(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated April 16, 2018

Ratings:
Moody's: "Aa3"
S&P: "AA"
(see "Other Information – Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters".

$21,880,000
CITY OF BURLESON, TEXAS
(Johnson and Tarrant Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: Date of Delivery **Due: March 1, as shown on page 2**
Interest to Accrue From Date of Delivery

PAYMENT TERMS . . . Interest on the $21,880,000 City of Burleson, Texas Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates"), will accrue from their date of delivery and will be payable March 1, 2019, and on each September 1 and March 1 thereafter until maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of $5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The Certificates - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 271, Subchapter C, Texas Local Government Code (the "Certificate of Obligation Act of 1971"), as amended, and constitute direct obligations of the City of Burleson, Texas (the "City"), payable from the levy and collection of a direct and continuing annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and from a limited pledge of the surplus net revenues of the City's Waterworks and Sewer System not to exceed $1,000, as provided in the ordinance authorizing the Certificates (see "The Certificates - Authority for Issuance of the Certificates" and "The Certificates – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for(i) the construction of improvements and extensions to the City's waterworks and sewer system; (ii) improvements to streets and public mobility infrastructure, including the acquisition of right-of-way, throughout the City; (iii) the construction and improvement of Fire Station #2; (iv) the construction of a public plaza and parking in Old Town; and (v) payment of fiscal, engineering and legal fees incurred in connection with the issuance of the Certificates.

CUSIP PREFIX: 121385

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates (see "Other Information – Initial Purchaser" herein) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see "Appendix C - Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about May 16, 2018.

CUSIP Prefix: 121385 (1)

MATURITY SCHEDULE

Maturity (March 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix
2019	$ 535,000	4.000%	1.750%	G77
2020	790,000	4.000%	1.850%	G85
2021	820,000	4.000%	2.040%	G93
2022	850,000	4.000%	2.150%	H27
2023	890,000	4.000%	2.300%	H35
2024	925,000	4.000%	2.390%	H43
2025	960,000	4.000%	2.510%	H50
2026	1,005,000	4.000%	2.630%	H68
2027	1,040,000	4.000%	2.730%	H76
2028	1,085,000	4.000%	2.750%	H84
2029	1,125,000	3.000%	3.000%	H92
2030	1,160,000	3.000%	3.100%	J25
2031	1,190,000	3.000%	3.200%	J33
2032	1,235,000	3.000%	3.300%	J41
2033	1,265,000	3.125%	3.350%	J58
2034	1,305,000	3.250%	3.400%	J66
2035	1,350,000	3.250%	3.450%	J74
2036	1,400,000	3.375%	3.500%	J82
2037	1,450,000	3.375%	3.550%	J90
2038	1,500,000	3.500%	3.600%	K23

(Interest to accrue from Date of Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provide by CGS. None of the City, the Financial Advisor or the Initial Purchaser of the Certificates shall be responsible for the selection or correctness of CUSIP numbers set forth herein.

REDEMPTION OPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates – Optional Redemption").

No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell Certificates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements. See "Other Information – Forward-Looking Statements Disclaimer".

This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

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

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Initial Purchaser of the Certificates after the Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE CERTIFICATES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE COVER PAGES CONTAIN CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND ARE NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, NOR THE INITIAL PURCHASER OF THE CERTIFICATES MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY- ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY .... The City of Burleson, Texas (the "City") is a political subdivision and municipal corporation of the State, located in Johnson and Tarrant Counties, Texas. The City covers approximately 21.97 square miles (see "Introduction - Description of the City").

THE CERTIFICATES .... The Certificates are issued as $21,880,000 Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates"). The Certificates are issued as serial Certificates maturing on March 1 of each year in the years 2019 through 2038 (see "The Certificates – Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from their date of delivery and is payable March 1, 2019, and on each September 1 and March 1 thereafter until maturity or prior redemption (see "The Certificates – Description of the Certificates").

AUTHORITY FOR ISSUANCE .... The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 271, Subchapter C, Texas Local Government Code (the "Certificate of Obligation Act of 1971"), as amended, and the ordinance authorizing the issuance of the Certificates adopted by the City Council of the City (see "The Certificates - Authority for Issuance of the Certificates").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and from a limited pledge of the surplus net revenues of the City's Waterworks and Sewer System, not to exceed $1,000 (see "The Certificates – Security and Source of Payment" and "The Certificates – Tax Rate Limitation").

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City **has not** designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem Certificates of having stated maturities on and after March 1, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates – Optional Redemption").

TAX EXEMPTION .... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "Tax Matters".

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for (i) the construction of improvements and extensions to the City's waterworks and sewer system; (ii) improvements to streets and public mobility infrastructure, including the acquisition of right-of-way, throughout the City; (iii) the construction and improvement of Fire Station #2; (iv) the construction of a public plaza and parking in Old Town; and (v) payment of fiscal, engineering and legal fees incurred in connection with the issuance of the Certificates.

RATINGS .... The Certificates and the presently outstanding tax-supported debt of the City are rated "Aa3" by Moody's Investors Service, Inc. ("Moody's") and "AA" by S&P Global Ratings, a Standard & Poor's Financial Service LLC business ("S&P"), without regard to credit enhancement (see "Other Information - Ratings").

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	(Net) G.O. Tax Debt Outstanding at End of Year[(3)]	Ratio of (Net) G.O. Tax Debt to Taxable Assessed Valuation	(Net) G.O. Tax Debt Per Capita	% of Total Tax Collections
2014	39,010	$ 2,488,710,642	$ 63,797	$ 50,318,709	$ 1,290	2.02%	99.89%
2015	41,047	2,783,585,949	67,815	54,698,257	1,333	1.97%	99.46%
2016	41,047	3,012,339,710	73,388	51,724,963	1,260	1.72%	99.48%
2017	42,560	3,244,305,751	76,229	57,943,129	1,361	1.79%	99.26%
2018	43,960	3,416,796,239	77,725	68,048,397 (4)	1,548 (4)	1.99% (4)	81.22% (5)

(1) Source: City Officials
(2) As reported by the Johnson County and Tarrant County Appraisal Districts on the City's annual State property tax reports; subject to change during the ensuing year.
(3) Does not include self-supporting debt. See "Table 8 – Pro-Forma General Obligation Debt Service Requirements" and "Table 10 – Computation of Self-Supporting Debt" herein for a more detailed description of the City's self-supporting debt.
(4) Projected, subject to change. Includes the Certificates. Excludes a portion of the Certificates expected to be self-supporting.
(5) Collections as of January 31, 2018.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Beginning Balance	$ 11,004,508	$ 11,423,084	$ 12,140,879	$ 11,192,558	$ 10,530,441
Total Revenue	33,803,471	31,392,180	30,419,485	28,486,141	26,618,155
Total Expenditures	33,957,450	33,460,756	31,387,900	27,999,820	26,651,378
Net Transfers	(851,818)	1,650,000	250,620	462,000	695,340
Net Funds Available	(1,005,797)	(418,576)	(717,795)	948,321	662,117
Ending Balance	$ 9,998,711	$ 11,004,508	$ 11,423,084	$ 12,140,879	$ 11,192,558

For additional information regarding the City, please contact:

City of Burleson, Texas		Hilltop Securities Inc.
Rhett Clark		W. Boyd London, Jr.
Director of Finance	or	Marti Shew
141 W. Renfro		1201 Elm Street, Suite 3500
Burleson, Texas 76028		Dallas, Texas 75270
(817) 447-5400		(214) 953-4200

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Service	Expires	Occupation
Kenneth Shetter Mayor	14 Years	May 2020	Attorney/Executive Director of Non-Profit Organization
Stuart Gillaspie Councilmember	18 Years	May 2018	Retired
Rick Green Councilmember	8 Years	May 2020	Real Estate
DanO Strong Councilmember	3 Years	May 2018	Consultant
Todd K. Hulsey Councilmember	1 Years	May 2020	Attorney
Dan McClendon Mayor Pro-Tem	11 Years	May 2018	Contractor
Ronnie Johnson Councilmember	6 Years	May 2020	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City	Total Governmental Service
Dale Cheatham	City Manager	6 Years	29 Years
Paul Cain	Deputy City Manager	16 Years	26 Years
Robert Ranc	Deputy City Manager	0 Years	7 Years
Rhett Clark	Director of Finance	18 Years	23 Years
Amanda McCrory	City Secretary	16 Years	16 Years
Aaron Russell	Director of Public Works	10 Years	19 Years

CONSULTANTS AND ADVISORS

Auditors .... Patillo, Brown & Hill, LLP
Hillsboro, Texas

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

Financial Advisor..Hilltop Securities Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$21,880,000
CITY OF BURLESON, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $21,880,000 Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Certificates (the "Ordinance") which authorized the issuance of the Certificates.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless otherwise specified in this Official Statement, references to websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1912, and first adopted its Home Rule Charter in 1969. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 estimated population for the City was 35,030, while the estimated 2018 estimated population is 43,960. The City covers approximately 21.97 square miles. For more information about the City, see "Appendix A - General Information Regarding the City".

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated as of the date of initial delivery (the "Date of Delivery"), expected to be on or about May 16, 2018,, and mature on March 1 in each of the years and in the amounts shown on page 2 of this Official Statement. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will accrue from the Date of Delivery and is payable March 1, 2019, and on each September 1 and March 1 thereafter until maturity or redemption prior to maturity. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein.

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

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 271, Subchapter C, Texas Local Government Code, (the "Certificate of Obligation Act of 1971"), as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City payable from an direct and continuing annual ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "The Certificates - Tax Rate Limitation" below). The Certificates are additionally secured by a lien on and pledge of the revenues of the City's combined Waterworks and Sewer System (the "System") remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations (now or hereafter outstanding), which are payable from all or part of said revenues, limited to $1,000, as provided in the Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation. Administratively, solely for purposes of approving ad valorem tax debt, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for ad valorem tax debt service. Also, see "Tax Information – Effective Tax Rate and Rollback Tax Rate" and "Tax Information – General Obligation Debt Limitation."

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION AND OTHER NOTICES . . . Not less than 30 days prior to a redemption date for the Certificates, the City will cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Certificate to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. Any notice of redemption so mailed will be conclusively presumed to have been duly given irrespective of whether received by the owner of the Certificate. If such notice of redemption is given and if due provision for such payment is made and all other conditions to redemption are satisfied, all as provided above and as further described in the following paragraph, the Certificates or portions thereof which are to be so redeemed thereby automatically will be treated as redeemed prior to their scheduled maturities, and they will not bear interest after the date fixed for redemption, and they will 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.

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

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

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the 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 the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

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

DEFEASANCE. . .The Ordinance provides for the defeasance of the Certificates when the payment of the principal on the Certificates, plus interest on the Certificates to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar, or other financial institution permitted by applicable law,, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that 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. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized investments or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities, or for any other Defeasance Security, will be maintained at any particular rating category.

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

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

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

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City does not take any responsibility for the accuracy thereof.

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Initial Purchase of the Certificates or the Financial Advisor.

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC with respect to the Certificates, or the use of the Book-Entry-Only System with respect to the Certificates is discontinued by the City, printed Certificates will be issued to the DTC Participants or the Beneficial Owner, as the case may be, and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The Certificates - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar with respect to the Certificates. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal amount for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "The Certificates - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the fifteenth day of the preceding month.

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

REMEDIES . . . The Ordinance provides that if the City defaults in the payment of the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of Sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. V. City of Jacksonville*, 489 S.W.3d 427 (Tex.2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

As noted above, the Ordinance provides that holders of Certificates may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in either *Tooke* or *Wasson Interests*, and it is unclear whether *Tooke* or *Wasson Interests* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined a s legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

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

SOURCES AND USES OF CERTIFICATE PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

SOURCES OF FUNDS	
Principal Amount	$ 21,880,000.00
Net Premium	444,147.35
TOTAL SOURCES	$ 22,324,147.35
USES OF FUNDS	
Deposit to Construction Fund	$ 22,040,000.00
Underwriter's Discount	135,745.27
Costs of Issuance	148,402.08
TOTAL USES	$ 22,324,147.35

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Johnson County and Tarrant County Appraisal Districts (the "Appraisal Districts"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal Districts are required under Title 1, Texas Tax Code (referred to herein as the "Property Tax Code") to appraise all property within the Appraisal Districts on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

The governing body of a taxing unit, such as the City, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads with a minimum exemption of $5,000, and (2) an additional exemption of not less than $3,000 of the market value of the homesteads of persons 65 years of age or older and the disabled. In 2015, the State constitution was amended to allow the Legislature to prohibit a municipality that adopts an optional homestead exemption from reducing or repealing the amount of the exemption. State law prohibits municipalities from reducing or repealing the amount of their optional homestead exemption that was in place for the 2014 tax year for a period running through December 31, 2019.

Under Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The governing body of a county, municipality or junior college, may, on its own initiative or by a petition and referendum process, freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in transit", which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date of the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory.

Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 1, 2011, to provide for the taxation of the goods-in-transit. After holding a public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking such official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body of the taxing units rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the gods-in-transit for the payment of a debt, taxes may continue to be imposed on goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligation of the contract by which the debt was created.

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which all or a portion of the taxes or increased property values in excess of the value of the property at the time of creation of the zone are dedicated to financing public improvements in the zones. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public fund for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per $100 taxable value for the current year. The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings have been held on the proposed tax rate following notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the one-half cent sales tax in the current year.

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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

The City has not granted an additional exemption of up to 20% of the market value of residence homesteads.

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

The City does not tax nonbusiness personal property

Johnson County collects taxes for the City.

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

The City now exempts Freeport property from taxation. The City Council passed an ordinance in June 2014, in concert with the Burleson Independent School District (BISD), that repealed the previous decision to tax Freeport property.

Effective in the 2005 tax year, the City adopted the tax freeze on residence homesteads of disabled persons and persons over the age of 65.

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

See Table 1 below for a listing of the amounts of the exemptions described above.

TAX ABATEMENT POLICY . . . There are three active tax abatements within the City. The most recent was enacted 2016 for the establishment of a liquid foods manufacturing and distribution center for Project Southwest. The company has purchased property in HighPoint Business Park and anticipates constructing a large plant in 2018/2019. This agreement is seven years abating up to 75% of new value associated with the project. Additional agreements are in place for the Chicken E Headquarters and Distribution Center, as well as the Wagner-Smith Manufacturing and Distribution Center.

