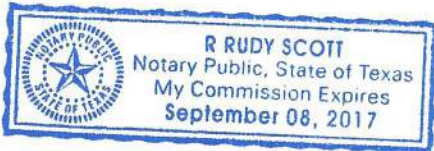
James R. Mustard, Jr.

(Print Name)

Administrator  
(Title)

JAMES R. MUSTARD, JR.

Sworn to and subscribed before me by James R. Mustard, Jr. on 6-9, 20 15.



[SEAL]

R. Rudy Scott

Notary Public in and for the State of Texas

My Commission expires: 09-08-2017







rights and appurtenances thereto in anywise belonging, unto the said City of Marfa, a Municipal Corporation as aforesaid and its successors and assigns, and we do hereby bind ourselves our heirs, executors and administrators to Warrant and Forever Defend all and Singular the said premises unto the said City of Marfa, a municipal corporation as aforesaid, and its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof. Taxes shall be prorated to the time of sale, and grantee assumes taxes thereafter.

Witness our hands at El Paso, Texas, this the 12th day of November, A.D. 1926.

T. P. Thompson

Willie L. Thompson

.....

STATE OF TEXAS

COUNTY OF EL PASO ) BEFORE ME, the undersigned authority in and for El Paso County, State of Texas, on this day personally appeared T. P. Thompson, and Willie L. Thompson, his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed, and the said Willie L. Thompson wife of the said T.P. Thompson having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said Willie L. Thompson acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office this the 12 day of November, A.D. 1926.

E. F. Cameron  
Notary Public, El Paso County, Texas

(Seal)

.....

Filed for record Nov. 24, 1926 at 9 o'clock A.M. Recorded Nov. 24, 1926 at 11:40 o'clock A.M.  
J.H. Fortner County Clerk, Presidio County Texas ( By *Willie Bates* Deputy)

WARRANTY DEED EL ORO LAND COMPANY TO P.A. WHITE

THE STATE OF TEXAS

COUNTY OF PRESIDIO ) KNOW ALL MEN BY THESE PRESENTS:

That The El Oro Land Company, a Corporation duly incorporated under the laws of the State of Texas, the principal office thereof being at Dallas, in the County of Dallas, State of Texas, for and in consideration of the sum of One Dollar, and other valuable considerations, to it in hand paid by P. A. White, cash, receipt of which is hereby acknowledged, and confessed have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey unto the said P. A. White of the County of Hughes State of Oklahoma all that certain tract or parcel of land situated in Presidio County, Texas, and more particularly described as; Lots No. 11 to No. 20 inclusive, Block No. 248. in A.M. Walker's Alamito Sub-Division, El Oro, Texas, of Survey No. 2, Block No. 250, Certificate 494; T. and St. L. Ry. Co. Grantee and other adjoining surveys as shown by the official plat of said Sub-Division on file in said County in Volume 44 page 82, said lots being 50x 150 feet each in size.

TO HAVE AND TO HOLD the above described premises, together with all and singular, the rights and appurtenances thereto in anywise belonging unto the said P. A. White, his heirs, and assigns forever; and said Corporation does hereby bind itself, it's assigns to Warrant and forever Defend all and singular the said land and premises unto the said P. A. White, his heirs and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part E: State Water Implementation Fund for Texas (SWIFT) Applicants Only:**

68. Identify the type of SWIFT funding (If more than one funding option is being requested indicate the amount of funding for each):

- |                                     |                     |           |
|-------------------------------------|---------------------|-----------|
| <input type="checkbox"/>            | Deferred            | \$        |
| <input checked="" type="checkbox"/> | Low Interest Loan   | \$702,770 |
| <input type="checkbox"/>            | Board Participation | \$        |

69. For multi-year funding request or phased commitments, provide a schedule reflecting the closing dates for each loan requested.

**Attached**

70. **Notice to SWIFT Applicants:** Texas Water Code Sec. 15.435(h) requires all recipients of financial assistance from the SWIFT to acknowledge any applicable legal obligations in federal law, related to contracting with disadvantaged business enterprises, and state law, related to contracting with historically underutilized businesses. Checking the boxes below serves as this acknowledgement.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.

71. Provide drafts of the following documents:

- a. Proposed Bond Ordinance
- Attached**
- b. Private Placement Memorandum
- Attached**

# **Attachments for Section E**

**Attachment Part E71: Proposed Bond Ordinance and Private Placement Memorandum**

PRIVATE PLACEMENT MEMORANDUM DATED \_\_\_\_\_, 2015

NEW ISSUE BOOK-ENTRY-ONLY

*On the date of initial delivery of the Obligations (defined below), Issuer Bond Counsel (defined on page i) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.*

**\$705,000**  
**CITY OF MARFA, TEXAS**  
**COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION**  
**Series 2015**  
**(the "Obligations")**

**Dated: December 1, 2015**

**Due: March 15**

Interest Date: Interest on the Obligations will be payable on March 15 and September 15 each year, commencing March 15, 2016 (each an "Interest Payment Date"). The Obligations will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Record Date: The close of business on the last business day of the preceding month.

Date Interest Accrues: Each Obligation shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rate set forth, such interest payable semiannually on March 15 and September 15 of each year until the earliest of maturity or prior redemption, commencing on March 15, 2016.

Redemption: The Obligations are subject to redemption prior to maturity as provided herein. See "THE OBLIGATIONS - Redemption Provisions" herein.

Authorized Denominations: The Obligations are being issued as fully registered certificates in denominations of \$5,000, or any integral multiple thereof.

Paying Agent/Registrar: The paying agent ("Paying Agent/Registrar/Registrar") for the Obligations is [Paying Agent, City, State].

Book-Entry-Only System: Upon initial issuance, the ownership of the Obligations will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Obligations will be made. The purchasers of the Obligations will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Obligations will be payable at the designated office of the Paying Agent/Registrar in [City, State], as the same become due and payable.

Issuer: City of Marfa, Texas.

Official Action: The City Council approved an ordinance authorizing the Obligations dated [Month, Day], 2015.

Purpose: The Obligations are being issued to provide for the costs of the design and construction of a new water well. See "APPENDIX B - FORM OF OFFICIAL ACTION."

Security for the Obligations: The Obligations are payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's combined waterworks and sewer system (the "System"), remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with any 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 System. See APPENDIX B - FORM OF OFFICIAL ACTION."

Ratings: See "OTHER INFORMATION - Ratings"

Delivery Date: \_\_\_\_\_.