TAX INCREMENT FINANCING ZONE . . . The City has two Tax Increment Financing Reinvestment Zones ("TIF"). TIF #2 consists of 720 acres in the "Old Town" area of the City, and has no associated debt. TIF #2 will expire in 2036, or upon reimbursement of approved costs. Total cost of projects is estimated to be $10m. 13 new restaurants have opened since the creation of TIF #2. New development in the TIF boundaries in 2016 included land assembly of more than 5 acres for a mixed-use development known as Old Town Station. The first phase of that development has started with the construction of a $12m restaurant and office building. In 2017, Realty Capital purchased a 4.5-acre site for a $30m urban living project in the district that will begin construction in 2018. Development of the Old Town Plaza is also anticipated as a major expenditure of TIF #2 during 2018. The 2017 recapture increment for TIF #2 is $74,700,344.

Tax increment reinvestment zone #3 (TIF #3) was created in December 2012 and is located in the City's transit oriented development district. It encompasses 780 acres and will expire in 2037, or upon reimbursement of approved costs. The zone will support up to $27 million in strategic infrastructure projects that lead to a dense, urban district located near Burleson's commuter rail station. No development has commenced in the district and the 2016 Tax Increment recapture for TIF #3 is $2,224,870.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2017/18 Market Valuation Established by Johnson County & Tarrant County Appraisal Districts (collectively, the "Appraisal Districts") (excluding totally exempt property)		$3,648,922,562
Less Exemptions/Reductions at 100% Market Value:		
Disabled Veterans	$ 48,192,634	
Agricultural Use Reductions	64,649,269	
Inventory	950,482	
Abatements	7,449,558	
10% Cap	106,972,682	
Pollution Control	1,608,779	
Solar/Wind Power	14,791	
Freeport	2,266,220	
Minimum Value	21,908	232,126,323
2017/18 Taxable Assessed Valuation		$3,416,796,239
General Obligation Debt Payable from Ad Valorem Taxes (as of 3/1/18)(1)	$ 131,765,000	
The Certificates	21,880,000	
Debt Payable from Ad Valorem Taxes		$ 153,645,000
Less: Self Supporting Debt (as of 3/1/18)(2)		
Golf	$ 2,252,643	
4A Economic Development Corporation	16,353,960	
4B Community Service Development Corporation	12,465,000	
Water/Wastewater	54,525,000	$ 85,596,603
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 68,048,397
General Obligation Interest and Sinking Fund (as of 1/31/18)		$ 3,122,645
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		1.99%

2018 Estimated Population - 43,960

Per Capita Taxable Assessed Valuation - $77,725

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $1,548

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(1) Includes self-supporting debt.

(2) General obligation debt in the amounts shown for which repayment is currently provided from (i) surplus net revenues of the City’s combined waterworks and sewer system (the “System”), (ii) sales tax revenues collected for the Burleson 4A Economic Development Corporation, (iii) sales tax revenues collected for the Burleson 4B Community Service Development Corporation and (iv) golf course revenues. The amount of self-supporting debt is based on the percentage of revenue support shown in “Table 10 - Computation of Self-Supporting Debt”. It is the City’s current policy to provide these payments from such revenues; provided this policy is subject to change in the future. In the event payment is not made from revenues, the City will be required to levy and collect an ad valorem tax sufficient to make such debt service payments. See “Table 10 - Computation of Self-Supporting Debt” for additional information. A portion of the Certificates will be self-supporting and payable from the surplus net revenues of the System.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2018		2017		2016	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 2,401,711,182	65.82%	$ 2,061,840,090	63.91%	$ 1,790,384,302	59.10%
Real, Residential, Multi-Family	123,706,678	3.39%	109,723,494	3.40%	83,590,744	2.76%
Real, Vacant Lots/Tracts	66,866,654	1.83%	65,943,839	2.04%	64,256,381	2.12%
Real, Acreage (Land Only)	65,651,591	1.80%	52,926,755	1.64%	54,710,844	1.81%
Real, Farm and Ranch Improvements	64,494,870	1.77%	53,646,055	1.66%	53,439,503	1.76%
Real, Commercial	489,762,396	13.42%	435,612,195	13.50%	451,622,493	14.91%
Real, Industrial	55,411,433	1.52%	53,451,103	1.66%	43,207,364	1.43%
Real and Tangible Personal, Utilities	46,640,973	1.28%	44,862,398	1.39%	38,054,504	1.26%
Oil, Gas, and Mineral Reserves	43,347,995	1.19%	41,188,865	1.28%	161,130,395	5.32%
Tangible Personal, Commercial	224,098,472	6.14%	204,615,512	6.34%	172,637,517	5.70%
Tangible Personal, Industrial	19,627,265	0.54%	55,107,467	1.71%	69,351,594	2.29%
Tangible Personal, Mobile Homes	4,375,753	0.12%	3,566,595	0.11%	3,881,485	0.13%
Special Inventory	34,338,695	0.94%	30,474,405	0.94%	25,503,288	0.84%
Real Property, Inventory	8,888,605	0.24%	12,300,551	0.38%	17,589,805	0.58%
Prorated Exempt Property	-	0.00%	1,095,676	0.03%	-	0.00%
Total Appraised Value Before Exemptions	$ 3,648,922,562	100.00%	$ 3,226,355,000	100.00%	$ 3,029,360,219	100.00%
Adjustment:	-		165,388,531		110,771,046	
Less: Total Exemptions/Reductions	(232,126,323)		(147,437,780)		(127,791,555)	
Taxable Assessed Value	$ 3,416,796,239		$ 3,244,305,751		$ 3,012,339,710	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2015		2014	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,656,693,796	59.77%	$ 1,505,964,112	60.59%
Real, Residential, Multi-Family	79,550,423	2.87%	60,078,032	2.42%
Real, Vacant Lots/Tracts	56,055,586	2.02%	48,259,316	1.94%
Real, Acreage (Land Only)	42,932,556	1.55%	42,157,291	1.70%
Real, Farm and Ranch Improvements	47,937,719	1.73%	35,607,599	1.43%
Real, Commercial	411,224,469	14.84%	395,731,172	15.92%
Real, Industrial	26,113,487	0.94%	26,357,978	1.06%
Real and Tangible Personal, Utilities	44,650,633	1.61%	41,174,303	1.66%
Oil, Gas, and Mineral Reserves	169,208,686	6.10%	80,206,202	3.23%
Tangible Personal, Commercial	181,383,073	6.54%	186,981,226	7.52%
Tangible Personal, Industrial	30,093,768	1.09%	38,618,409	1.55%
Tangible Personal, Mobile Homes	2,477,926	0.09%	2,309,643	0.09%
Special Inventory	7,695,938	0.28%	8,440,644	0.34%
Real Property, Inventory	14,984,469	0.54%	13,046,537	0.52%
Prorated Exempt Property	854,163	0.03%	766,208	0.03%
Total Appraised Value Before Exemptions	$ 2,771,856,692	100.00%	$ 2,485,698,672	100.00%
Adjustment:	104,335,017		57,361,458	
Less: Total Exemptions/Reductions	(92,605,760)		(54,349,488)	
Taxable Assessed Value	$ 2,783,585,949		$ 2,488,710,642	

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	(Net) G.O. Tax Debt Outstanding at End of Year[3]	Ratio of (Net) G.O. Tax Debt to Taxable Assessed Valuation	(Net) G.O. Tax Debt Per Capita
2014	39,010	$ 2,488,710,642	$ 63,797	$ 50,318,709	2.02%	$ 1,290
2015	41,047	2,783,585,949	67,815	54,698,257	1.97%	1,333
2016	41,047	3,012,339,710	73,388	51,724,963	1.72%	1,260
2017	42,560	3,244,305,751	76,229	57,943,129	1.79%	1,361
2018	43,960	3,416,796,239	77,725	68,048,397 [4]	1.99% [4]	1,548 [4]

(1) Source: City officials.
(2) As reported by the Appraisal Districts on City's annual State Property Tax Reports filed with the Comptroller of Public Accounts; subject to change during the ensuing year.
(3) Does not include self-supporting debt. See “Table 8 – Pro-Forma General Obligation Debt Service Requirements” and “Table 10 – Computation of Self-Supporting Debt” herein for a more detailed description of the City’s self-supporting debt.
(4) Projected, subject to change. Includes the Certificates, but excludes a portion of the Certificates expected to be self-supporting.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Year Ended 9/30	Tax Rate	General Fund	Library Tax	and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2014	$0.69000	$0.48680	$0.04100	$0.16220	$ 16,528,604	98.91%	99.89%
2015	0.74000	0.52780	-	0.21220	19,537,616	98.85%	99.46%
2016	0.74000	0.52780	-	0.21220	20,896,042	99.13%	99.48%
2017	0.73500	0.52280	-	0.21220	22,079,157	99.26%	99.26%
2018	0.73500	0.52280	-	0.21220	24,437,376	80.65% [1]	81.22% [1]

(1) Collections as of January 21, 2018.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2017/18 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Wagner Smith Equipment Co.	Equipment Rental	$ 29,172,786	0.85 %
Burleson Gateway Station LP	Oil & Gas	27,352,416	0.80
Sam's Real Estate Business TR/Sam's East Inc.	Real Estate	20,420,261	0.60
Halliburton Energy Services	Oil & Gas	20,236,762	0.59
H E Butt Grocery Company	Grocery Store	19,824,323	0.58
EB Reserve LLC & RL Reserve LLC	Oil & Gas	15,808,651	0.46
Mariposa Elk Drive LP	Apartments	15,741,546	0.46
JAHCO Burleson Town Cetner LLC	Real Estate	14,000,000	0.41
Kroger Texas LP	Grocery Store	13,717,123	0.40
MA Summercrest at Burleson LLC	Apartments	13,454,590	0.39
		$ 189,728,458	5.55 %

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "The Certificates - Tax Rate Limitation").

TABLE 6 – TAX ADEQUACY [(1)]

Net Principal and Interest Requirements, 2018	$ 5,889,068
$0.1759 Tax Rate at 98% Collection Produces	$ 5,889,942
Average Net Principal and Interest Requirements, 2018-2038	$ 4,554,397
$0.1361 Tax Rate at 98% Collection Produces	$ 4,557,254
Maximum Net Principal and Interest Requirements, 2025	$ 6,910,398
$0.2064 Tax Rate at 98% Collection Produces	$ 6,911,222

(1) Calculations are net of self-supporting debt service (see "Table 8 – General Obligation Debt Service Requirements" and "Table 10 – Computation of Self-Supporting Debt"). Includes the Certificates. Excludes that portion of the Certificates which are self-supporting.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2017/18 Taxable Assessed Value	2017/18 Tax Rate	Total G.O. Tax Debt 2/15/2018	Estimated % Applicable	City's Overlapping G.O. Tax Debt 2/15/2018	Authorized But Unissued Debt As Of 2/15/2018
City of Burleson	$ 3,416,796,239	$0.73500	$ 68,048,397 [(1)]	100.00%	$ 68,048,397	$ -
Burleson Independent School District	4,363,612,387	1.67000	329,205,852	66.63%	219,349,859	25,000,000
Johnson County	11,188,577,009	0.47200	26,745,000	20.04%	5,359,698	-
Joshua Independent School District	122,953,196	1.60000	105,725,000	22.19%	23,460,378	-
Tarrant County	173,599,602,263	0.24400	321,795,000	0.37%	1,190,642	30,600,000
Tarrant County Hospital District	173,702,738,366	0.22400	19,300,000	0.37%	71,410	-
Total Direct and Overlapping G.O. Tax Debt					$317,480,383	
Ratio of Direct and Overlapping G.O. Tax Debt to Taxable Assessed Valuation					9.29%	
Per Capita Overlapping G.O. Tax Debt					$ 7,222.03	

(1) Excludes self-supporting debt, includes the Certificates. Excludes that portion of the Certificates which are self-supporting.

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DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt[1] Principal	Outstanding Debt[1] Interest	Outstanding Debt[1] Total	The Certificates[2] Principal	The Certificates[2] Interest	The Certificates[2] Total	Less Self-Supporting Debt Service[3]	Net Debt Service Requirements	% of Principal Retired
2018	$ 9,860,000	$ 5,377,391	$ 15,237,391	$ -	$ -	$ -	$ 9,348,324	$ 5,889,068	
2019	9,735,000	5,051,513	14,786,513	535,000	986,216	1,521,216	9,536,924	6,770,805	
2020	9,900,000	4,719,458	14,619,458	790,000	734,606	1,524,606	9,382,791	6,761,273	
2021	10,155,000	4,352,685	14,507,685	820,000	702,406	1,522,406	9,260,204	6,769,887	
2022	10,265,000	3,983,788	14,248,788	850,000	669,006	1,519,006	9,245,747	6,522,047	32.36%
2023	10,680,000	3,580,128	14,260,128	890,000	634,206	1,524,206	9,095,010	6,689,324	
2024	11,105,000	3,139,103	14,244,103	925,000	597,906	1,522,906	8,923,246	6,843,763	
2025	11,265,000	2,681,809	13,946,809	960,000	560,206	1,520,206	8,556,618	6,910,398	
2026	9,225,000	2,239,869	11,464,869	1,005,000	520,906	1,525,906	7,023,820	5,966,955	
2027	8,485,000	1,838,940	10,323,940	1,040,000	480,006	1,520,006	6,320,585	5,523,361	66.35%
2028	7,465,000	1,484,580	8,949,580	1,085,000	437,506	1,522,506	5,531,082	4,941,004	
2029	4,945,000	1,228,490	6,173,490	1,125,000	398,931	1,523,931	3,991,682	3,705,739	
2030	5,150,000	1,029,328	6,179,328	1,160,000	364,656	1,524,656	3,999,997	3,703,987	
2031	4,755,000	825,925	5,580,925	1,190,000	329,406	1,519,406	4,001,275	3,099,056	
2032	4,405,000	639,369	5,044,369	1,235,000	293,031	1,528,031	3,467,100	3,105,300	86.24%
2033	4,505,000	459,250	4,964,250	1,265,000	254,741	1,519,741	3,422,656	3,061,334	
2034	4,240,000	279,194	4,519,194	1,305,000	213,769	1,518,769	2,979,053	3,058,909	
2035	2,795,000	143,403	2,938,403	1,350,000	170,625	1,520,625	2,209,428	2,249,600	
2036	1,865,000	62,144	1,927,144	1,400,000	125,063	1,525,063	1,637,038	1,815,169	
2037	825,000	13,922	838,922	1,450,000	76,969	1,526,969	1,066,981	1,298,909	99.08%
2038	-	-	-	1,500,000	26,250	1,526,250	569,800	956,450	100.00%
	$ 141,625,000	$ 43,130,287	$ 184,755,287	$ 21,880,000	$ 8,576,413	$ 30,456,413	$ 119,569,361	$ 95,642,339	

(1) "Outstanding Debt" does not include lease/purchase obligations.
(2) Average life of the Certificates – 11.563 years.
(3) General obligation debt in the amounts shown for which repayment is currently provided from (i) surplus net revenues of the City's combined waterworks and sewer system (the "System"), (ii) sales tax revenues collected for the Burleson 4A Economic Development Corporation, (iii) sales tax revenues collected for the Burleson 4B Community Service Development Corporation and (iv) golf course revenues. The amount of self-supporting debt is based on the percentage of revenue support shown in "Table 10 - Computation of Self-Supporting Debt". It is the City's current policy to provide these payments from such revenues; provided this policy is subject to change in the future. In the event payment is not made from revenues, the City will be required to levy and collect an ad valorem tax sufficient to make such debt service payments. See "Table 10 - Computation of Self-Supporting Debt" for additional information. A portion of the Certificates will be self-supporting and payable from the surplus net revenues of the System.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2018[(1)]		$ 5,889,068
Interest and Sinking Fund, As of 9/30/2017	$ 821,625	
Budgeted 2017/18 Interest and Sinking Fund Tax Levy	5,987,700	
Delinquent Tax	25,000	
Transfer from EDC Revenue Fund	169,017	7,003,342
Estimated Balance, Fiscal Year Ending 9/30/18		$ 1,114,274

(1) Includes the Certificates. Excludes self-supporting debt. Excludes the portion of the Certificates which are self-supporting.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

	Golf Course[(1)]	4A Economic Development Corporation	4B Community Service Development Corporation	Water/ Wastewater System
Net Revenue Available, Fiscal Year Ended 9/30/17	$ (594,039)	$ 3,353,389	$ 4,258,905	$ 7,470,605
Plus: Transfers In	846,331	-	-	-
Less: Revenue Bond Requirements, 2018 Fiscal Year	-	403,800	455,800	299,925
Balance Available for Other Purposes	$ 252,292	$ 2,949,589	$ 3,803,105	$ 7,170,680
General Obligation Debt Self-Supporting Requirements, 2018 Fiscal Year [(2)]	356,763	2,013,898	1,400,008	5,577,655
Balance	$ (104,471)	$ 935,691	$ 2,403,097	$ 1,593,025
Percentage Self-Supporting	71%	100%	100%	100%

(1) The Hidden Creek Golf Course has targeted a level of operations under which operating revenues plus an annual subsidy from the 4B Burleson Community Services Development Corporation offset operating expenditures on a budgetary basis. Excludes depreciation, includes interest revenue.

(2) The amount of self-supporting debt is based on the percentage of revenue support shown in this Table 10. It is the City's current policy to provide these payments from such revenues; provided this policy is subject to change in the future. In the event payment is not made from revenues, the City will be required to levy and collect an ad valorem tax sufficient to make such debt service payments. See also "Table 8 – Pro-Forma General Obligation Debt Service Requirements" for additional information.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

As of February 1, 2018 the City does not have any authorized but unissued General Obligation debt.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . After the issuance of the Certificates, the City anticipates the issuance of additional debt payable from ad valorem taxes of approximately $5,300,000 in the Spring of 2019.

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TABLE 12 – OTHER OBLIGATIONS

Leases

The City entered into a lease agreement as lessee to finance an energy efficiency performance contract with Johnson Controls Inc. (JCI) with no down payment. Proposed energy improvements in this contract include lighting and controls, water conservation, HVAC improvements, and power management. Costs associated with this lease will be covered by utility savings that are guaranteed by JCI through this energy efficiency contract. The City also financed the purchase of a fire truck for the fire department with no down payment. There were no other lease agreements executed by the City in fiscal year 2017. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

See Note 8 to the basic financial statements for the future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 3017.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Machinery and Equipment	$ 876,188	$ 107,677
Infrastructure	592,423	30,524
Less: Accumulated Depreciation	(917,343)	(130,265)
	$ 551,268	$ 7,936

PENSION FUND

Plan Description – The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.org*.

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

Benefits Provided

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

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

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ration, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity

Beginning in 1996, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1996, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7.00%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	151
Active employees	311
	570

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.46% and 15.55% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $3,270,142, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions

TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.50%	4.55%
International equities	17.50%	6.35%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	4.15%
Real return	10.00%	4.15%
Real estate	10.00%	4.75%
Absolute return	10.00%	4.00%
Private equity	5.00%	7.75%
	100.00%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c)
Balance at 12/31/15	$ 81,655,715	$ 62,701,884	$ 18,953,831
Changes for the year:			
Service cost	3,628,862	-	3,628,862
Interest	5,536,081	-	5,536,081
Difference between expected and actual experience	324,293	-	324,293
Changes of assumptions	-	-	-
Contributions-employer	-	3,195,301	(3,195,301)
Contributions-employees	-	1,459,887	(1,459,887)
Net investment income	-	4,240,199	(4,240,199)
Benefit payments, including refunds of employee contributions	(2,908,249)	(2,908,249)	-
Administrative expense	-	(47,857)	47,857
Other changes	-	(2,578)	2,578
Net changes	6,580,987	5,936,703	$ 644,284
Balance at 12/31/15	$ 88,236,702	$ 68,638,587	$ 19,598,115

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net Pension Liability/(Asset)	$ 33,940,359	$ 19,598,115	$ 8,009,228

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at www.tmrs.org.

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

For the year ended September 30, 2017, the City recognized pension expense of $4,524,573.

At September 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 325,939	$ 19,509
Changes in actuarial assumptions	-	126,676
Diference between projected and actual investment earnings	2,764,522	-
Contributions subsequent to the measurement date	2,603,181	-
Total	$ 5,693,642	$ 146,185

$2,603,181 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending December 31,	
2018	$ 1,001,458
2019	1,001,458
2020	863,011
2021	490,405
2022	28,944

OTHER POST-EMPLOYMENT BENEFITS

Post-retirement Health Care Benefits: All employees on the health care plan at the time of retirement are eligible to elect retiree health benefits. Employees eligible to retire under TMRS are considered eligible retirees for health care benefits. Employees are eligible for retirement if they are at least 60 years of age and have 5 years of service, or at any age with 20 years of service.

Eligible retirees may elect coverage that will include the same health care options offered to regular fulltime employees at the same cost that the City pays for active employees. Retirees pay the same rate for coverage as employees pay, if they are electing dependent coverage. Benefit commences at the first of the month following the day of retirement, if the employee elects retiree or dependent coverage (at retiree’s cost).

In the event that an active employee passes away, the spouse and dependents will become eligible for retiree coverage if (1) the employee was eligible for retirement as defined by TMRS; and (2) the employee had dependent coverage at the time of death. The surviving spouse will continue to receive the benefits of the retiree health insurance program, at the rate charged for retiree only. If dependent children are already on the plan at the time of the retiree’s death, the spouse may continue to cover the children (at retirees spouse’s cost).

Retirees are eligible for medical and prescription insurance until they become Medicare eligible. Retired employees are eligible for vision and dental care benefits, at their expense (100%). Retired employees are not eligible to purchase life insurance benefits through the City. Those retirees who receive pension benefits through TMRS have a $7,500 life insurance burial benefit. This benefit is provided by TMRS. The City’s only disability coverage is 100% voluntary and paid by the employee; there are not City-paid disability benefits.

Funding Policy and Annual OPEB Cost - The City's annual other post-employment benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the fiscal year ending September 30, 2017, is as follows:

Annual Required Contribution (ARC)	$ 221,494
Interest on OPEB Obligation	28,734
Adjustment to the ARC	(28,549)
End of Year Annual OPEB Cost (Expense)	221,679
Net Estimated Employer Contributions	(86,934)
Increase in Net OPEB Obligation	$ 134,745
Beginning of Year Net OPEB Obligation (Asset)	$ 718,373
End of Year Net OPEB Obligation (Asset)	$ 853,118

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2016 and the preceding two fiscal years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
9/30/2015	$ 105,693	$ 34,804	32.9%	$ 571,480
9/30/2016	193,341	46,448	24.0%	718,373
9/30/2017	221,679	86,934	39.2%	853,118

Funding status and funding progress – The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2016 is as follow:

Actuarial Valuation Date as of Dec. 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Ratio of UAAL to Annual Covered Payroll
2016	$ -	$ 1,700,642	$ 1,700,642	0%	$ 21,398,660	7.95%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $1,700,642 as of December 31, 2016. As of the most recent valuation, the ration of the unfunded actuarial liability to annual covered payroll is 7.95%

Actuarial methods and assumptions - The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections for health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Inflation rate	2.50% per annum
Investment rate of return	4.00%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Salary growth	3.00% per annum
Healthcare cost trend rate	Initial rate of 7.50% declining to an ultimate rate of 4.50% after 14 years

Actuarial valuations involve estimates of the value of reported amounts and assumption about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Death Benefit: The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is treated as an OPEB.

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

Schedule of Contribution Rates
(Retiree-only portion of the rate)

Plan Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.02%	0.02%	100%
2016	0.02%	0.02%	100%
2017	0.02%	0.02%	100%

Additional information can be found in the City's Comprehensive Annual Financial Report under Note 11 and Note 14.

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Years Ended September 30,				
	2017	2016	2015	2014	2013
REVENUES:					
Program Revenues:					
Charges for Services	$ 8,782,144	$ 7,566,246	$ 7,773,637	$ 8,036,809	$ 8,127,467
Operating Grants and Contributions	1,592,388	971,500	829,724	294,371	603,962
Capital Grants and Contributions	11,440,915	2,144,534	2,983,243	3,752,162	3,769,399
General Revenues:					
Ad Valorem Taxes	21,776,804	20,510,482	19,171,938	16,377,575	15,853,216
Other Taxes	17,859,381	17,272,216	17,305,616	16,623,873	14,511,614
Investment Income	471,436	243,568	95,192	80,372	536,572
Franchise Fees	3,113,999	3,166,620	3,242,051	2,968,802	2,659,237
Gain on Sale of Capital Assets	-		-	-	-
Total Revenues	$ 65,037,067	$ 51,875,166	$ 51,401,401	$ 48,133,964	$ 46,061,467
EXPENSES:					
General Government	$ 7,611,844	$ 3,406,957	$ 5,567,804	$ 6,027,808	$ 4,779,683
Public Safety	18,619,648	18,135,674	15,587,330	14,793,252	14,505,108
Public Works	11,263,930	11,100,276	10,344,069	10,025,105	9,476,476
Community Development	2,740,816	4,701,517	2,467,564	2,071,758	1,534,915
Culture and Recreation	8,091,904	7,801,924	7,062,534	6,851,659	6,148,475
Interest in Long-term Debt	3,118,052	3,237,341	3,218,658	3,319,768	3,256,327
Total Expenses	$ 51,446,194	$ 48,383,689	$ 44,247,959	$ 43,089,350	$ 39,700,984
Increase in Net Assets Before Transfers	13,590,873	3,491,477	7,153,442	5,044,614	6,360,483
Transfers	329,669	(108,909)	(244,589)	(258,909)	122,937
Increase in Net Assets	13,920,542	3,382,568	6,908,853	4,785,705	6,483,420
Beginning Net Assets	133,825,793	130,443,225	123,534,372 (1)	129,375,794	122,892,374
Prior Period Adjustment	-	-	-	(1,147,927)	-
Ending Net Assets	$ 147,746,335	$ 133,825,793	$ 130,443,225	$ 133,013,572	$ 129,375,794

(1) Restated. The implementation of GASB Statement No. 68 resulted in a restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date.

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TABLE 13 -A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2017	2016	2015	2014	2013
Revenues:					
Taxes	$ 27,379,387	$ 26,285,911	$ 25,269,099	$ 23,398,362	$ 21,659,775
Licenses and Permits	1,356,969	1,335,198	1,415,034	1,446,281	1,147,361
Intergovernmental	249,925	243,209	264,161	208,979	178,865
Charges for Services	2,029,360	1,656,556	1,638,045	1,567,967	1,172,429
Fine and Forfeitures	1,102,642	965,863	1,003,663	917,391	790,079
Investment Income	125,785	67,334	32,952	34,598	38,250
Miscellaneous	1,559,403	838,109	796,531	912,563	1,631,396
Total Revenues	$ 33,803,471	$ 31,392,180	$ 30,419,485	$ 28,486,141	$ 26,618,155
Expenditures:					
General Government	$ 6,937,340	$ 5,342,235	$ 4,926,545	$ 4,593,295	$ 5,105,486
Public Safety	16,682,866	17,801,734	17,274,559	14,317,114	13,230,523
Public Works	6,008,412	6,256,197	5,748,637	5,747,144	5,367,251
Culture and Recreation	4,197,675	3,931,271	3,310,678	3,216,624	2,824,313
Debt Service	131,157	129,319	127,481	125,643	123,805
Total Expenditures	$ 33,957,450	$ 33,460,756	$ 31,387,900	$ 27,999,820	$ 26,651,378
Operating Transfers - Net	(851,818)	1,650,000	250,620	462,000	695,340
Proceeds of Capital Lease	-	-	-	-	-
Total Other Sources (Uses)	$ (851,818)	$ 1,650,000	$ 250,620	$ 462,000	$ 695,340
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	$ (1,005,797)	$ (418,576)	$ (717,795)	$ 948,321	$ 662,117
Beginning Fund Balance	11,004,508	11,423,084	12,140,879	11,192,558	10,530,441
Ending Fund Balance	$ 9,998,711	$ 11,004,508	$ 11,423,084	$ 12,140,879	$ 11,192,558

TABLE 14 - MUNICIPAL SALES TAX HISTORY

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

Fiscal Year Ended 9/30	Total Collected [(1)(2)]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2014	$ 7,944,016	48.06%	$ 0.3192	$ 203.64
2015	8,259,163	42.27%	0.2967	201.21
2016	8,210,281	39.29%	0.2726	200.02
2017	8,459,549	38.31%	0.2608	198.77
2018	1,147,580 [(3)]	4.70%	0.0336	26.11

(1) 1% City sales tax only.
(2) Collections are based on a twelve month period from December through November.
(3) Collections through February 2018.

The sales tax breakdown for the City is as follows:

4A Corporation	½ of 1%
4B Corporation	½ of 1%
City Sales & Use Tax	1.00%
State Sales & Use Tax	6.25%
Total	8.25%

The portion of the overall sales tax rate identified as "4A Corporation" and "4B Corporation" are sales taxes the City collects for the benefit of each corporation and are not available to the City for general use purposes. (See also "Table 10 – Computation of Self-Supporting Debt.")

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the governmental funds revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable, except for unmatured interest on general long-term debt.

Proprietary Fund revenues and expenses are recognized on the full accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred.

Fund Balances . . . It is the goal of the City that the unassigned balance should be at least 20% of the General Fund annual expenditures. This percentage is the equivalent of 73 days' expenditures. Cash and Investments alone should constitute 8.16% of operating expenditures or equivalent to 30 days. The Enterprise Fund working capital should be maintained at least at the 20% of total operating expenditures or the equivalent of 73 days. The City maintains its various debt service funds in accordance with the covenants of the Ordinance.