---

**See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts,  
Maturities, Interest Rates, and Initial CUSIP Numbers**

---

**CITY OF MARFA, TEXAS**

**City Council Members**

Daniel Dunlap, Mayor  
Peter Stanley, Council Member  
Manuel V. Baeza, Council Member  
David Beebe, Council Member  
Genevieve Bassham, Council Member  
Josie B. Simpson, Council Member

**Selected Administrative Staff**

James R. Mustard, Jr., City Administrator/City Secretary

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

The Skiles Company, Marfa, Texas, Financial Advisor

[PAYING AGENT – to be determined], Paying Agent/Registrar

## TABLE OF CONTENTS

	<b>Page</b>
INTRODUCTION.....	1
THE OBLIGATIONS.....	1
General Description.....	1
Purpose.....	1
Authority for Issuance.....	1
Security for the Obligations.....	1
Redemption Provisions.....	2
Book-Entry-Only System.....	2
TAX MATTERS.....	2
Opinion.....	2
OTHER INFORMATION.....	2
Forward Looking Statements.....	2
Ratings.....	3
LITIGATION.....	3
General.....	3
The Issuer.....	3
CONTINUING DISCLOSURE OF INFORMATION.....	3
Compliance with Prior Undertakings.....	3
MISCELLANEOUS.....	3
ADDITIONAL INFORMATION.....	3
APPENDIX A MATURITY SCHEDULE	
APPENDIX B FORM OF OFFICIAL ACTION	
APPENDIX C FORM OF OPINION OF BOND COUNSEL	



# **PRIVATE PLACEMENT MEMORANDUM**

**relating to**

**\$705,000**

**CITY OF MARFA, TEXAS**

**COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION**

**SERIES 2015**

**(the “Obligations”)**

## **INTRODUCTION**

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the “Obligations” pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See “APPENDIX B – “FORM OF OFFICIAL ACTION” attached hereto.

APPENDIX A contains the maturity schedule for the Obligations. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Obligations. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Obligations. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

## **THE OBLIGATIONS**

### **GENERAL DESCRIPTION**

The Obligations are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Obligations are being issued as fully registered certificates in denominations of \$5,000, or any integral multiple thereof. The Obligations will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Interest on the Obligations is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Obligations will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

### **PURPOSE**

The Obligations are being issued to provide for the costs of design and construction of a new water well. See “APPENDIX B - FORM OF OFFICIAL ACTION.”

### **AUTHORITY FOR ISSUANCE**

The Obligations are issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, and Chapter 1502, Texas Government Code, and the Official Action adopted by the Issuer.

### **SECURITY FOR THE OBLIGATIONS**

The Obligations are payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City’s combined waterworks and sewer system (the “System”), remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with any 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 System. See “APPENDIX B - FORM OF OFFICIAL ACTION.”

## **REDEMPTION PROVISIONS**

The City reserves the right, at its option, to redeem the Obligations having stated maturities on and after March 15, 2026, in whole or in part in inverse order of maturity, in principal amounts of \$5,000 or any integral multiple thereof, at the par value thereof plus accrued interest to the date of redemption.

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

*The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations and deposited with DTC. See APPENDIX B - “FORM OF OFFICIAL ACTION.”

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (the “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 Clearance Corporation, and Fixed Income Clearance Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

## **TAX MATTERS**

### **OPINION**

Bond Counsel will deliver its opinion on the date of delivery of the Obligations substantially in the form as attached in “APPENDIX C - FORM OF OPINION OF BOND COUNSEL.”

## **OTHER INFORMATION**

### **FORWARD LOOKING STATEMENTS**

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer’s expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Obligations have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer’s actual results could differ materially from those in such forward-looking statements.

### **RATINGS**

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Obligations for ratings or municipal bond insurance, respectively. The Issuer does not have a rating on its outstanding debt.

## **LITIGATION**

### **GENERAL**

On the date of delivery of the Obligations to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Obligations or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Obligations.

### **THE ISSUER**

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Issuer, threatened) that adversely affects the power, authority or obligation of the Issuer to deliver the Obligations, the security for, or the validity of, the Obligations or the financial condition of the Issuer.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Official Action, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified events, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. SEE APPENDIX B - "FORM OF OFFICIAL ACTION."

### **COMPLIANCE WITH PRIOR UNDERTAKINGS**

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

## **MISCELLANEOUS**

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Obligations.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

## **ADDITIONAL INFORMATION**

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Obligations and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

**APPENDIX A**  
**MATURITY SCHEDULE**

<u>Maturity Date (3/15)</u>	<u>Principal Amount</u>	<u>Interest Rates</u>	<u>Yield</u>	<u>Cusip No</u>
2017	\$ 25,000			
2018	30,000			
2019	30,000			
2020	30,000			
2021	30,000			
2022	30,000			
2023	30,000			
2024	35,000			
2025	35,000			
2026	35,000			
2027	35,000			
2028	35,000			
2029	35,000			
2030	40,000			
2031	40,000			
2032	40,000			
2033	40,000			
2034	40,000			
2035	45,000			
2036	45,000			

**APPENDIX B**  
**FORM OF OFFICIAL ACTION**

ORDINANCE NO. \_\_\_\_\_

ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF CITY OF MARFA, TEXAS COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2015; LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SUCH CERTIFICATES; PROVIDING AN EFFECTIVE DATE; AND ENACTING OTHER MATTERS AND PROVISIONS RELATING TO THE SUBJECT

---

THE STATE OF TEXAS §  
COUNTY OF PRESIDIO §  
CITY OF MARFA §

WHEREAS, the City Council of the City of Marfa, Texas, deems it advisable to issue Certificates of Obligation in the amount and for the purposes hereinafter set forth;

WHEREAS, the Certificates of Obligation hereinafter authorized and designated are to be issued and delivered for cash pursuant to Subchapter C of Chapter 271, Local Government Code and Subchapter B, Chapter 1502, Government Code;

WHEREAS, the City Council has heretofore passed a resolution authorizing and directing the City Secretary to give notice of intention to issue Certificates of Obligation, and said notice has been duly published in a newspaper of general circulation in said City, said newspaper being a "newspaper" as defined in §2051.044, Texas Government Code;

WHEREAS, the City received no petition from the qualified electors of the City protesting the issuance of such Certificates of Obligation;

WHEREAS, it is considered to be to the best interest of the City that said interest-bearing Certificates of Obligation be issued; and

WHEREAS, it is officially found, determined, and declared that the meeting at which this Ordinance has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of Tex. Gov't Code Ann. Chapter 551; Now, Therefore

BE IT ORDAINED BY THE CITY COUNCIL OF MARFA:

Section 1. RECITALS, AMOUNT AND PURPOSE OF THE CERTIFICATES. The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section. The certificates of the City of Marfa, Texas (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$705,000, for paying all or a portion of the Issuer's contractual obligations incurred for use in connection with (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the Issuer's waterworks and sewer system, including drilling, installing, constructing and equipping a water well related facilities, and (ii) paying legal, fiscal and engineering fees in connection with such projects (collectively, the "Project").

Section 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITIES AND INTEREST RATES OF CERTIFICATES. Each certificate issued pursuant to this Ordinance shall be designated: "CITY OF MARFA, TEXAS, COMBINATION TAX AND SURPLUS REVENUE CERTIFICATE OF OBLIGATION, SERIES 2015," and initially there shall be issued, sold, and delivered hereunder one fully

registered certificate, without interest coupons, dated December 1, 2015, in the principal amount stated above and in the denominations hereinafter stated, numbered T-1, with certificates issued in replacement thereof being in the denominations and principal amounts hereinafter stated and numbered consecutively from R-1 upward, payable to the respective Registered Owners thereof (with the initial certificate being made payable to the initial purchaser as described in Section 10 hereof), or to the registered assignee or assignees of said certificates or any portion or portions thereof (in each case, the "Registered Owner"), and said certificates shall mature and be payable serially on March 15 in each of the years and in the principal amounts, respectively, and shall bear interest from the dates set forth in the FORM OF CERTIFICATE set forth in Section 4 of this Ordinance to their respective dates of maturity or redemption prior to maturity at the rates per annum, as set forth in the following schedule:

Years	Principal Amount	Interest Rates	Years	Principal Amount	Interest Rates
2017	\$ 25,000		2027	\$ 35,000	
2018	30,000		2028	35,000	
2019	30,000		2029	35,000	
2020	30,000		2030	40,000	
2021	30,000		2031	40,000	
2022	30,000		2032	40,000	
2023	30,000		2033	40,000	
2024	35,000		2034	40,000	
2025	35,000		2035	45,000	
2026	35,000		2036	45,000	

The term "Certificates" as used in this Ordinance shall mean and include collectively the certificates initially issued and delivered pursuant to this Ordinance and all substitute certificates exchanged therefor, as well as all other substitute certificates and replacement certificates issued pursuant hereto, and the term "Certificate" shall mean any of the Certificates.

Section 3. CHARACTERISTICS OF THE CERTIFICATES.

(a) Appointment of Paying Agent/Registrar. The Issuer hereby appoints \_\_\_\_\_, \_\_\_\_\_, Texas, to serve as paying agent and registrar for the Certificates (the "Paying Agent/Registrar"). The Mayor or City Manager is authorized and directed to execute and deliver in the name and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar in substantially the form presented at this meeting.

(b) Registration, Transfer, Conversion and Exchange. The Issuer shall keep or cause to be kept at the corporate trust office of the Paying Agent/Registrar books or records for the registration of the transfer, conversion and exchange of the Certificates (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided within three days of presentation in due and proper form. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Certificate to which payments with respect to the Certificates shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying

Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Certificate or Certificates. Registration of assignments, transfers, conversions and exchanges of Certificates shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE set forth in this Ordinance. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate.

(c) Authentication. Except as provided in subsection (i) of this section, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate, date and manually sign said Certificate, and no such Certificate shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Certificates and Certificates surrendered for conversion and exchange. No additional ordinances, orders or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Certificate or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Certificates in the manner prescribed herein. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of conversion and exchange of Certificates as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(d) Payment of Principal and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Certificates, and of all conversions and exchanges of Certificates, and all replacements of Certificates, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(e) Payment to Registered Owner. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate is registered in the Registration Books as the absolute owner of such Certificate for the purpose of payment of principal and interest with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Certificates only to or upon the order of the registered owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Certificates to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Ordinance.

(f) Paying Agent/Registrar. The Issuer covenants with the registered owners of the Certificates that at all times while the Certificates are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution or other agency to act as and perform the services of Paying Agent/Registrar for the



Certificates under this Ordinance, and that the Paying Agent/Registrar will be one entity. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(g) Substitute Paying Agent/Registrar. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificates, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Certificates, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar.

(g) Book-Entry Only System. The Certificates issued in exchange for the Certificates initially issued to the purchaser or purchasers specified herein shall be initially issued in the form of a separate single fully registered Certificate for each of the maturities thereof and the ownership of each such Certificate shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsections (i) and (j) of this Section, all of the outstanding Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

(h) Blanket Letter of Representations. The execution and delivery by the Mayor of a Blanket Letter of Representations with respect to obligations of the Issuer is hereby authorized and approved; and the provisions thereof shall be fully applicable to the Certificates. Notwithstanding anything to the contrary contained herein, while the Certificates are subject to DTC's Book-Entry Only System and to the extent permitted by law, the Letter of Representations is hereby incorporated herein and its provisions shall prevail over any other provisions of this Ordinance in the event of conflict.

(i) Certificates Registered in the Name of Cede & Co. With respect to Certificates registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of Certificates, as shown on the Registration Books, of any notice with respect to the Certificates, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Certificates, as shown in the Registration Books of any amount with respect to principal of or interest on the Certificates. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(j) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC or that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates and transfer one or more separate Certificates to DTC Participants having Certificates credited to their DTC accounts. In such event, the Certificates shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Certificates shall designate, in accordance with the provisions of this Ordinance.

(k) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the representation letter of the Issuer to DTC.

(l) General Characteristics of the Certificates. The Certificates (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates to be payable only to the Registered Owners thereof, (ii) may and shall be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Certificates, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Certificates shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Certificates, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATE set forth in this Ordinance. The Certificates initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate issued in conversion of and exchange for any Certificate or Certificates issued under this Ordinance the Paying Agent/Registrar shall execute the Paying Agent/Registrar's Authentication Certificate, in the FORM OF CERTIFICATE set forth in this Ordinance.

(m) Cancellation of Initial Certificate. On the closing date, one initial Certificate representing the entire principal amount of the Certificates, payable in stated installments to the order of the initial purchaser of the Certificates or its designee, executed by manual or facsimile signature of the Mayor and City Secretary of the Issuer, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to such purchaser or its designee. Upon payment for the initial Certificate, the Paying Agent/Registrar shall insert the Issuance Date on Certificate No. T-1, cancel each of the initial Certificates and deliver to The Depository Trust Company ("DTC") on behalf of such purchaser one registered definitive Certificate for each year of maturity of the Certificates, in the aggregate principal amount of all of the Certificates for such maturity, registered in the name of Cede & Co., as nominee of DTC. To the extent that the Paying Agent/Registrar is eligible to participate in DTC's FAST System, pursuant to an agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Certificates in safekeeping for DTC.

Section 4. FORM OF CERTIFICATES. The form of the Certificates, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Certificates initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance.

(a) Form of Certificate.

NO. R- UNITED STATES OF AMERICA PRINCIPAL AMOUNT  
STATE OF TEXAS \$ \_\_\_\_\_  
CITY OF MARFA, TEXAS  
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATE OF OBLIGATION  
SERIES 2015

Interest Rate Delivery Date Maturity Date CUSIP No.

---

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

ON THE MATURITY DATE specified above, the City of Marfa, in Presidio County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above. The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date specified above at the Interest Rate per annum specified above. Interest is payable on March 15, 2016, and semiannually on each September 15 and March 15 hereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except, if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate shall be paid to the registered owner hereof upon presentation and surrender of this Certificate at maturity, or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of \_\_\_\_\_, \_\_\_\_\_, Texas, which is the "Paying Agent/Registrar" for this Certificate. The payment of interest on this Certificate shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Certificate (the "Certificate Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the last business day of the month preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described.

NOTWITHSTANDING ANY PROVISION, term, condition or requirement of this Certificate or the Certificate Ordinance to the contrary, payments to the initial purchaser of the Certificates of principal of and

interest on the Certificates shall be made by wire transfer of immediately available funds at no cost to such purchaser.

IN ADDITION, INTEREST MAY BE PAID by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

IN THE EVENT OF A NON-PAYMENT OF INTEREST on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (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 owner of a Certificate appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Certificate prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Certificate for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Certificate that on or before each principal payment date, interest payment date, and accrued interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificate Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificates, when due.

IF THE DATE for the payment of the principal of or interest on this Certificate shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not such a Saturday, Sunday, legal holiday or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS CERTIFICATE is one of a series of Certificates dated December 1, 2015, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$705,000, for paying all or a portion of the City's contractual obligations incurred for use in connection with: (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the Issuer's waterworks and sewer system, including drilling, installing, constructing and equipping a water well and related facilities, and (ii) paying legal, fiscal and engineering fees in connection with such projects.