Use of Bond Proceeds . . . The City's policy is to use bond proceeds for capital expenditures only. Such proceeds are never to be used to fund normal City operations.

Budgetary Procedures . . . The City's Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year by the middle of June, the City Manager, after review, submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to September 30.

During the fiscal year, budgetary control is maintained by the monthly review of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget or encumbered.

Fund Investments . . . The City's investment policy parallels the state laws which govern the investment of public funds (see "Investments"). The City generally restricts investments to direct obligations of the United States Government, governmental agencies, public funds investment pools, and to insured or collateralized bank certificates of deposit.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law, including particularly Texas Government Code, Chapter 2256 (the "PFIA"), in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under the PFIA, the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (7) or in any other manner and amount provided by law for City deposits; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1) which are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party selected and approved by the City, and are placed through a primary government securities dealer or a financial institution doing business in the State; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission (the "SEC") that comply with SEC Rule 2a-7; and (13) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either have a duration of one year or more and are invested exclusively in obligations described by this paragraph, or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if: (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State ; and (iv) the agreement to lend securities has a term of one year or less.

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

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

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to another instrument, index, or commodity.

TABLE 15 - CURRENT INVESTMENTS

The following investments are authorized under the City's investment policy:

a. Obligations of the United States or its agencies or instrumentalities;
b. Fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations;
c. SEC registered, no load money market funds in accordance with state law and authorized by the City Council;
d. Eligible statewide Investment pools in accordance with state law and authorized by the City Council.
e. Repurchase Agreements (direct security repurchase agreements and reverse repurchase agreements in accordance with state law) collateralized by U.S. Treasury or U.S. Government Agency Securities.
f. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent

As of September 30, 2017, the City's investable funds were invested in the following categories:

Investment Type	Market Value
TexPool	$ 12,505,952
TexPool Prime	9,129,981
TexSTAR Investment Pool (1)	6,703,169
LOGIC Investment Pool (2)	48,549,220
Lone Star Investment Pool - Liquidity Plus Fund	3,724,568
Municipal Obligations	501,500
FHLB	1,225,000
FHLMC	1,499,800
Money Markets Accounts	5,035,705
	$ 88,874,895

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(1) TexSTAR is a local government investment pool for whom Hilltop Securities Inc., is a co-administrator for the pool. TexSTAR currently maintains a "AAA" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds is allowed by the participants. There is no regulatory oversight by the State of Texas over TexSTAR.

(2) Local Government Investment Cooperative ("LOGIC") is a local government investment pool for whom Hilltop Securities Inc., is a co-administrator for the pool. LOGIC currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds are allowed by the participants. LOGIC operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over LOGIC.

TAX MATTERS

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under tables numbered 1 through 6 and 8 through 15 and in Appendix B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2018. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2018. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will provide notice that the audited financial statements are not available, will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the SEC. While the City will not be obligated to provide financial statements until twelve months after fiscal year end, it intends to attempt to do so within six months after year end.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The City will also provide timely notices of certain specified events to the MSRB via EMMA. The City will provide notice of any of the following events with respect to the Certificates within ten Business Days after the occurrence of such event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform: (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination 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, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. (Neither the Certificates nor the Ordinance make any provision for debt service reserves or credit or liquidity enhancement.)

As used above, the term "Business Day" means a day other than a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the City where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, and the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the City Council and officials or officers of the City in possession but subject to supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with SEC Rule 15c2-12 (the "Rule"), taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City had outstanding water and sewer bonds and general obligation bonds insured by various municipal bond insurers. Under the City's continuing disclosure undertakings then in effect for such obligations, the City was required to file material event notices for rating changes, if material, in a timely manner. The ratings on municipal bond insurers have been downgraded or upgraded with frequency at various times in recent years. Information about the downgrades and upgrades of municipal insurers has been publicly reported. The City has filed many notices of downgrades and upgrades of municipal bond insurers, but in several instances during the last five years has either failed to file such notices, failed to timely file such notices, failed to identify the applicable municipal insurer correctly, or failed to link all applicable CUSIP numbers to such filing. Certain of these events were not deemed to be material as the underlying rating of the issuer was at or higher than the rating of the applicable insurer. On May 31, 2016, the City updated its filing made on EMMA on January 31, 2013 to identify the municipal insurer correctly and to link all applicable CUSIP numbers to such filing.

In addition, the annual filing for Fiscal Year Ended 2014 inadvertently failed to include the required table "Computation of Self-Supporting Debt". On May 31, 2016, the City filed on EMMA a notice of failure to timely file this table.

OTHER INFORMATION

RATINGS

The Certificates and the presently outstanding tax-supported debt of the City are rated "Aa3" by Moody's and "AA" by S&P, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the respective view of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, may have an adverse effect on the market price of the Certificates.

Due to uncertainty surrounding efforts to address the deficits and debt burden of the United States of America, obligations issued by state and local governments in the United States, such as the Certificates, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Certificates. Any such downward revision or withdrawal of such ratings, may have an adverse effect on the market prices of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish to the Initial Purchaser (see “Other Information – Initial Purchaser”, below) a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Certificates and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect, and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “Tax Matters” herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Though it may represent the Financial Advisor and purchasers of bonds, such as the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor’s fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. The Financial Advisor has agreed, in its financial advisory contract, not to bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. Hilltop Securities Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of this Official Statement at a price of $22,188,402.08. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The initial yields shown on page 2 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

CERTIFICATION AS TO OFFICIAL STATEMENT

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinance authorizing the issuance of the Certificates also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Initial Purchaser.

KENNETH SHETTER
Mayor
City of Burleson, Texas

ATTEST:

AMANDA McCRORY
City Secretary

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION. . . The City of Burleson is located adjacent to the City of Fort Worth in southern Tarrant County and northern Johnson County. The City is situated on Interstate 35-W, a six-lane, limited access expressway linking Fort Worth to the north, and Waco, Austin and San Antonio to the south. State Highway 174 runs through the City from north to southeast.

POPULATION

Year	Population
2000	21,150
2012	38,130
2013	38,130
2014	39,010
2015	41,047
2016	41,047
2017	42,560
2018	43,960

TRANSPORTATION . . Burleson is located less than one hour from Dallas/Fort Worth International Airport and 40 minutes from Fort Worth Alliance Airport, a major industrial airport.

Fort Worth Spinks Airport, with a 6,000 foot lighted runway, is adjacent to Burleson's northern city limits.

A Spinks Airport Task Force has been developed in order to promote the airport and its economic benefits for Burleson and the surrounding region. The Task Force is comprised of area city and county officials, chamber of commerce representatives, utility company representatives and business people who all serve to promote the airport and its benefits to the area.

In 2014, the Chisolm Trail Parkway, a regional tollway, opened along the western side of Burleson. This road will improve transportation congestion, as well as create the potential for substantial development opportunities in Burleson over the next few decades. Staff is well underway on master planning the area for land use and infrastructure in alignment with the Comprehensive Plan.

INDUSTRY AND BUSINESS . . . The City has several light industry/manufacturing firms. Some of the largest industries are makers of conveyor equipment, prefabricated commercial office units, and modular homes. The City is also home to a fast-growing software development firm, as well as an innovative nerve repair company.

During 2016, some of the highlights of new business activities include:

- FWAVE has invested more than $12m in creating a non-asphalt based shingle plant. FWAVE has hired more than 30 new employees this year to support its anticipated launch of the roofing industry's more disruptive innovation since the 1970s.

- Hayes and Stolz recently completed a 144,000 square foot facility. The facility will house more than 140 employees to produce equipment in the fabricated metal product industry. The building, when complete in November 2017, will be the largest facility in HighPoint Business Park.

- Twenty percent of the site work by Abby Development on the Arabella at Burleson has been completed. More than $95m in this 85 acre multi-use project will be invested over the next 2 – 4 years.

- As of January 22, 2018, the City Council has approved the final design on the Old Town Plaza project. The Old Town Plaza will be the city's entertainment venue consisting of a stage for outdoor performances and an expansive lawn and park area for citizens to enjoy.

Since 2002, more than 2,000,000 square feet of retail has been added to the City, including anchor tenants such as Kohl's, Target, H-E-B, and Home Depot as well as smaller retailers (Michael's, Pier 1, TJMaxx, and others). Also, the City has added numerous unique dining experiences and shops in its Old Town area. Most recently, Kroger Marketplace opened a 123,000 ft store creating more than 200 jobs and H-E-B expanded to an H-E-B Plus only three years after opening its store in the Burleson market, increasing its store from 90,000 ft to 120,000 ft.

The City is also home to the region's newest business park. HighPoint Business Park of Burleson is a partnership between the City and the Burleson 4A Economic Development Corporation ("Burleson EDC") which seeks to locate large manufacturers and distribution centers on 240 acres located adjacent to Interstate 35W. The site has benefited from a sewer extension and water line addition, as well as a new four lane boulevard constructed through the center of the park. Aggressive recruitment of end-users has created more than 350,000 ft of new industrial space since 2013 including:

- Chicken Express Corporate HQ / Distribution Center (90,000 ft)
- Stuart Industries Corporate Office / Distribution Center (37,000 ft)
- Wagner-Smith Corporate Office / Manufacturing Center (55,000 ft)
- AirForce AirGuns Corporate Office / Manufacturing Center (23,000 ft)
- Hayes and Stolz Corporate Office / Manufacturing Center (144,000 ft)
- Project Southwest Corporate Office / Manufacturing Center (155,000 ft)

The Burleson EDC expanded the footprint of HighPoint through a development agreement with a private partner. These efforts added over 160 acres to the business park and new developable sites not under ownership by the Burleson EDC.

The success of industrial recruitment is a major reason that wages paid to employees in the Burleson area have grown from $250m in 2004 to more than $470m in 2015. Additionally, business park area businesses are generating hundreds of thousands of dollars in sales tax, as well as contributing significant revenue to the City's sewer fund in addition to traditional property taxes.

AGRICULTURE . . . The City is the local agricultural center for the northern half of Johnson County, a leading Texas county in dairy production. Major farm products include sorghums, cotton, peanuts, and livestock.

BURLESON INDEPENDENT SCHOOL DISTRICT . . . The public schools in Burleson are operated by the Burleson Independent School District (BISD) and Joshua Independent School District (JISD). There are ten elementary schools in the BISD system, two middle schools, two high schools, and one alternative education center. The enrollment for 2016/17 school year was more thatn 11,800. Additionally, two elementary schools and one middle school in Burleson are operated by JISD.

COLLEGES AND UNIVERSITIES . . . In 2005, the City purchased a vacant building in the City's historic downtown and then partnered with Texas Wesleyan University and Hill College to develop the Burleson Higher Education Center. The Center now offers college coursework to students in and around the Burleson area. More than 400 students rely on the facility each year for coursework. Burleson residents also have access to a number of excellent colleges and universities in the Dallas-Fort Worth area including: Texas Christian University, Texas Wesleyan University, Southwestern Baptist Theological Seminary, and three campuses of the Tarrant County Junior College System (all in Fort Worth); The University of Texas at Arlington (Arlington); Dallas Baptist University; Southern Methodist University and University of Dallas (Dallas); and University of North Texas and Texas Woman's University (Denton).

MISCELLANEOUS . . . There are nine parks in the City. Facilities include a lighted multi-purpose field, ten lighted baseball fields, two lighted tennis courts, playground equipment and picnic grounds. The City also owns a Community Center and Municipal Swimming Pool. The City owns, and operates, an eighteen hole daily-fee golf course.

The City opened a new sports complex in 2010, called Chisenhall Fields. The complex includes 14 lighted baseball / softball fields and three day-use softball fields. The complex was designed to host regional and national tournaments and events. During 2016, numerous state, regional, or national tournaments were played at Chisenhall, bringing thousands of new visitors to shop, stay, and play in Burleson.

Additionally, the City opened a new recreation center in 2010. The 65,000 square foot facility was constructed using a combination of Type B sales tax and gas royalty revenues. The facility includes an indoor water park, double gymnasium with suspended track, as well as expansive workout areas. Through a partnership with the Burleson school district, the facility also includes indoor and outdoor swimming lanes, which have been used for competitions and swim meets.

During 2017, residential construction hit a high in terms of new single family permit value. More than $74.9m with an average permit value of $257,000. The average permit price continues to spike with the first four months of 2018 being $304,000. The spiking average permit is due to increasing home sizes, as well as the health of the real estate market in Burleson.

EMPLOYMENT RATES

	Average Annual Employment				
	2017	2016	2015	2014	2013
City of Burleson					
Civilian Labor Force	23,200	22,710	22,170	21,650	21,271
Total Employed	22,381	21,854	21,398	20,753	20,208
Total Unemployed	819	856	772	897	1,063
Unemployment Rate	3.5%	3.8%	3.5%	4.1%	5.0%

	2017	2016	2015	2014	2013
Johnson County					
Civilian Labor Force	76,996	75,584	74,055	74,256	73,773
Total Employed	74,028	72,299	70,802	70,513	69,284
Total Unemployed	2,968	3,285	3,253	3,743	4,489
Unemployment Rate	3.9%	4.3%	4.4%	5.0%	6.1%

TOP TEN EMPLOYERS

Name	Nature of Business	Total Employees
Burleson Independent School District	School District	1,482
Wal Mart	Retail	533
City of Burleson	Municipal Government	426
H.E.B. Grocery Store	Grocery Store	405
Champion Buildings Mfg	Manufacturing	376
Krogers	Retail	376
Lowe's Companies	Retail	175
Target	Retail	130
KWS Manufacturing	Manufacturing	130
Home Depot	Retail	125

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APPENDIX B

EXCERPTS FROM THE

CITY OF BURLESON, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

The information contained in this Appendix consists of excerpts from the City of Burleson, Texas Annual Financial Report for the Year Ended September 30, 2017, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor,
City Council and City Manager
City of Burleson, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burleson, Texas (the "City") as of and for the year ended September 30, 2017, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 14, 2018

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This section of the City of Burleson's (City) annual financial report presents our discussion of the City's financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Burleson exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $227,642,019 (net position). Of this amount, $18,667,638 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $20,714,210. The current year increase was due primarily to the contribution of assets from developers as well as an increase in assets restricted for debt service and economic development/tourism.

- As of the close of the current fiscal year, unassigned fund balance for the general fund was $8,334,083 or 24.5% of total general fund expenditures.

- The City's total debt increased by $2,325,000 (1.59%) during the current fiscal year. The increase represents the net effect of scheduled debt retirement and the issuance of $2,155,000 general obligation bonds and $10,210,000 combination tax and revenue certificates of obligation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development. The business-type activities include water and wastewater operations, solid waste collection, the City's Hidden Creek Golf Course, and a cemetery.