ON March 15, 2026, or on any date thereafter, the Certificates of this series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Certificates, or portions thereof, to be redeemed shall be redeemed in inverse order of maturity and the Issuer shall direct the Paying Agent/Registrar to call by lot or other customary method, portions thereof within such maturities and in such principal amounts, for redemption (provided that a portion of a Certificate may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

AT LEAST 30 days prior to the date fixed for any redemption of Certificates or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner of each Certificate to be redeemed at its address as it appeared on the Registration Books at the close of business on the business day next preceding the date of mailing of such notice; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or

in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Certificate. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof that are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Certificates or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate shall be redeemed, a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Certificate Ordinance.

IF AT THE TIME OF MAILING of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Certificates called for redemption, such notice may state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within five days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

ALL CERTIFICATES OF THIS SERIES are issuable solely as fully registered certificates, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Certificate Ordinance, this Certificate may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered certificates, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Certificate Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Certificate may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Certificate or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Certificates is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Certificate Ordinance that it promptly will

appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owners of the Certificates.

IT IS HEREBY certified, recited and covenanted that this Certificate has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Certificate have been performed, existed and been done in accordance with law; that this Certificate is a general obligation of said Issuer, issued on the full faith and credit thereof; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said Issuer, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate is additionally secured by and payable from a pledge of the 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 obligations (now or hereafter outstanding) that are payable from all or part of said revenues, all as provided in the Certificate Ordinance.

THE ISSUER HAS RESERVED THE RIGHT to amend the Certificate Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Certificates.

BY BECOMING the registered owner of this Certificate, the registered owner thereby acknowledges all of the terms and provisions of the Certificate Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Certificate Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Certificate and the Certificate Ordinance constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be signed with the manual or facsimile signature of the Mayor of the Issuer (or in the absence of the Mayor, by the Mayor Pro-Tem) and countersigned with the manual or facsimile signature of the City Secretary of said Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Certificate.

\_\_\_\_\_  
(signature)  
City Secretary

\_\_\_\_\_  
(signature)  
Mayor

(SEAL)

(b) Form of Paying Agent/Registrar's Authentication Certificate.

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE  
(To be executed if this Certificate is not accompanied by an executed Registration Certificate  
of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Certificate has been issued under the provisions of the Certificate Ordinance described in the text of this Certificate; and that this Certificate has been issued in conversion or replacement of, or in exchange for, a certificate, certificates, or a portion of a certificate or certificates of a series that originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_, Texas  
Paying Agent/Registrar

By: \_\_\_\_\_  
Authorized Representative

(c) Form of Assignment.

ASSIGNMENT  
(Please print or type clearly)

For value received, the undersigned hereby sells, assigns and transfers unto: \_\_\_\_\_

Transferee's Social Security or Taxpayer Identification Number: \_\_\_\_\_

Transferee's name and address, including zip code: \_\_\_\_\_

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Certificate in every particular, without alteration or enlargement or any change whatsoever.

(d) Form of Registration Certificate of the Comptroller of Public Accounts.

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. \_\_\_\_\_

I hereby certify that this Certificate has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and that this Certificate has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

(e) Initial Certificate Insertions.

(i) The initial Certificate shall be in the form set forth in paragraph (a) of this Section, except that:

A. immediately under the name of the Certificate, the headings "Interest Rate" and "Maturity Date" shall both be completed with the words "As shown below" and "CUSIP No. \_\_\_\_\_" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"THE CITY OF MARFA, TEXAS, in Presidio County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on February 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
(Information from Section 2 to be inserted)		

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date specified above at the respective Interest Rate per annum specified above. Interest is payable on March 15, 2016, and semiannually on each September 15 and March 15 thereafter to the date of payment of the principal installment specified above, or the date of redemption prior to maturity; except, that if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full."

C. The Initial Certificate shall be numbered "T-1."

Section 5. INTEREST AND SINKING FUND; SURPLUS REVENUES.

(a) A special "Interest and Sinking Fund" is hereby created and shall be established and maintained by the Issuer as a separate fund or account and the funds therein shall be deposited into and held in an account at an official depository bank of said Issuer. Said Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of said Issuer, and shall be used only for paying the interest on and principal of said Certificates. All amounts received from the sale of the Certificates as accrued interest, shall be deposited upon receipt to the Interest and Sinking Fund, and all ad valorem taxes levied and collected for and on account of said Certificates shall be deposited, as collected, to the credit of said Interest and Sinking Fund. During each year while any of said Certificates are outstanding and unpaid, the governing body of said Issuer shall compute and ascertain a rate and amount of ad valorem tax that will be sufficient to raise and produce the money required to pay the interest on said Certificates as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of said Certificates as such principal matures (but never less than 2% of the original amount of said Certificates as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of said Issuer, with full allowances being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in



said Issuer, for each year while any of said Certificates are outstanding and unpaid, and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

(b) The Certificates are additionally secured by revenues of the Issuer's waterworks and sewer system (the "System") that remain after the payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the System, such revenues constituting "Surplus Revenues." The Issuer shall deposit such Surplus Revenues to the credit of the Interest and Sinking Fund created pursuant to subsection (a) of this section, to the extent necessary to pay the principal and interest on the Certificates. Notwithstanding the requirements of subsection (a) of this section, if Surplus Revenues or other lawfully available moneys of the Issuer are actually on deposit, or budgeted for deposit as hereinafter provided, in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes that otherwise would have been required to be levied pursuant to Section 5(a) may be reduced to the extent and by the amount of the revenues then on deposit, or budgeted for deposit as hereinafter provided, in the Sinking Fund. However, if the Surplus Revenues are budgeted for deposit into the Interest and Sinking Fund, the Issuer:

(i) shall transfer and deposit in the Interest Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Certificates until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Certificates; further, that the Issuer shall not transfer any Surplus Revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Certificates for the then current fiscal year has been deposited in the Interest and Sinking Fund;

(ii) shall establish, adopt and maintain an annual budget that provides for either the monthly deposit of sufficient Surplus Revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Certificates; and

(iii) shall at all times maintain and collect sufficient System rates and charges in conjunction with any other legally available funds that, after payment of the costs of operating and maintaining the System, produce revenues in an amount not less than 1.10 times debt service requirements of all outstanding System revenue bonds of the Issuer and other obligations of the Issuer which are secured in whole or in part by a pledge of revenues of the System, for which the Issuer is budgeting the repayment of such obligations from the revenues of the System, or the Issuer shall provide documentation which evidences the levy of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of System debt service requirements.

(c) Article 1208, Government Code, applies to the issuance of the Certificates of Obligation and the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Certificates of Obligation are outstanding and unpaid, the result of such amendment being that the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section, is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the registered owners of the Certificates of Obligation a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

## Section 6. DEFEASANCE OF CERTIFICATES.

(a) Any Certificate and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Certificate") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (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 Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable.

At such time as a Certificate shall be deemed to be a Defeased Certificate hereunder, as aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged or the limited pledge of Surplus Revenues as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates that is made in conjunction with the payment arrangements specified in subsection 6(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificates immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificates and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificates may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 6(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates, which under current law is limited to the following types of securities: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America., (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) 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 governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) Until all Defeased Certificates shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Certificates of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Certificates by such random method as it deems fair and appropriate.

(f) So long as the Texas Water Development Board is the registered owner of any of the Certificates, the Issuer shall provide written notice to the Texas Water Development Board of a defeasance of the Certificates pursuant to subsection (a)(ii) of this Section.

#### Section 7. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES.

(a) Replacement Certificates. In the event any outstanding Certificate is damaged, mutilated, lost, stolen or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new certificate of the same principal amount, maturity and interest rate, as the damaged, mutilated, lost, stolen or destroyed Certificate, in replacement for such Certificate in the manner hereinafter provided.

(b) Application for Replacement Certificates. Application for replacement of damaged, mutilated, lost, stolen or destroyed Certificates shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Certificate, the registered owner applying for a replacement certificate shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Certificate, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft or destruction of such Certificate, as the case may be. In every case of damage or mutilation of a Certificate, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Certificate shall have matured, and no default has occurred that is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Certificate, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate) instead of issuing a replacement Certificate, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Certificates. Prior to the issuance of any replacement certificate, the Paying Agent/Registrar shall charge the registered owner of such Certificate with all legal, printing, and other expenses in connection therewith. Every replacement certificate issued pursuant to the provisions of this Section by virtue of the fact that any Certificate is lost, stolen or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen or destroyed Certificate shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Certificates duly issued under this Ordinance.

(e) Authority for Issuing Replacement Certificates. In accordance with Sec. 1206.022, Government Code, this Section 7 of this Ordinance shall constitute authority for the issuance of any such replacement certificate without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such certificates is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates in the form and manner and with the effect, as provided in Section 3(a) of this Ordinance for Certificates issued in conversion and exchange for other Certificates.

Section 8. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED; ENGAGEMENT OF BOND COUNSEL.

(a) The Mayor of the Issuer is hereby authorized to have control of the Certificates initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificates pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificates, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Certificates issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates. In addition, if bond insurance is obtained, the Certificates may bear an appropriate legend as provided by the insurer.

(b) The obligation of the initial purchaser to accept delivery of the Certificates is subject to the initial purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Certificates to the initial purchaser. The engagement of such firm as bond counsel to the Issuer in connection with issuance, sale and delivery of the Certificates is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, is hereby authorized in such form as may be approved by the Mayor, and the Mayor is hereby authorized to execute such engagement letter.

Section 9. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE CERTIFICATES.

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Certificates as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Certificates, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Certificates (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Certificates being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Certificates being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Certificates, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Certificates, other than investment property acquired with –

(A) proceeds of the Certificates invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Certificates are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Certificates;

(7) to otherwise restrict the use of the proceeds of the Certificates or amounts treated as proceeds of the Certificates, as may be necessary, so that the Certificates do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings);

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Certificates have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code;

(9) to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Certificates are issued, an information statement concerning the Certificates, all under and in accordance with section 149(e) of the Code and the applicable Treasury Regulations promulgated thereunder;

(10) the Issuer will not acquire any of the Texas Water Development Board's source series bonds in an amount related to the amount of Certificates acquired by the Texas Water Development Board; and

(11) to assure that the proceeds of the Certificates will be used solely for new money purposes.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (a)(8), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the holders of the Certificates. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Use of Proceeds. The Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department

of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Certificates, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements applicable to the Certificates, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates under section 103 of the Code.

(d) The Issuer hereby authorizes and directs the Mayor and the City Administrator to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(e) Allocation Of, and Limitation On, Expenditures for the Project. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (the "Project") on its books and records in accordance with the requirements of the Code. The Issuer recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificates, or (2) the date the Certificates are retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Certificates. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Disposition of Project. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Certificates. For purpose of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Certificates. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

#### Section 10. SALE OF CERTIFICATES; FURTHER PROCEDURES.

(a) The Certificates are hereby officially sold and awarded to the initial purchaser, the Texas Water Development Board, at a price equal to the par amount thereof, less an origination fee of \$\_\_\_\_\_. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The Certificates shall initially be registered in the name of the Texas Water Development Board or its designee.

(b) The Mayor and the City Administrator of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and on behalf of the Issuer all such documents,

certificates and other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Certificates and the sale of the Certificates. In case any officer whose signature shall appear on any Certificate shall cease to be such officer before the delivery of such Certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 11. INTEREST EARNINGS ON CERTIFICATE PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Certificates shall be used along with other certificate proceeds for the Project; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be used as described in Section 16(d). It is provided, however, that any interest earnings on Certificate proceeds that are required to be rebated to the United States of America pursuant to Section 9 hereof in order to prevent the Certificates from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 12. CONSTRUCTION FUND; SECURITY FOR DEPOSITS.

(a) The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Series 2015 Combination Tax and Surplus Revenue Certificate of Obligation Construction Fund" for use by the Issuer for payment of all lawful costs associated with the acquisition and construction of the Project as hereinbefore provided, and to pay the costs of issuance of the Certificates. Upon payment of all such costs, any moneys remaining on deposit in said Fund shall be disbursed as provided in Section 16(c).

(b) The Issuer may place proceeds of the Certificates (including investment earnings thereon) and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Certificates will be used as soon as practicable for the purposes for which the Certificates are issued.

(c) All deposits authorized or required by this Ordinance shall be secured to the fullest extent required by law for the security of public funds as provided in Chapters 2256 and 2257, Texas Government Code, as amended.

Section 13. COMPLIANCE WITH RULE 15c2-12.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports.

(i) The Issuer shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of each fiscal year, financial information and operating data with respect to the Issuer of the general type included described in Exhibit A hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit a hereto, or such other accounting principles as the Issuer may be required to employ from time to time

pursuant to state law or regulation, and (2) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Issuer shall provide unaudited financial information by the required time, and shall provide audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available.

(ii) If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet website or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Event Notices.

(i) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;
2. Modifications to rights of Certificateholders;
3. Certificate calls;
4. Release, substitution, or sale of property securing repayment of the Certificates;
5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into 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; and
6. Appointment of a successor or additional trustee or the change of name of a trustee.

(ii) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other



material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;

6. Tender offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar event of an obligated person.

(iii) The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) Limitations, Disclaimers, and Amendments.

(i) The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the Issuer in any event will give notice of any deposit made in accordance with this Order or applicable law that causes Certificates no longer to be outstanding.

(ii) The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Certificates, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

(iii) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(iv) No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Order for purposes of any other provision of this Order. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

(v) Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer hereby agrees to undertake such obligation with respect to the Certificates in accordance with the Rule as amended. The provisions of this Section may be amended by

the Issuer 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 Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Registered Owners and beneficial owners of the Certificates. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Section 14. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to wit:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance in order to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and that shall not materially adversely affect the interests of the holders, (iv) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under this Ordinance as shall not be inconsistent with the provisions of this Ordinance and that shall not in the opinion of the Issuer's Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Certificates aggregating in principal amount 51% of the aggregate principal amount of then outstanding Certificates that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Certificates, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in any of the Certificates so as to:

- (1) Make any change in the maturity of any of the outstanding Certificates;
- (2) Reduce the rate of interest borne by any of the outstanding Certificates;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates;
- (4) Modify the terms of payment of principal or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or

(5) Change the minimum percentage of the principal amount of any series of Certificates necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Ordinance under this Section, the Issuer shall send by U.S. mail to each registered owner of the affected Certificates a copy of the proposed amendment. Such notice shall briefly set forth the nature of the proposed amendment.