Fund Financial Statements - The fund financial statements provide detailed information about the most significant funds – not the City as a whole. A fund is a grouping of related accounts that the City uses to maintain control over resources that have been segregated for specific activities and objectives. Some funds are required by state law or bond covenants. The Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. The City has two types of funds:

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

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

The City of Burleson maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, BCSDC special revenue fund, 4A Corporation special revenue fund, parks performance fund, bond supported capital projects fund, mineral lease funded capital projects fund, and general debt service fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The City of Burleson maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for water and wastewater, solid waste, golf, and cemetery operations. Internal Service Funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. Burleson uses internal service funds to account for the acquisition and replacement of major components of equipment used throughout the organization, such as the fleet of City vehicles, as well as for the repair and maintenance of significant components of equipment used by the organization.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water & wastewater, solid waste, and Hidden Creek Golf operations are considered to be major funds of the City. All internal service funds are combined in a single presentation in the proprietary fund financial statements. Individual data for internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Burleson, assets and deferred outflows of resources exceeded liabilities and deferred inflows by $227,642,019 as of September 30, 2017.

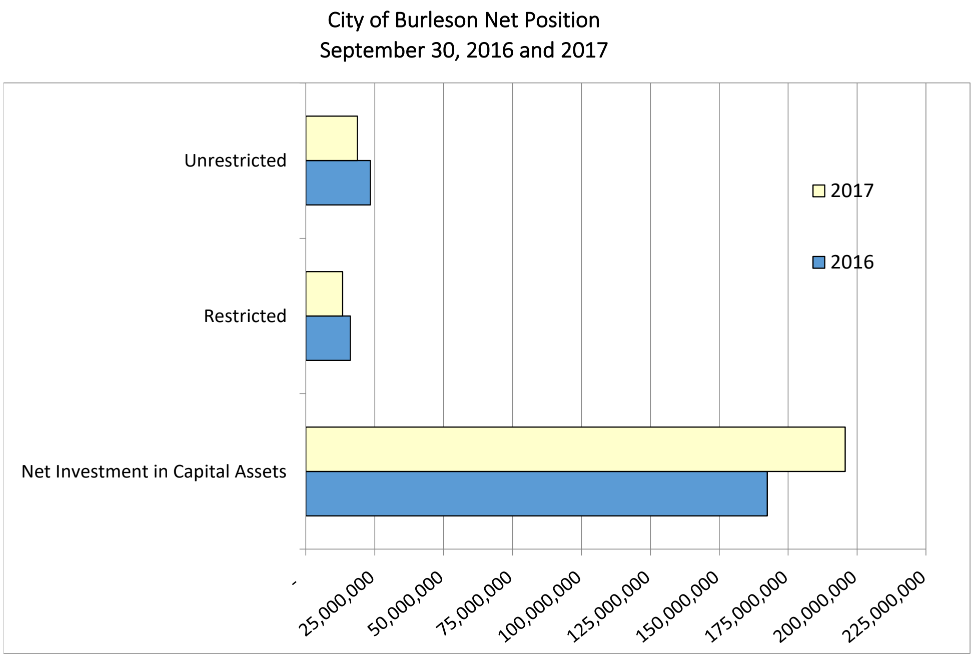
The largest portion of the City's net position (85.9%) reflects its investments in capital assets (e.g. land, buildings, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BURLESON, TEXAS – NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current & other assets	$ 59,525,611	$ 57,226,294	$ 35,933,710	$ 41,801,492	$ 95,459,321	$ 99,027,786
Capital assets	197,161,897	211,950,848	96,607,944	101,246,453	293,769,841	313,197,301
Total assets	256,687,508	269,177,142	132,541,654	143,047,945	389,229,162	412,225,087
Total deferred outflows of resources	8,237,909	7,267,981	1,601,671	1,355,022	9,839,580	8,623,003
Noncurrent liabilities – due in more than one year	116,144,016	114,718,451	54,260,873	57,414,747	125,343,673	172,133,198
Other liabilities	14,782,315	13,847,675	6,762,898	7,079,013	21,545,213	20,926,688
Total liabilities	130,926,331	128,566,126	61,023,771	64,493,760	146,888,886	193,059,886
Total deferred inflows of resources	173,293	132,662	17,538	13,523	190,831	146,185
Net position:						
Net investment in capital asset	111,368,435	127,316,098	56,061,308	68,346,297	167,429,743	195,662,395
Restricted	11,548,400	12,262,240	4,592,463	1,049,746	16,140,863	13,311,986
Unrestricted	10,908,958	8,167,997	12,448,245	10,499,641	23,357,203	18,667,638
Total net position	$ 133,825,793	$ 147,746,335	$ 73,102,016	$ 79,895,684	$ 206,927,809	$ 227,642,019

An additional portion of the City's net position (5.9%) represents resources that are subject to external restriction on how they may have been used. The remaining balance of unrestricted net position (8.2%) may be used to meet the City's ongoing obligation to citizens and creditors.

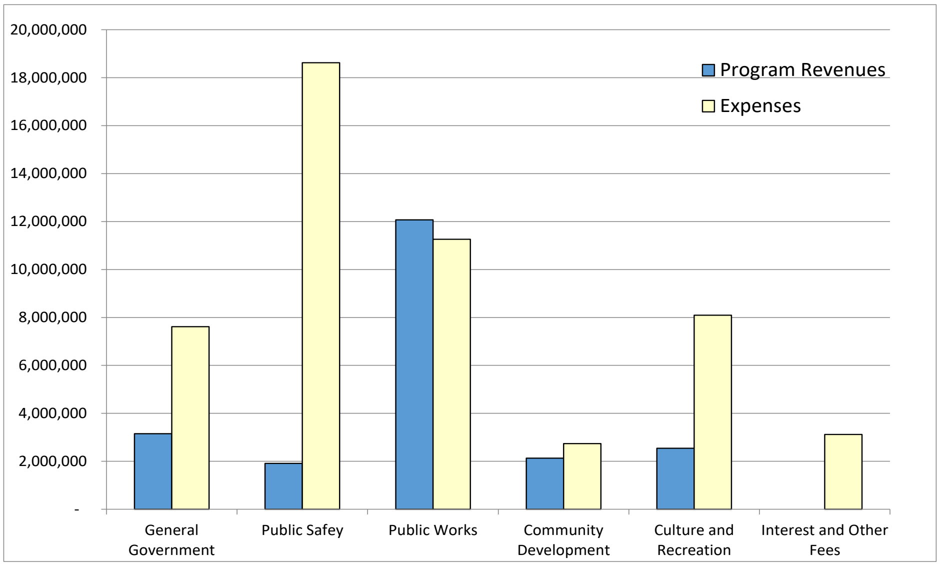
At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.



The City's overall net position increased $20,714,210 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased $13,920,542 from the prior fiscal year for an ending balance of $147,746,335. The reason for the overall increase is primarily the contribution of infrastructure assets by developers.

Expenses and Program Revenues - Governmental Activities



Business-Type Activities. For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of $79,895,684. The total increase in net position for business-type activities (water and wastewater, Hidden Creek Golf Course, solid waste, and the cemetery) was $6,793,668 or 9.2% from the prior fiscal year. The growth, in large part, is attributable to the contribution of infrastructure assets by developers.

The following table provides a summary of the City's operations for the year ended September 30, 2017. Overall fiscal year 2017 expenses increased 4.7%. The majority of this increase was created by an across-the-board 3.0% salary increase.

CITY OF BURLESON, TEXAS – CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues:						
Program Revenues:						
Charges for services	$ 7,566,246	$ 8,782,144	$ 22,263,652	$ 23,108,557	$ 29,829,898	$ 31,890,701
Operating grants and contributions	971,500	1,592,388	827,614	1,108,892	1,799,114	2,701,280
Capital grants and contributions	2,144,534	11,440,915	1,067,383	4,020,669	3,211,917	15,461,584
General Revenues:						
Taxes:						
Property taxes levied for general purposes	20,510,482	21,776,804	-	-	20,510,482	21,776,804
Tax Increment Financing	457,438	536,812	-	-	457,438	536,812
Sales and use taxes	16,595,528	17,099,917	-	-	16,595,528	17,099,917
Hotel / motel taxes	219,250	222,652	-	-	219,250	222,652
Franchise fees	3,166,620	3,113,999	-	-	3,166,620	3,113,999
Gain on sale of capital assets	-	-	-	33,919	-	33,919
Investment income	243,568	471,436	114,274	311,582	357,842	783,018
Total revenues	51,875,166	65,037,067	24,272,923	28,583,619	76,148,089	93,620,686
Expenses						
General government	3,406,957	7,611,844	-	-	3,406,957	7,611,844
Public safety	18,135,674	18,619,648	-	-	18,135,674	18,619,648
Public works	11,100,276	11,263,930	-	-	11,100,276	11,263,930
Community development	4,701,517	2,740,816	-	-	4,701,517	2,740,816
Culture and recreation	7,801,924	8,091,904	-	-	7,801,924	8,091,904
Interest and other fees	3,237,341	3,118,052	-	-	3,237,341	3,118,052
Water & wastewater	-	-	16,333,488	16,349,125	16,333,488	16,349,125
Hidden Creek Golf course	-	-	2,049,089	2,141,509	2,049,089	2,141,509
Solid Waste	-	-	2,846,497	2,957,738	2,846,497	2,957,738
Cemetery	-	-	11,152	11,910	11,152	11,910
Total expenses	48,383,689	51,446,194	21,240,226	21,460,282	69,623,915	72,906,476
Change in net position before transfers	3,491,477	13,590,873	3,032,697	7,123,337	6,524,174	20,714,210
Transfers	(108,909)	329,669	108,909	(329,669)	-	-
Change in net position	3,382,568	13,920,542	3,141,606	6,793,668	6,524,174	20,714,210
Net position - beginning	130,443,225	133,825,793	69,960,410	73,102,016	200,403,635	206,927,809
Net position - ending	$ 133,825,793	$ 147,746,335	$ 73,102,016	$ 79,895,684	$ 206,927,809	$ 227,642,019

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $47,375,156. 82.4 percent or $39,041,073 of this total is not available for spending because it is classified as non-spendable (1) for inventory and prepaid items $31,959; restricted for (2) debt service $2,545,853, (3) culture and recreation $408, (4) economic development $9,597,492, (5) tourism $647,895, and (6) capital projects $15,166,607; committed for (7) culture and recreation $889,250, (8) economic development $395,759, (9) capital projects $8,127,991, (10) debt service $291,558 and (11) encumbrances $299,254; and as assigned for risk management $1,047,047. Approximately 17.6% of the combined ending fund balance or $8,334,083 constitutes unassigned fund balance.

Of the $47,375,156 ending fund balance, $10,070,901 is accounted for in non-major governmental funds. The General Fund balance is $9,998,711 at year end – a decrease of $1,005,797. This decrease was created by health insurance claims $1,475,000 in excess of expectations and a variety of one-time purchases totaling around $507,000. These included several vehicles and a GPS vehicle tracking system. The Burleson Community Services Development Corporation (BCSDC) fund balance increased $33,771 to $3,069,989 at year end. This increase is primarily the result of continuing sales tax revenue outpacing debt service and capital project needs. The Burleson 4A Economic Development (4A Corp) fund balance increased $920,777 to a year-end total of $5,516,835. This increase is due to sales tax revenue exceeding debt service and economic development incentive needs. Continued construction work during the period reduced by bond proceeds of $4,965,000 decreased fund balances in the Bond Funded Capital Projects fund by $1,066,597 finishing the year at $15,166,607. The Mineral Lease Capital Project fund balance decreased $1,442,291 to $1,836,048. This increase represents the degree to which current capital project expenditures exceeded mineral income. The Parks Performance fund balance increased by $208,724, end of the year fund balance for this fund was $894,440. General Debt Service Fund balance increased $5,899 to $821,625.

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

Year-end net position in the water and wastewater fund amounted to $75,351,749, and that of Hidden Creek Golf Course totaled ($800,587). Net position in the water and wastewater fund increased $6,695,548, and Hidden Creek Golf Course net position increased $71,291. Approximately 60% of the increase in the water and wastewater fund's net position is the result of capital contributions. The remaining increase is primarily the result of conservative budgeting.

At the end of the fiscal year, the Solid Waste fund reported net position of $1,481,973. This represents an increase of $342,163, which results from implementation of rates calculated to increase working capital to comply with City policy.

General Fund Budgetary Highlights – The City's revenue projections were increased approximately $351,000 or 1.1%) when compared with the original budget

Total actual revenue collections exceeded the revised estimates by about $1,076,000, or about 3.2% of the revised estimate.

The general fund's final revised expenditure budget was approximately $2,210,000 greater than the figure originally adopted, (an increase of about 6.6%). This increase was precipitated primarily by supplemental appropriations of $1,100,000 capital improvements, and $1,475,000 for excess health insurance claims.

Measured on a GAAP basis, actual year-end expenditures totaled about $1,576,000 less than the revised budget total. Most of this difference is attributable to presentation and measurement differences inherent to the GAAP and budgetary basis of accounting.

CAPITAL ASSETS

The City of Burleson's investment in capital assets for its governmental and business type activities as of September 30, 2017 amounts to $313,197,301 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment and roads. The total increase in capital assets for the current fiscal year was approximately 6.6%.

Capital Assets at Year End
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	$ 29,178,750	$ 30,503,174	$ 5,142,325	$ 5,205,986	$ 34,321,075	$ 35,709,160
Buildings & improvements	54,547,525	60,145,925	3,487,384	3,318,703	58,034,909	63,464,628
Infrastructure	75,502,037	93,241,068	10,989	7,936	75,513,026	93,249,004
Machinery & equipment	4,034,448	4,800,679	71,929	75,373	4,106,377	4,876,052
Vehicles	2,680,832	3,359,674	1,017,701	953,454	3,698,533	4,313,128
Other	45,000	45,000	-	-	45,000	45,000
Water distribution system	-	-	41,668,658	43,513,086	41,668,658	43,513,086
Wastewater system	-	-	37,523,727	41,823,456	37,523,727	41,823,456
Capitalized interest	-	-	749,273	746,933	749,273	746,933
Construction in progress	31,173,305	19,855,328	6,935,958	5,601,526	38,109,263	25,456,854
Total	$ 197,161,897	$ 211,950,848	$ 96,607,944	$ 101,246,453	$ 293,769,841	$ 313,197,301

Major capital asset events during the current fiscal year included the following:

- Construction costs related to arterial roads amounted to approximately $9,003,927.
- Construction and right-of-way costs related to construction of water infrastructure amounted to approximately $2,632,791.
- Construction and right-of-way costs related to construction of sanitary sewer lines amounted to approximately $906,805.
- Cost of purchasing land and buildings to be used as City facilities amounted to $1,332,693.
- Costs related to construction of City recreational facilities amounted to $2,420,828.
- Approximately $1,363,206 of water lines were donated by developers.
- Approximately $2,197,819 of sewer lines were donated by developers.
- Streets and sidewalks worth approximately $6,710363 were donated by developers.

Additional information on the City's capital assets can be found in Note 4 in the notes to basic financial statements.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total bonded debt issues of $148,210,000. Of this amount, $89,775,000 comprises bonded debt backed solely by the full faith and credit of the City, $51,850,000 represent bonds secured by a combination of property taxes and a limited pledge of other revenues, $3,115,000 represents bonds secured solely by sales tax revenues, and $3,470,000 secured by revenues generated from the City's water and wastewater utility. Of the total general obligation outstanding debt of $89,775,000, $22,564,073 is to be repaid with revenue generated from the City's water and wastewater utility and $17,292,794 is to be repaid with revenue generated from sales tax. Additional information on the City's outstanding debt can be found in Note 8 in the notes to basic financial statements.

Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
General obligation bonds	$ 68,653,213	$ 67,210,927	$ 24,816,787	$ 22,564,073	$ 93,470,000	$ 89,775,000
Certificate of obligation bonds	20,895,000	21,820,000	24,050,000	30,030,000	44,945,000	51,850,000
Utility system revenue bonds	-	-	3,655,000	3,470,000	3,655,000	3,470,000
Sales tax revenue bonds	3,815,000	3,115,000	-	-	3,815,000	3,115,000
	$ 93,363,213	$ 92,145,927	$ 52,521,787	$ 56,064,073	$ 145,885,000	$ 148,210,000

The City maintains favorable bond ratings as assigned from the following rating agencies:

	Moody's Investors Service	Standard & Poor's	Fitch
General obligation bonds	Aa3	AA	AA
Water & wastewater revenue bonds	A1	AA-	AA-
4A sales tax revenue bonds	NA	AA-	NA
4B sales tax revenue bonds	NA	AA-	NA

During the year, the City issued $10,210,000 in combination tax and revenue certificates of obligation. These were issued for the purpose of constructing street improvements throughout the City, fire station improvements and for improving and expanding the City's water and wastewater systems. These bonds are labeled in the notes under governmental activities as Certificates of Obligation, 2017 Tax and Revenue ($2,810,000), and business type activities as Certificates of Obligation, 2017 Tax and Revenue ($7,400,000). General obligation bonds in the amount of $2,1,55,000 were issued to finance construction of street improvements throughout the City. These bonds are labeled in the notes under governmental activities as General Obligation Bonds, 2017 Series ($2,155,000).

Readers desiring more detailed information on long-term debt activity should refer to Note 8 in the Notes to Basic Financial Statements section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2018 budget, general fund revenues and transfers-in are budgeted to increase by about 5.8% from the fiscal year 2017 final budget. Sales tax revenues are budgeted to increase by about $253,000 but franchise fees are anticipated to decrease about $176,000. General fund expenditures are budgeted to increase by about 7% from the prior year totals, or a total of about $2,340,000.

Projected results should retain unassigned fund balance in the General Fund to a level above the City’s policy target, i.e. an amount equal to at least 20% of annual operating expenses.

A 5.5% increase in water sewer rates were implemented beginning October 1, 2017 due to increases in future debt service resulting from the $7.4 million bond issuance during fiscal year 2017.

Solid Waste had an approximate 6% increase in solid waste rates beginning October 1, 2014 in order to recover increases in the cost of service and to increase unassigned fund balance to policy minimum. This same rate will be carried over into FY 2018, and should result in a working capital equal to 40% of operating expenditures at year end. Policy minimum for working capital is 20% of operating expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Burleson’s finances. Questions concerning any of the information provided in this report or requests for additional information may be obtained by contacting the City of Burleson, Attn: Finance Department, 141 West Renfro Street, Burleson, Texas 76028.

CITY OF BURLESON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	$ 52,714,856	$ 10,150,237	$ 62,865,093
Receivables, net:			
Taxes	115,481	-	115,481
Accounts and other	4,157,339	2,984,263	7,141,602
Accrued interest	11,047	3,615	14,662
Inventories	21,436	667,824	689,260
Internal balances	145,201	(145,201)	-
Total current assets	57,165,360	13,660,738	70,826,098
Noncurrent assets			
Restricted cash and investments	-	26,422,958	26,422,958
Restricted accrued interest receivable	-	620	620
Other assets	60,934	1,717,176	1,778,110
Capital assets:			
Nondepreciable	50,403,502	10,807,512	61,211,014
Depreciable, net of depreciation	161,547,346	90,438,941	251,986,287
Total noncurrent assets	212,011,782	129,387,207	341,398,989
TOTAL ASSETS	269,177,142	143,047,945	412,225,087
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	2,101,002	828,360	2,929,362
Deferred outflow related to pensions	5,166,979	526,662	5,693,641
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,267,981	1,355,022	8,623,003
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	4,252,325	1,884,947	6,137,272
Accrued interest payable	529,000	224,618	753,618
Deposits payable	-	672,133	672,133
Current portion of:			
Bonds payable	6,643,572	4,136,429	10,780,001
Obligations under capital lease	124,384	3,189	127,573
Compensated absences	2,298,394	157,697	2,456,091
Total current liabilities	13,847,675	7,079,013	20,926,688
Noncurrent Liabilities			
Bonds payable	92,921,324	55,277,255	148,198,579
Obligations under capital lease	173,012	5,748	178,760
Compensated absences	3,070,176	234,450	3,304,626
Net pension liability	17,785,289	1,812,826	19,598,115
Net OPEB obligation	768,650	84,468	853,118
Total noncurrent liabilities	114,718,451	57,414,747	172,133,198
TOTAL LIABILITIES	128,566,126	64,493,760	193,059,886
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	132,662	13,523	146,185
TOTAL DEFERRED INFLOWS OF RESOURCES	132,662	13,523	146,185
NET POSITION			
Net investment in capital assets	127,316,098	68,346,297	195,662,395
Restricted for:			
Debt service	2,016,853	1,049,746	3,066,599
Economic development/tourism	10,245,387	-	10,245,387
Unrestricted	8,167,997	10,499,641	18,667,638
TOTAL NET POSITION	$ 147,746,335	$ 79,895,684	$ 227,642,019

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

CITY OF BURLESON, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 7,611,844	$ 3,120,572	$ 33,776	$ -
Public safety	18,619,648	1,202,013	711,816	-
Public works	11,263,930	63,155	643,263	11,363,515
Community development	2,740,816	1,930,224	203,533	-
Culture and recreation	8,091,904	2,466,180	-	77,400
Interest and other fees	3,118,052	-	-	-
Total governmental activities	51,446,194	8,782,144	1,592,388	11,440,915
Business type activities:				
Water and wastewater	16,349,125	18,407,993	1,108,892	4,020,669
Hidden Creek Golf Course	2,141,509	1,383,163	-	-
Solid waste	2,957,738	3,289,465	-	-
Cemetery	11,910	27,936	-	-
Total business-type activities	21,460,282	23,108,557	1,108,892	4,020,669
Total	$ 72,906,476	$ 31,890,701	$ 2,701,280	$ 15,461,584

General revenues:
Taxes:
Property
Tax increment financing
Sales
Hotel/motel
Franchise fees based on gross receipts
Unrestricted investment earnings
Gain on sale of capital assets
Transfers between governmental and business type activities
Total general revenues and transfers

Change in net position
Net position - beginning

Net position - ending

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$(4,457,496)	$ -	$(4,457,496)
(16,705,819)	-	(16,705,819)
806,003	-	806,003
(607,059)	-	(607,059)
(5,548,324)	-	(5,548,324)
(3,118,052)	-	(3,118,052)
(29,630,747)	-	(29,630,747)
-	7,188,429	7,188,429
-	(758,346)	(758,346)
-	331,727	331,727
-	16,026	16,026
-	6,777,836	6,777,836
(29,630,747)	6,777,836	(22,852,911)
21,776,804	-	21,776,804
536,812	-	536,812
17,099,917	-	17,099,917
222,652	-	222,652
3,113,999	-	3,113,999
471,436	311,582	783,018
-	33,919	33,919
329,669	(329,669)	-
43,551,289	15,832	43,567,121
13,920,542	6,793,668	20,714,210
133,825,793	73,102,016	206,927,809
$ 147,746,335	$ 79,895,684	$ 227,642,019

CITY OF BURLESON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	Major Funds			
	General	BCSDC Special Revenue	4A Corp Special Revenue	Parks Performance Fund
ASSETS				
Cash and investments	$ 9,262,076	$ 2,344,045	$ 4,787,813	$ 974,777
Receivables:				
Taxes, net	23,433	-	-	-
Accounts	975,628	1,589	11,869	27,205
Due from other funds	213,420	-	-	-
Due from other governmental units	1,456,727	724,327	724,327	-
Accrued interest	4,560	28	31	394
Inventories	-	-	-	5,190
Other	26,864	-	-	-
Total Assets	$ 11,962,708	$ 3,069,989	$ 5,524,040	$ 1,007,566
LIABILITIES				
Accounts payable	$ 594,307	$ -	$ 3,426	$ 66,003
Accrued liabilities	911,931	-	3,779	47,123
Due to other funds	-	-	-	-
Total Liabilities	1,506,238	-	7,205	113,126
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - mowing liens	58,008	-	-	-
Unavailable revenue - franchise fees	399,751	-	-	-
Total Deferred Inflows of Resources	457,759	-	-	-
FUND BALANCES				
Nonspendable:				
Inventory	-	-	-	5,190
Prepaid items	26,769	-	-	-
Restricted:				
Debt service	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	3,069,989	5,516,835	-
Tourism	-	-	-	-
Capital projects	-	-	-	-
Committed:				
Culture and recreation	-	-	-	889,250
Economic development	-	-	-	-
Capital projects	-	-	-	-
Debt service	291,558	-	-	-
Other purposes	299,254	-	-	-
Assigned:				
Risk management	1,047,047	-	-	-
Unassigned	8,334,083	-	-	-
Total Fund Balances	9,998,711	3,069,989	5,516,835	894,440
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 11,962,708	$ 3,069,989	$ 5,524,040	$ 1,007,566

Major Funds				
Bond Funded Capital Projects	Mineral Lease Funded Capital Projects	General Debt Service	Other Governmental Funds	Total Governmental Funds
$ 15,697,116	$ 2,011,700	$ 788,089	$ 12,166,342	$ 48,031,958
-	-	33,536	58,512	115,481
146	-	-	2,296	1,018,733
-	-	-	-	213,420
-	-	-	232,162	3,137,543
326	1,216	-	2,547	9,102
-	-	-	-	5,190
-	-	-	-	26,864
$ 15,697,588	$ 2,012,916	$ 821,625	$ 12,461,859	$ 52,558,291
$ 530,981	$ 176,868	$ -	$ 859,288	$ 2,230,873
-	-	-	1,318,250	2,281,083
-	-	-	213,420	213,420
530,981	176,868	-	2,390,958	4,725,376
-	-	-	-	58,008
-	-	-	-	399,751
-	-	-	-	457,759
-	-	-	-	5,190
-	-	-	-	26,769
-	-	821,625	1,724,228	2,545,853
-	-	-	408	408
-	-	-	1,010,668	9,597,492
-	-	-	647,895	647,895
15,166,607	-	-	-	15,166,607
-	-	-	-	889,250
-	-	-	395,759	395,759
-	1,836,048	-	6,291,943	8,127,991
-	-	-	-	291,558
-	-	-	-	299,254
-	-	-	-	1,047,047
-	-	-	-	8,334,083
15,166,607	1,836,048	821,625	10,070,901	47,375,156
$ 15,697,588	$ 2,012,916	$ 821,625	$ 12,461,859	$ 52,558,291

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CITY OF BURLESON, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

Total fund balances - governmental funds		$ 47,375,156
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		207,972,004
Certain charges related to the issuance of debt and insurance were expended in this year, but will be amortized over the entire period covered by the payment, and therefore are deferred in the government-wide statements.		2,135,072
Internal service funds are used by the City's management for equipment maintenance and vehicle replacement. The assets and liabilities of certain internal service funds are included with governmental activities in the Statement of Net Position but are not included at the fund level.		7,926,532
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		457,759
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Bonds payable	99,564,896	
Obligation under capital lease (net of ISF of $5,837)	291,559	
Accrued interest payable	529,000	
Compensated absences (net of internal service funds $235,620)	4,763,410	
Net pension liability (net of internal service funds $715,330)	17,069,959	
Deferred resources related to pensions (net of ISF of $202,482)	(4,831,835)	
Other post-employment benefits (net of ISF of $35,451)	733,199	
Combined adjustment		(118,120,188)
Total net position - governmental activities		$ 147,746,335

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

CITY OF BURLESON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Major Funds			
	General	BCSDC Special Revenue	4A Corp Special Revenue	Parks Performance Fund
REVENUES				
Property taxes	$ 15,795,579	$ -	$ -	$ -
Sales taxes	8,493,810	4,248,052	4,248,052	-
Franchise fees	3,089,998	-	-	-
Licenses and permits	1,356,969	-	-	-
Intergovernmental	249,925	-	-	-
Fines and forfeitures	1,102,642	-	-	-
Donations	-	-	-	-
Charges for services	2,029,360	-	-	2,098,202
Investment earnings	125,785	17,853	32,239	8,267
Mineral lease	-	-	-	-
Street assessments	-	-	-	-
Miscellaneous	1,559,403	-	173,004	10,379
Total Revenues	33,803,471	4,265,905	4,453,295	2,116,848
EXPENDITURES				
Current:				
General government	6,937,340	-	-	-
Public safety	16,682,866	-	-	-
Public works	6,008,412	-	-	-
Community development	837,831	7,000	1,099,906	-
Culture and recreation	3,359,844	-	-	3,328,611
Capital outlay	-	-	-	-
Debt Service:				
Principal retirement	113,049	-	-	-
Interest and fiscal agent charges	18,108	-	-	-
Debt issuance costs	-	-	-	-
Total Expenditures	33,957,450	7,000	1,099,906	3,328,611
Excess of revenues over expenditures	(153,979)	4,258,905	3,353,389	(1,211,763)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	676,000	-	-	1,420,487
Transfers out	(1,527,818)	(4,225,134)	(2,432,612)	-
Total Other Financing Sources (Uses)	(851,818)	(4,225,134)	(2,432,612)	1,420,487
Net change in fund balances	(1,005,797)	33,771	920,777	208,724
Fund balance - beginning	11,004,508	3,036,218	4,596,058	685,716
Fund balance - ending	$ 9,998,711	$ 3,069,989	$ 5,516,835	$ 894,440