(d) Whenever at any time within one year from the date of the mailing of such such notice the Issuer shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all of the Certificates then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and that shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the Issuer and all holders of such affected Certificates shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Certificate pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the mailing of notice as provided for in this Section, and shall be conclusive and binding upon all future holders of the same Certificate during such period. Such consent may be revoked at any time after six months from the date of mailing of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the affected Certificates then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

For the purposes of establishing ownership of the Certificates, the Issuer shall rely solely upon the registration of the ownership of such Certificates on the registration books kept by the Paying Agent/Registrar.

#### Section 15. DEFAULT AND REMEDIES.

(a) Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Certificates when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the Issuer, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Certificates, including, but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the Issuer.

(b) Remedies for Default.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the Issuer, or any official, officer or employee of the Issuer in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or

agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Certificates then outstanding.

(c) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Certificates or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Certificates shall not be available as a remedy under this Ordinance.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Certificate authorized under this Ordinance, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the Issuer or the City Council.

(iv) None of the members of the City Council, nor any other official or officer, agent, or employee of the Issuer, shall be charged personally by the Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of this Ordinance, or because of any Event of Default or alleged Event of Default under this Ordinance.

Section 16. TEXAS WATER DEVELOPMENT BOARD. The provisions of this Section shall apply so long as the Certificates, or any of them, are owned by the Texas Water Development Board.

(a) Covenant to Abide with Rules and Regulations. The Issuer will abide with all applicable federal laws, rules and regulations, laws of the State of Texas and rules and regulations of the Texas Water Development Board relating to the loan of funds evidenced by the Certificates and the project for which the Certificates are issued, sold and delivered.

(b) Annual Audit Reporting. The Issuer shall have an annual audit prepared in accordance with generally accepted accounting practices and shall provide to the Executive Administrator of the Texas Water Development Board, without the necessity of a written request therefor and without charge, a copy of the annual audit report within 180 days of the close of each Issuer fiscal year. In addition, monthly operating statements for the System shall be maintained by the Issuer and made available, on request, to the Texas Water Development Board as long as the State of Texas owns any of the Certificates, and the monthly operating statement shall be in such detail as requested by the Development Fund Manager of the Texas Water Development Board until this requirement is waived thereby. The Issuer covenants that proceeds of the Certificates shall remain separate and distinct from other sources of funding from the date of the Texas Water Development Board commitment through costing and final disbursement.

(c) Final Accounting. Upon completion of the project to be financed with the proceeds of the Certificates, the Issuer shall render a final accounting of the cost of such project to the Texas Water Development Board, together with a copy of "as built" plans of such improvements and extensions upon completion. If the total cost of such project, as finally completed, is less than originally estimated, so that the proper share of the participation by the Texas Water Development Board in such project is reduced, any surplus proceeds from the

Certificates remaining after completion of the project shall be used for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Certificates owned by the Texas Water Development Board (any remaining excess after such redemption, in an amount less than \$5,000, shall be deposited into the Interest and Sinking Fund ); (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Certificates owned by the Texas Water Development Board; or (3) eligible project costs as authorized by the Executive Administrator.

(d) Defeasance. Should the Issuer exercise its right hereunder to effect the defeasance of the Certificates, the Issuer agrees that it will provide the Texas Water Development Board with written notice of any such defeasance.

(e) Prohibition on Use of Proceeds. The Issuer covenants and agrees that none of the proceeds of the Certificates will be expended on costs incurred or to be incurred relating to the sampling, testing, removing or disposing of potentially contaminated soils and/or media at the project site.

(f) Indemnification. The Issuer further agrees, to the extent permitted by law, to indemnify, hold harmless and protect the Texas Water Development Board from any and all claims or causes of action arising from the sampling, analysis, transport, storage, treatment, removal and off-site disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Issuer, its contractors, consultants, agents, officials and employees as a result of activities relating to the Project.

(g) Environmental Determination. In connection with the project financed with the Certificates, the Issuer agrees to implement any environmental determination issued by the Executive Administrator of the Texas Water Development Board to satisfy the environmental review requirements set forth in 31 Texas Administrative Code 371.

(h) Insurance. The Issuer agrees to maintain casualty and other insurance on the Issuer's water system of a kind and in an amount customarily carried by municipal corporations owning and operating similar properties and in an amount sufficient to protect the interests of the Texas Water Development Board in the Project.

(i) Water Conservation Program. The Issuer has adopted and implemented or will adopt and implement an approved water conservation program in accordance with 31 TAC 363.42.

(j) No Purchase of Texas Water Development Board Certificates. The Issuer agrees that it, nor any related party to the Issuer, will not purchase, as an investment or otherwise, bonds issued by the Texas Water Development Board including, without limitation, bonds issued by the Texas Water Development Board, the proceeds of which were used by the Texas Water Development Board to purchase the Certificates.

(k) Compliance with Federal Contracting Law. The Issuer acknowledges that it has a legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises.

(l) Compliance with State Contracting Law. The Issuer acknowledges that it has a legal obligation to comply with any applicable requirements of State law relating to contracting with historically underutilized businesses.

#### Section 17. ESCROW AGREEMENT AND ESCROW FUND.

(a) The Escrow Agreement between the Issuer and the escrow agent named therein (the "Escrow Agent") substantially in the form and content presented at this meeting, specifying the duties and responsibilities of the Issuer and the Escrow Agent, and creating the escrow fund ("the "Escrow Fund"), is hereby approved and the

Mayor is hereby authorized and directed to execute the Escrow Agreement on behalf of the Issuer. The Escrow Agent named in the Escrow Agreement is hereby appointed as the Escrow Agent pursuant to such Escrow Agreement.

(b) On the closing date, the Issuer shall cause the proceeds from the sale of the Certificates to be deposited into the Escrow Fund or, if agreed to by the Texas Water Development Board, all or a portion of the proceeds of the Certificates may be deposited into the Construction Fund or as otherwise directed by the Issuer and the Texas Water Development Board.

(c) Funds shall not be released from the Escrow Fund without written approval by the Executive Administrator of the Texas Water Development Board. Except as provided in Section 16(d), moneys disbursed from the Escrow Fund shall be credit to the Construction Fund created by Section 12 hereof and shall be applied only for the payment of costs of the Project.

(d) The security for, and the investment of, funds on deposit in the Escrow Fund shall be governed by the provisions of the Escrow Agreement.

Section 18 APPROPRIATION. To pay the debt service coming due on the Certificates, if any, prior to receipt of the taxes levied to pay such debt service, there is hereby appropriated from current funds on hand, which are hereby certified to be on hand and available for such purpose, an amount sufficient to pay such debt service, and such amount shall be used for no other purpose.

Section 19. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Ordinance, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, despite such invalidity, which remaining portions shall remain in full force and effect.

Section 20. NO PERSONAL LIABILITY. No recourse shall be had for payment of the principal of or interest on any Certificates or for any claim based thereon, or on this Ordinance, against any official or employee of the Issuer or any person executing any Certificate.

Section 21. IMMEDIATE EFFECTIVE DATE. This Ordinance shall take effect and be in force immediately upon and after its adoption by the City Council in accordance with the provisions of Section 1201.028, Texas Government Code and the provisions of the City Charter of the Issuer, and it is accordingly so ordained.

[Execution page follows]

DULY PASSED AND APPROVED by the City Council of the City of Marfa, Texas, on the \_\_\_\_ day  
of \_\_\_\_\_, 2015.

---

Mayor, City of Marfa, Texas

---

City Secretary, City of Marfa, Texas

[CITY SEAL]

EXHIBIT A

**Annual Financial Statements and Operating Data**

The following information is referred to in Section 13(b) of this Ordinance:

1. Annual Financial Statements and Operating Data. The financial information and operating data with respect to the Issuer to be provided in accordance with such Section the following: the annual audit.
2. Accounting Principles. The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.



**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

## **Proposed Form of Opinion of Bond Counsel**

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

**CITY OF MARFA, TEXAS  
COMBINATION TAX AND SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2015  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$705,000**

---

AS BOND COUNSEL FOR THE CITY OF MARFA, TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2015, 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 are additionally secured by surplus net revenues of the Issuer's waterworks and sewer system that remain after the payment of all maintenance and operation 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) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and 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 of Obligation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates of Obligation, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on 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 of Obligation, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates of Obligation 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 of Obligation 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 of Obligation 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 of Obligation, 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 of Obligation 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 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 of Obligation. 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 of Obligation as includable in gross income for federal income tax purposes.

Respectfully,

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part F: Economically Distressed Programs (EDAP) Applicants Only:**

In accordance with TWDB Rules (31 TAC Chapter 363), an application for EDAP will **not** be considered until the County has adopted and is enforcing the Model Subdivision Rules (MSRs) Texas Water Code § 16.343. If the proposed project is within a municipality or its extraterritorial jurisdiction (ETJ), or if the applicant is a municipality, the municipality must also have adopted and be enforcing MSRs.

72. Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts)  
\_\_\_\_\_
73. Is financing being requested for a **wastewater** project?  
 Yes If yes, does the applicant have the required resolution/ordinance establishing a mandatory hookup policy?  
 Yes. If yes, attach a copy of the resolution/ordinance.  
 **Attached**  
 No. If no, explain \_\_\_\_\_  
 No
74. Required documentation for the project area for Preliminary EDAP Eligibility (31 TAC Chapter 363)  
 **Attached** documentation of inadequacy of water and/or wastewater services.  
 **Attached** documentation regarding the financial resources of the residential users in the EDAP area. Census data or documentation regarding median household income should be provided.  
 **Attached** documentation demonstrating existence of a residence in the project area prior to **June 1, 2005**. This could include tax records of residence, dated aerial maps, or, other documentation demonstrating existence of a residence.
75. Has the Department of State Health Services issued a determination stating a public health nuisance exists in the project area?  
 Yes If yes, attach a copy of the determination.  
 **Attached**  
 No If no determination exists, attach documentation demonstrating a public health nuisance exists in the project area. (*Photographs may be submitted, but they **must** be labeled with location and date when taken. If the soil types are mentioned in the project area as an issue, include soil profile maps*) This documentation will be used by TWDB staff to request a determination from the Department of State Health Services  
 **Attached**
76. Is this project providing new service?  
 Yes If yes, attach plats of the affected subdivisions.  
 **Attached**  
 No
77. Attach an EDAP Facility Engineering Plan/Scope of Services report that complies with the requirements of WRD-023A. <http://www.twdb.texas.gov/financial/instructions/index.asp>  
 **Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part G: CWSRF/DWSRF Applicants Only**

**Only applicants applying for funding from the CWSRF and DWSRF Programs must complete this section.**

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to obtain a DUNS number that will represent a universal identifier for all federal funding assistance. DUNS numbers can be obtained from Dun and Bradstreet at <http://fedgov.dnb.com/webform/>

78. Applicant's Data Universal Number System (DUNS) Number:  
DUNS \_\_\_\_\_

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to register with System for Award Management (SAM) and maintain current registration at all times during which the Board loan agreement is active or under consideration by the Board. Register at: <https://sam.gov>.

79. The applicant has registered and will maintain current SAM registration at all times during which a federal subaward is active or under consideration by the Board.  
 Yes  
 No

80. Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?

Yes  
 No

2. Did applicant receive over \$25 million in Federal Awards last year?

Yes  
 No

3. Public does not have access to executive compensation information via SEC or IRS reports?

Yes  
 No

81. If applicant checked **YES** to **ALL** three boxes in 3 above, applicant is required to disclose the name and compensation of the five most highly compensated officers.

Officer's Name	Officer's Compensation (\$)

82. Complete form WRD 213 (<http://www.twdb.texas.gov/financial/instructions/index.asp>) - Certification Regarding Lobbying

**Attached**  Yes  
 No  
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

83. If applying for CWSRF Equivalency or DWSRF, **attach** the Certification Regarding Debarment, Suspension and Other Responsibility. SRF-404  
(<http://www.twdb.texas.gov/financial/instructions/doc/SRF-404.pdf>)

**Attached**     Yes  
                   No  
                   N/A

84. If applying for CWSRF Equivalency or DWSRF, **attach** the Assurances – Construction Programs. EPA-424D (<http://www.twdb.texas.gov/financial/doc/EPA-424D.pdf>)

**Attached**     Yes  
                   No  
                   N/A

85. The applicant must comply with the Davis-Bacon Act regarding prevailing wage rates. The applicant acknowledges that they are aware of, and will abide by, the Davis-Bacon Act requirements.

Yes  
 No

Further information on the Davis-Bacon requirement is available through the TWDB Guidance document, DB-0156 (<http://www.twdb.texas.gov/financial/instructions/index.asp>)

All project costs funded by the TWDB through CWSRF Equivalency or DWSRF must comply with the federal Disadvantaged Business Enterprise (DBE) program rules and requirements. The federal DBE program requires a good faith effort to contract with DBE's for all procurements including: professional and non-professional consulting services, equipment, supplies and construction to be funded by federal equivalency dollars. Guidance and forms are found at:

TWDB-0210 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0210.pdf>)

86. **At a minimum, you must complete and attach** the Applicant Affirmative Steps Certification and Goals. This form is required to obtain a financial assistance commitment.

TWDB-0215 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0215.pdf>)

**Attached**     Yes  
                   No

87. If you have already solicited contractors, complete and attach the Affirmative Steps Solicitation Report. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-216 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0216.pdf>)

**Attached**     Yes  
                   No  
                   N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

88. If you have awarded contracts to contractors, complete and attach the Loan/Grant Participation Summary. This form must be submitted for review prior to loan closing and release of funds. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-0373 (<http://www.twdb.texas.gov/financial/doc/TWDB-0373.pdf>)

**Attached**  Yes  
 No  
 N/A

89. All Contractors that have been awarded will need to complete and attach the Prime Contractor Affirmative Steps Certification and Goals This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-217 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0217.pdf>)

**Attached**  Yes  
 No  
 N/A

90. **All CWSRF applicants** must be a Designated Management Agency (DMA) for wastewater collection and treatment. Please complete and attach DMA resolutions. WRD-210 (<http://www.twdb.texas.gov/financial/doc/WRD-210.pdf>) is an example of this type of resolution.