Major Funds					
Bond Funded Capital Projects	Mineral Lease Funded Capital Projects	General Debt Service	Other Governmental Funds	Total Governmental Funds	
$ -	$ -	$ 5,613,777	$ 1,252,979	$ 22,662,335	
-	-	-	315,834	17,305,748	
-	-	-	-	3,089,998	
-	-	-	-	1,356,969	
-	-	-	1,095,667	1,345,592	
-	-	-	440,615	1,543,257	
-	-	-	133,652	133,652	
-	-	-	-	4,127,562	
146,752	26,793	-	70,733	428,422	
-	311,715	-	-	311,715	
-	-	-	47,481	47,481	
-	-	-	88,380	1,831,166	
146,752	338,508	5,613,777	3,445,341	54,183,897	
-	-	-	21,486	6,958,826	
-	-	-	853,503	17,536,369	
-	-	-	12,291	6,020,703	
-	-	-	1,214,897	3,159,634	
-	158,030	-	229,781	7,076,266	
6,307,486	1,622,769	-	1,698,833	9,629,088	
-	-	3,476,835	2,705,451	6,295,335	10,067,847
-	-	2,488,393	1,266,011	3,772,512	
129,380	-	-	-	129,380	
6,436,866	1,780,799	5,965,228	8,002,253	60,578,113	
(6,290,114)	(1,442,291)	(351,451)	(4,556,912)	(6,394,216)	
4,965,000	-	-	-	4,965,000	
214,037	-	-	-	214,037	
1,544,480	-	357,350	6,675,179	10,673,496	
(1,500,000)	-	-	(692,263)	(10,377,827)	
5,223,517	-	357,350	5,982,916	5,474,706	
(1,066,597)	(1,442,291)	5,899	1,426,004	(919,510)	
16,233,204	3,278,339	815,726	8,644,897	48,294,666	
$ 15,166,607	$ 1,836,048	$ 821,625	$ 10,070,901	$ 47,375,156	

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CITY OF BURLESON, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds		$(919,510)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay (includes $2,724,521 classified as program expenditures in fund statements)	9,710,391	
Depreciation (net of internal service funds)	(6,692,353)	3,018,038
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is reported with governmental activities.		11,019,824
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		19,984
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(1,624,863)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,860,562
Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance and vehicle replacement, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		546,507
Change in net position of governmental activities		$ 13,920,542

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

CITY OF BURLESON, TEXAS
STATEMENT OF NET POSITION
ALL PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-Type Activities Enterprise Funds	
	Water & Wastewater	Hidden Creek Golf Course
ASSETS		
Current assets:		
Deposits and investments	$ 6,125,999	$ -
Receivables:		
Accounts	2,445,205	-
Accrued interest	2,124	17
Due from other funds	298,164	-
Inventories	552,465	47,218
Land held for sale of cemetery lots	-	-
Total current assets	9,423,957	47,235
Noncurrent assets:		
Restricted deposits and investments	26,340,113	82,845
Restricted accrued interest receivable	620	-
Other assets	1,717,176	-
Capital assets, net	97,205,300	2,868,272
Total noncurrent assets	125,263,209	2,951,117
TOTAL ASSETS	134,687,166	2,998,352
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	745,319	83,041
Deferred outflow related to pensions	321,691	204,971
TOTAL DEFERRED OUTFLOWS	1,067,010	288,012
LIABILITIES		
Current liabilities:		
Accounts payable	1,494,019	32,367
Accrued liabilities	36,565	23,516
Accrued interest payable	216,238	8,380
Customer deposits	654,544	-
Due to other funds	-	298,164
Compensated absences	85,161	72,536
Current portion of bonds payable	3,875,000	261,429
Current portion of capital lease payable	1,367	1,822
Total current liabilities	6,362,894	698,214
Noncurrent liabilities:		
Revenue bonds payable	52,849,185	2,428,070
Capital lease payable	2,463	3,285
Net pension liability	1,107,294	705,532
Net OPEB obligation	52,415	32,053
Compensated absences	19,916	214,534
Total noncurrent liabilities	54,031,273	3,383,474
TOTAL LIABILITIES	60,394,167	4,081,688
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	8,260	5,263
TOTAL DEFERRED INFLOWS	8,260	5,263
NET POSITION		
Net investment in capital assets	66,999,750	173,666
Restricted for debt service and construction	966,901	82,845
Unrestricted	7,385,098	(1,057,098)
TOTAL NET POSITION	$ 75,351,749	$(800,587)

Net position of business-type activity internal service funds

Adjustment to reflect activity between governmental and business type activities

Net position of business type activities

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

	Business-Type Activities Enterprise Funds			Governmental Activities
	Solid Waste	Non-major	Total	Internal Service Funds
	$ 1,217,876	$ 1,004,034	$ 8,347,909	$ 6,485,226
	536,033	3,025	2,984,263	1,063
	414	364	2,919	2,641
	-	-	298,164	-
	-	-	599,683	16,246
	-	68,141	68,141	-
	1,754,323	1,075,564	12,301,079	6,505,176
	-	-	26,422,958	-
	-	-	620	-
	-	-	1,717,176	-
	26,130	193,297	100,292,999	4,932,298
	26,130	193,297	128,433,753	4,932,298
	1,780,453	1,268,861	140,734,832	11,437,474
	-	-	828,360	-
	-	-	526,662	207,818
	-	-	1,355,022	207,818
	297,995	-	1,824,381	88,540
	485	-	60,566	21,369
	-	-	224,618	-
	-	17,589	672,133	-
	-	-	298,164	-
	-	-	157,697	81,166
	-	-	4,136,429	-
	-	-	3,189	2,083
	298,480	17,589	7,377,177	193,158
	-	-	55,277,255	-
	-	-	5,748	3,754
	-	-	1,812,826	715,330
	-	-	84,468	35,451
	-	-	234,450	154,454
	-	-	57,414,747	908,989
	298,480	17,589	64,791,924	1,102,147
	-	-	13,523	5,336
	-	-	13,523	5,336
	26,130	193,297	67,392,843	4,926,461
	-	-	1,049,746	-
	1,455,843	1,057,975	8,841,818	5,611,348
	$ 1,481,973	$ 1,251,272	77,284,407	$ 10,537,809
			2,756,478	
			(145,201)	
			$ 79,895,684	

CITY OF BURLESON, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - ALL PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities Enterprise Funds		
	Water & Wastewater	Hidden Creek Golf Course	Solid Waste
Operating revenues:			
Charges for goods and services	$ 17,888,333	$ 1,383,163	$ 3,289,465
Penalties and interest	422,417	-	-
Miscellaneous	97,243	-	-
Impact fees	1,108,892	-	-
Mineral lease	-	-	-
Total operating revenues	19,516,885	1,383,163	3,289,465
Operating expenses:			
Water and wastewater services	10,396,170	-	-
Cost of golf operations	-	1,977,623	-
Cost of collecting revenues and other administrative expenses	1,922,613	-	-
Cost of cemetery operations	-	-	-
Cost of solid waste operations	-	-	2,955,793
Cost of equipment services	-	-	-
Materials, supplies, and cemetery lots	-	-	-
Depreciation	2,352,125	97,345	1,945
Total operating expenses	14,670,908	2,074,968	2,957,738
Operating income (loss)	4,845,977	(691,805)	331,727
Non-operating revenues (expenses):			
Gain (loss) on disposition of capital assets	22,057	-	-
Investment earnings	272,503	421	10,436
Interest and fiscal agent charges	(1,789,658)	(83,656)	-
Total non-operating revenues	(1,495,098)	(83,235)	10,436
Income (loss) before capital contributions and transfers	3,350,879	(775,040)	342,163
Transfers in	-	846,331	-
Transfers out	(676,000)	-	-
Capital contributions	4,020,669	-	-
Change in net position	6,695,548	71,291	342,163
Net position at beginning of year	68,656,201	(871,878)	1,139,810
Net position at end of year	$ 75,351,749	$(800,587)	$ 1,481,973

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities

Business-Type Activities Enterprise Funds		Governmental Activities
Non-Major	Total	Internal Service Fund
$ 9,566	$ 22,570,527	$ 3,690,629
-	422,417	-
-	97,243	-
-	1,108,892	-
18,370	18,370	-
27,936	24,217,449	3,690,629
-	10,396,170	-
-	1,977,623	-
-	1,922,613	1,161,713
1,025	1,025	-
-	2,955,793	-
-	-	776,581
260	260	-
10,625	2,462,040	1,163,578
11,910	19,715,524	3,101,872
16,026	4,501,925	588,757
-	22,057	14,668
10,151	293,511	67,244
-	(1,873,314)	(303)
10,151	(1,557,746)	81,609
26,177	2,944,179	670,366
-	846,331	34,000
(500,000)	(1,176,000)	-
-	4,020,669	-
(473,823)	6,635,179	704,366
1,725,095		9,833,443
$ 1,251,272		$ 10,537,809
	158,489	
	$ 6,793,668	

CITY OF BURLESON, TEXAS

STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities Enterprise Funds	
	Water & Wastewater	Golf Course
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 19,211,557	$ 1,386,235
Receipts from deposits	18,242	-
Receipts from interfund services provided	-	-
Payments to vendors, suppliers, and contractors	(8,363,575)	(775,698)
Payments to employees for services	(1,687,294)	(1,156,616)
Payments to other funds	(2,780,465)	59,671
Net cash provided by (used for) operating activities	6,398,465	(486,408)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	-	846,331
Transfer to other funds	(676,000)	-
Net cash provided by (used for) noncapital financing activities	(676,000)	846,331
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from disposal of capital assets	22,057	-
Principal paid on capital lease	(1,271)	(1,693)
Interest paid on capital lease	(199)	(266)
Principal paid on bonds	(3,605,000)	(252,714)
Interest payments on long-term debt	(2,113,811)	(105,671)
Proceeds of bond issuance	7,697,679	-
Acquisition of capital assets	(3,060,422)	-
Net cash provided by (used for) capital and related financial activities	(1,060,967)	(360,344)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	272,314	421
Net cash provided by investing activities	272,314	421
Net increase (decrease) in cash and cash equivalents	4,933,812	-
Cash and cash equivalents - beginning of year (including $23,051,552 reported in restricted accounts)	27,532,300	82,845
Cash and cash equivalents - end of year (including $26,422,958 reported in restricted accounts)	$ 32,466,112	$ 82,845

Business-Type Activities Enterprise Funds			Governmental Activities
Solid Waste	Non-Major	Total Enterprise Funds	Internal Service Funds
$ 3,248,347	$ 27,898	$ 23,874,037	$ -
-	-	18,242	-
-	-	-	3,692,933
(2,877,937)	(1,026)	(12,018,236)	(755,473)
(21,940)	-	(2,865,850)	(1,094,710)
-	-	(2,720,794)	-
348,470	26,872	6,287,399	1,842,750
-	-	846,331	34,000
-	(500,000)	(1,176,000)	-
-	(500,000)	(329,669)	34,000
-	-	22,057	17,667
-	-	(2,964)	(1,936)
-	-	(465)	(303)
-	-	(3,857,714)	-
-	-	(2,219,482)	-
-	-	7,697,679	-
-	-	(3,060,422)	(1,852,409)
-	-	(1,421,311)	(1,836,981)
10,374	9,917	293,026	67,324
10,374	9,917	293,026	67,324
358,844	(463,211)	4,829,445	107,093
859,032	1,467,245	29,941,422	6,378,133
$ 1,217,876	$ 1,004,034	$ 34,770,867	$ 6,485,226

CITY OF BURLESON, TEXAS

STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities Enterprise Funds	
	Water & Wastewater	Golf Course
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 4,845,977	$(691,805)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,352,125	97,345
(Increase) decrease in accounts receivable	(305,328)	3,072
(Increase) decrease in inventories	(270,029)	(26,665)
(Increase) decrease in deferred outflows related to TMRS	42,449	13,893
Increase (decrease) in vouchers and accounts payable	393	(28,184)
Increase (decrease) in accrued liabilities	4,325	699
Increase (decrease) in deposits payable	18,242	-
Increase (decrease) in due to other funds	(298,164)	59,671
Increase (decrease) in compensated absences	(15,795)	30,394
Increase (decrease) in net pension liability	26,964	56,493
Increase (decrease) in deferred inflows related to TMRS	(2,694)	(1,321)
Net cash provided by operating activities	6,398,465	(486,408)
Noncash capital and related financing activities:		
Contributions from developers	4,020,669	-
Total noncash capital and related financing activities	$ 4,020,669	$ -

Business-Type Activities Enterprise Funds			Governmental Activities
Solid Waste	Non-Major	Total Enterprise Funds	Internal Service Funds
$ 331,727	$ 16,026	$ 4,501,925	$ 588,757
1,945	10,625	2,462,040	1,163,578
(41,118)	(38)	(343,412)	2,304
-	259	(296,435)	12,591
-	-	56,342	25,003
55,914	-	28,123	8,517
2	-	5,026	463
-	-	18,242	-
-	-	(238,493)	-
-	-	14,599	18,694
-	-	83,457	24,511
-	-	(4,015)	(1,668)
348,470	26,872	6,287,399	1,842,750
-	-	4,020,669	-
$ -	$ -	$ 4,020,669	$ -

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's major operations include public safety, public works, culture, recreation and community development. In addition, the City owns and operates a water and wastewater system, solid waste system, a golf course and a cemetery.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of more significant policies.

A. <u>Reporting Entity</u>

The City of Burleson, Texas (the "City") Home Rule Charter was adopted by the voters at an election held on April 5, 1969. The City operates under a Council-Manager form of government. As required by the accounting principles generally accepted in the United States of America, the basic financial statements present the City (primary government) and its component units.

The Burleson Community Service Development Corporation ("BCSDC") was incorporated June 25, 1993 as a nonprofit industrial development corporation under the Development Corporation Act of 1979 ("Act"). The Corporation is organized exclusively for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the City, and the specific purposes for which the Corporation is organized. This includes the construction and renovation of municipal buildings and other facilities. Although it is legally separate from the City, the BCSDC is reported as if it were part of the primary government (blended) because its Board of Directors is substantially the same as the City Council and the City is the primary beneficiary of the financial services provided. Separate financial statements for the BCSDC are not available.

The Burleson 4A Economic Development Corporation (the "4A Corporation") was incorporated September 28, 2000. The Corporation as organized is to promote and provide for economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing, and financing projects under the Act and as defined in Section 4A of the Act. Although it is legally separate from the City, the 4A Corporation is reported as a blended component unit because its Board of Directors is substantially the same as the City Council and the City is the primary beneficiary of the services it provides. Separate financial statements for the 4A Corporation are not available.