**Attached**  
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part H: Documentation of "Green" Projects and Project Components

CWSRF and DWSRF Applicants Only

All SRF applicants must complete this section if green benefits are all or part of the project (**more than an incidental benefit**). Project is defined as the entire project or a stand-alone component of the project. This section is required so that the TWDB may determine whether the project qualifies as "green" pursuant to Environmental Protection Agency (EPA) Guidance.

A project (or project component) is "green" if the primary purpose qualifies under EPA Guidance as one of the following:

- a. Green Infrastructure,
- b. Water Efficiency-related,
- c. Energy Efficiency-related, or
- d. Environmentally Innovative.

You must use the Green Project Reserve guidance to complete this section. Current guidance may be found at: **Green Project Reserve: Guidance for determining project eligibility**  
TWDB-0161 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0161.pdf>)

91. Does your project or a component of your project qualify as Green, per EPA guidance?
- Yes  
 No

If Yes, Please complete the remainder of Section G.

92. Type of Green Project
- Water Efficiency       Energy Efficiency       Green Infrastructure       Environmentally Innovative

93. The correct worksheets must be completed.
- Green Project Reserve: CWSRF Green Project Worksheets**  
TWDB-0162 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0162.pdf>)
- Attached**       Yes  
                          No  
                          N/A

- Green Project Reserve: DWSRF Green Project Worksheets**  
TWDB-0163 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0163.pdf>)
- Attached**       Yes  
                          No  
                          N/A

TWDB will make the final determination whether your project (or project component) meets federal criteria as "green". You may be required to submit a **business case, utilizing the Green guidance**



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part I: Summary of attachments to application

Following is a list of the documents that may be necessary in order to process this application. While not all of the listed information below may be required for all projects, an applicant should review the application carefully because incomplete applications will not be processed until all of this information has been provided. In addition, please make sure your entity system name appears on every attachment. **Label each attachment with the number of the pertinent application section (i.e. "Part B5").**

Check list for your convenience

### Part A

- No. 6
- No. 12

### General Information

Draft or executed consulting contracts (engineering, financial advisor, bond counsel)  
Existing security document for refinancing

### Part B

- No. 17
- No. 18
- No. 19
- No. 20

### Legal

Resolution (TWDB-0201A)  
Application Affidavit (TWDB-0201)  
Certificate of Secretary (TWDB-201B)  
Water Supply Corporations

- Articles of Incorporation
- Certificate of incorporation from the Texas Secretary of State
- By-laws and any amendments
- Certificate of status from the Texas Secretary of State
- Certificate of account status from Texas Comptroller

- No. 21
- No. 22
- No. 23
- No. 24
- No. 25
- No. 26

Resolution/ordinance authorizing the issuance of parity debt  
Certificate of Convenience & Necessity  
Enforcement Actions  
Affidavit of No Objection  
Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965)  
Water use surveys

- No. 27

Water Loss Audit  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
<http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp>

### Part C

- No. 39
- No. 40
- No. 45
- No. 46
- No. 47
- No. 49
- No. 52

### Financial

Assessed Values by Classifications  
Direct and Overlapping Tax Table  
Proforma for each year of debt outstanding  
Five year comparative system operating statement.  
Annual audit and management letter  
Outstanding debt schedule  
Service provider contracts

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part D**

**Project Information**

- No. 54a Preliminary Engineering Feasibility Data (PEFD)
- No. 54b Engineering Feasibility Report
  - Water (TWDB-0555)
  - Wastewater (TWDB-0556)
- No. 54c Project Draw Schedule (TWDB-1202)
- No. 56 Project Map
- No. 57 Census Tract(s)
- No. 59 Current and future populations and projected water use or wastewater flows
- No. 60 Project Cost Estimate Budget (TWDB-1201)
- No. 61 Wastewater Project Information Form (WRD-253a)  
Water Project Information Form (WRD-253d)
- No. 62 Texas Pollution Discharge Elimination System Permit
- No. 63 If applicant has property rights and permits
  - a. WRD-208A (Surface Water)
  - b. WRD-208B (Groundwater)
- No. 63c Additional Permits
- No. 64 Site certificate, evidencing land ownership for the project. (ED-101)
- No. 65 Categorical Exclusion (CE), Finding of No Significant Impact (FONSI), Record of Decision or any other supporting document
- No. 67 Social or environmental issues

**Part E**

**State Water Implementation Fund for Texas**

- No. 69 Multi-year/phased commitment schedule
- No. 71a Draft Bond Ordinance
- No. 71b Private Placement Memorandum

**Part F**

**Economically Distressed Areas Program**

- No. 73 Resolution/ordinance establishing a mandatory hookup policy
- No. 74 EDAP applicants
  - Inadequacy documentation
  - Financial resources documentation
  - Existence of residences prior to 06/01/2005
- No. 75 Public health nuisance
- No. 76 Plats
- No. 77 EDAP Planning Phase – Facility Engineering Plan/Scope of Services (WRD-023A)

**Part G**

**CWSRF/DWSRF Applicants Only**

- No. 82 Lobbying Activities (WRD-213)
- No. 83 Certification Regarding Debarment, Suspension and Other Responsibility Requirements. (SRF-404)
- No. 84 Assurances – Construction Programs (EPA-424D)  
Disadvantaged Business Requirements Guidance (TWDB-0210)
- No. 86 Affirmative Steps Certification and Goals (TWDB-0215)
- No. 87 Affirmative Steps Solicitation Report (TWDB-216)
- No. 88 Loan/ Grant Participation Summary (TWDB-0373)
- No. 89 Prime Contractor Affirmative Steps Certification and Goals (TWDB-217)
- No. 90 Designated Management Agency (WRD-210)

**Part H**

**Green Projects**

- No. 93 Guidance (TWDB-0161)  
CWSRF Green Project Worksheets (TWDB-0162)  
DWSRF Green Project Worksheets (TWDB-0163)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part J: Guidance and Forms

### Part A

#### General Information

CWSRF – 31 TAC 375

DWSRF – 31 TAC 371

EDAP and SWIFT - 31 TAC 363

For more information visit, <http://www.twdb.texas.gov/about/rules/index.asp>.

### Part D

#### Project Information

[State Programs - 31 TAC 363](#)

[Drinking Water State Revolving Fund - 31 TAC 371](#)

[Clean Water State Revolving Fund / Equivalency - 31 TAC 375](#)

[Clean Water State Revolving Fund / Non-Equivalency - 31 TAC 375](#)

Guidelines for Environmental Assessment, Clean Water Non-Equivalency (ED-001A)

Clean Water EID Instructions (SRF-099)

Guidelines for Environmental Assessment, State Participation, DFund, RWF and WIF,  
(ED-001B)

Guidelines for Environmental Assessment, EDAP (ED-001C)

Drinking Water EID Instructions (DW-001)

### Part H

#### Green Projects and Project Components

Green Project Reserve: Guidance for determining project eligibility  
(TWDB-0161)