Tax Increment Finance Reinvestment Zone Number Two (TIF 2) was formed to finance and make public improvements serving only the City, under the authority of the Tax Increment Financing Act. The TIF is governed by a five-member board of directors, of which four members are appointed by the City Council. Although it is legally separate from the City, the TIF is reported as a blended component unit because its Board of Directors is substantially the same as the City Council and the City is the primary beneficiary of the services it provides. Separate financial statements for TIF 2 are not available.

Tax Increment Finance Reinvestment Zone Number Three (TIF 3) was formed to finance and make public improvements serving only the City, under the authority of the Tax Increment Financing Act. The TIF is governed by a five-member board of directors, of which four members are appointed by the City Council. Although it is legally separate from the City, the TIF is reported as a blended component unit because its Board of Directors is substantially the same as the City Council and the City is the primary beneficiary of the services it provides. Separate financial statements for TIF 3 are not available.

B. Basic Financial Statements

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. The focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental or business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide State of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. 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 time 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. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, sales taxes, hotel occupancy taxes and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

The ***BCSDC Special Revenue Fund*** is used to account for the half cent sales tax collected to fund the activities of Burleson Community Service Development Corporation.

The ***4A Corp Special Revenue Fund*** is used to account for the half cent sales tax collected to fund the activities of Burleson 4A Economic Development Corporation.

The ***Parks Performance Special Revenue Fund*** is used to account for the operation of the City's recreational facilities that derive a large portion of their support from user fees. These include the Burleson Recreation Center, Chisenhall Fields and Hidden Creek Softball Complex.

The ***Bond-Funded Capital Projects Fund*** is used to account for the acquisition and construction of various capital facilities and is funded by various sales tax revenue and general obligation bonds.

The ***Mineral Lease-Funded Capital Projects Fund*** is used to account for the acquisition and construction of various capital facilities and is funded by royalties and other revenues generated by the City's mineral producing properties.

The ***General Debt Service Fund*** is used to account for the payment of debt supported by ad valorem taxes.

The City reports the following major enterprise funds:

The ***Water/Wastewater Fund*** is used to account for the provision of water and sewer services to residents of the City and certain nonresidents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service and billing and collection.

The ***Golf Course Fund*** accounts for the operations of the City's golf course, Hidden Creek Golf Course.

The ***Solid Waste Fund*** accounts for the operations of the City's solid waste collection utility.

The ***Cemetery Enterprise Fund***, which is not a major fund, is used to account for the operations of the City's cemetery.

Internal service funds are used to account for the financing of goods and services provided by the Equipment Services and Information Technology departments to other City departments and for the purchase of City vehicles not budgeted for in other funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater fund and various other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various funds concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues reported for the various funds concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds and internal service funds are charges to customers for sales and services.

Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities, Net Position and Fund Balance

(1) Deposits and Investments - Substantially all operating deposits and investments are maintained in pooled deposit and investment accounts. Investment income relating to consolidated deposits and investments is allocated to the individual funds primarily based on each fund's pro rata share of total consolidated deposits and investments. For purposes of cash flows, the City considers cash on hand, demand deposits, and investments with original maturities of three months or less to be cash equivalents.

Legal provisions generally permit the City to invest in direct obligations of the Federal government, municipal investment pools and interest-bearing deposit accounts. During the year ended September 30, 2017, the City did not own any types of securities other than those permitted by state law.

(2) Receivables and Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund 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 reports in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible receivables. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible receivables. The net property tax receivable is comprised of the property tax revenues collected within 60 days after year end. The City believes amounts remaining uncollected at sixty days after year-end are generally uncollectible.

The City's property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. The assessed value, net of exemptions, upon which the fiscal 2017 levy was based, was approximately $3,095,941,627. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

General property taxes are limited by the Texas Constitution to $2.50 per $100 assessed valuation. The City's Home Rule Charter authorizes assessment, levy and collection of property taxes: a) at a rate not exceeding $1.00 per $100 of assessed valuation for the purpose of paying the general governmental operating costs of the City and b) at a rate sufficient to pay the principal and interest on bonds of the City. The City's combined tax rate for the year ended September 30, 2017 was $0.73500 per $100 of assessed valuation.

(3) Inventories – All inventories are valued using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather that when purchased.

(4) Restricted Assets - Certain bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

(5) Capital Assets - Capital assets, which include land, buildings, improvements, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), purchased or acquired, are carried at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. A capitalization threshold of $5,000 is used for all capital assets. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives.

Buildings	30 -50 years
Machinery and equipment	5 - 30 years
Vehicles	5 - 30 years
Water and sewer system	50 years
Improvements other than building	20 years
Infrastructure	15 - 40 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current year was $5,696,323. Of this amount, $205,394 was included as part of the cost of capital assets under construction.

(6) Compensated Absences - Vacation and sick leave are granted to City employees in varying amounts. The City accrues vacation benefits as they are earned. In the event of termination, an employee is reimbursed for accumulated unused vacation days if the employee has at least six months service. The City's policy regarding unused sick leave allows terminated employees with at least five years of service to receive reimbursement of accumulated unused sick leave.

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

(8) Net Position - Net position represents the difference between assets, deferred outflows (inflows) of resources, and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

(9) Fund Balance - Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the resource in the

governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments imposed or is imposed by law through constitutional provisions or enabling legislation (such as City ordinances). Enabling legislation authorized the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and include legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classifications includes amounts that can be used only for the specific purpose imposed by formal action (ordinance or resolution) of City Council, ordinances and resolutions of the City Council are equally binding commitments. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be deployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or the City Manager, pursuant to the City’s fund balance policy.

Unassigned – unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(10) Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

- Difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category, one of which arises only under the modified accrual basis of accounting and one that arises only under the full accrual basis of accounting. Accordingly, *unavailable revenue* is reported only in the governmental funds balance sheet. Governmental funds report unavailable revenue from two sources: mowing liens and franchise fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

As mentioned above, the City also has one type of item that qualifies for reporting in this category in full accrual financial statements. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

(11) Fund Balances – A summary of governmental fund balances as of September 30, 2017, follows:

	General Fund	Special Revenue Fund (1)	Capital Project Funds (1)	Debt Service Funds	Total
Fund balances:					
Nonspendable:					
Inventory	$ -	$ 5,190	$ -	$ -	$ 5,190
Prepaids	26,769	-	-	-	26,769
Restricted for:					
Debt service	-	-	-	2,545,853	2,545,853
Culture and recreation	-	408	-	-	408
Economic development	-	9,597,492	-	-	9,597,492
Tourism	-	647,895	-	-	647,895
Capital projects	-	-	15,166,607	-	15,166,607
Committed for:					
Recreation facilities operation	-	889,250	-	-	889,250
Economic development incentives	-	395,759	-	-	395,759
Capital projects	-	-	8,127,991	-	8,127,991
Debt service	291,558	-	-	-	291,558
Other purposes:					
Public safety	31,239	-	-	-	31,239
Public works	98,882	-	-	-	98,882
Planning and engineering	169,133	-	-	-	169,133
Assigned to:					
Risk management	1,047,047	-	-	-	1,047,047
Unassigned:	8,334,083	-	-	-	8,334,083
Total fund balances	$ 9,998,711	$ 11,535,994	$ 23,294,598	$ 2,545,853	$ 47,375,156

(1) Includes major and non-major fund balances

Minimum Fund Balance Policy – It is the goal of the City that unassigned fund balance of the General Fund should be at least 20% of General Fund annual expenditures. This percentage is the equivalent of 73 days of expenditures. In order to adhere to the principles of matching current revenues with current expenditures and minimizing property taxes, the City will take action to reduce the fund balance if the unassigned fund balance grows beyond 90 days of expenditures. At September 30, 2017, the General Fund unassigned fund balance equated to 90 days of expenditures.

E. Budgetary Information

Budget Policy - Prior to September 1, the City Manager submits to the City council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them. The proposed budget and all supporting schedules are filed with the City Secretary when submitted to the City Council. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is adopted by affirmative vote of a majority of the members of the City Council.

Annual operating budgets are prepared on a budgetary basis for the General Fund, debt service funds and all special revenue funds except for the Grants Special Revenue Fund. Budgetary data for capital projects funds are budgeted over the life of the respective project and not on an annual basis.

Budgetary Data - Budget amounts presented in the required supplementary information reflect the original budget and the amended budget, which has been adjusted for legally authorized revisions to the annual budget during the year. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of each fiscal year.

Excess of Expenditures Over Appropriations - For the year ended September 30, 2017, expenditures exceeded appropriations in the following:

Fund/Department	Excess of Expenditures Over Appropriations	Fund/Line Item	Excess of Expenditures Over Appropriations
General:		BCSDC Special Revenue:	
City Manager	(23,448)	Community development	(3,500)
Records management	(14)	BCSDC Debt Service:	
Judicial	(112)	Interest and fiscal agent charges	(503)
Human resources	(5,734)	4A EDC Debt Service:	
Fire prevention	(3,706)	Interest and fiscal agent charges	(130)
Animal services	(4,286)		
Marshals service	(1,172)		
Facilities maintenance	(94,017)		
Traffic control maintenance	(4,692)		
Neighborhood services	(419)		
Code enforcement	(1,602)		
Community Development	(146,671)		
Planning	(2,643)		
Building inspections	(5,315)		
Engineering/development	(19,834)		
Gas well development	(1,412)		

These excess expenditures were funded by revenues in excess of expenditures in other departments or by available fund balance.

F. Accounting Pronouncements

During fiscal year 2017, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

Statement No. 77 ("GASB 77"), *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

Statement No. 82 ("GASB 82"), *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73* addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The GASB has issued the following statements which will be effective in future years as described below:

Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* is effective for fiscal years beginning after June 15, 2017. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

Statement No. 81 ("GASB 81"), *Irrevocable Split-Interest Agreements* is effective for reporting periods beginning after December 15, 2016. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 83 ("GASB 83"), *Certain Asset Retirement Obligations* is effective for reporting periods beginning after June 15, 2018. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

Statement No. 84 ("GASB 84"), *Fiduciary Activities* is effective for reporting periods beginning after December 15, 2018. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Statement No. 85 ("GASB 85"), *Omnibus 2017,* is effective for periods beginning after June 15, 2017. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

Statement No. 86 ("GASB 86"), *Certain Debt Extinguishment Issues* is effective for reporting periods beginning after June 15, 2017. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt.

Statement No. 87 ("GASB 87"), *Leases* is effective for reporting periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

The City has not yet determined the impact of implementation of the new standards.

G. Deficit Net Position

At September 30, 2017, the Hidden Creek Golf Course Fund had an accumulated deficit of $800,587. This deficit will be eliminated as resources are obtained (e.g., from revenues and transfers in).

H. Oil and Gas Royalties

The City receives royalties related to various oil and gas leases for which the City acts as lessor. The royalties are generally payable to the City when production begins at the lease site, and revenue is recognized at the time the royalty is earned and considered measurable and available if received within 60 days of year-end.

2. CASH AND INVESTMENTS

Deposits

State statutes authorize the City's cash to be deposited in demand deposits, time deposits, or certificates of deposit, and require that all deposits be fully collateralized or insured.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's policy requires that all deposits with financial institutions must be collateralized to the extent not protected by F.D.I.C. insurance.

At September 30, 2017, the carrying amount of the City's deposits was $5,448,841 with an overall bank balance of approximately $6,120,916. The bank balances were entirely covered either by Federal Depository Insurance or by collateral held by the City's agent in the City's name.

Investments

In accordance with the Texas Public Funds Investment Act and the City's investment policy, the City invests in:

a. Obligations of the United States or its agencies or instrumentalities;

b. Fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations;

c. SEC registered, no load money market funds in accordance with state law;

d. Eligible statewide investment pools authorized by the City Council;

e. Repurchase Agreements (direct security repurchase agreements and reverse repurchase agreements in accordance with state law) collateralized by U.S. Treasury or U.S. Government Agency Securities.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, which provides a framework for measuring fair value by establishing a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Of the City's investments, $1,725,000 was valued using an option-adjusted discount cash flow model, $999,800 was valued using documented trade history in the exact security, and $501,500 was valued using the present value of expected future cash flow model.

As of September 30, 2017, the City had the following cash and investments:

		Fair Value Measurement Using			Percent of Total Investment	Weighted Average Maturity
	9/30/2017	(Level 1)	(Level 2)	(Level 3)	Portfolio	(Days)
Cash	$ 5,448,841					
Investments measured at net asset value per share:						
Investment pools:						
TexPool	21,635,930				26%	37
TexStar	6,703,169				8%	28
LOGIC	48,549,220				58%	33
Lone Star	3,724,591				4%	22
Investments by fair value level:						
Debt securities:						
Municipal Bonds	501,500	$ -	$ 501,500	$ -	1%	224
FHLB	1,225,000	-	1,225,000	-	1%	597
FHLMC	1,499,800	-	1,499,800	-	2%	328
Total investments	83,839,210	-	3,226,300	-		
Total cash and investment	$ 89,288,051	$ -	$ 3,226,300	$ -		
Portfolio weighted average maturity (days)						49

Investment pools are not categorized as to investment risk since specific securities relating to the City cannot be identified. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

Under the LOGIC Participation Agreement, administrative and investment services to LOGIC are provided by Hilltop Securities, Inc. and JP Morgan Asset Management, Inc. as co-administrators. The administrators settle all trades for LOGIC and secure and value its assets every day. The fair value of the City's position in these pools is the same as the value of the pool shares. As of September 30, 2017, the City's investments in investment pools were all rated AAAm by Standard & Poor's.

The City's investment pools each have a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the City's adopted Investment Policy sets a maximum stated maturity limit of two years for operating funds. Non-operating funds on individual investment have a maximum maturity of three years. Debt service reserve funds have a stated maximum maturity of ten years. The Policy also sets a maximum maturity for debt service sinking funds of five years. The maximum weighted average maturity (WAM) is one year for operating funds and two years for non-operating funds.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating agency.

A primary stated objective of the City's adopted Investment Policy is the safety or principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted Investment Policy includes only time and demand deposits, repurchase agreements, SEC registered money market mutual funds, state and local obligations rated A by at least one nationally recognized securities rating agency (NRSRO) and statewide investment pools. Investments are made primarily in obligations of the US Government, its agencies or instrumentalities.

State law and the City's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD), to those banks and savings and loans doing business in the state of Texas and further requires full insurance or collateralized from these depositories (banks only).

Repurchase agreements are limited to those with defined termination dates with a primary dealers (as defined by the Federal Reserve) and Texas banks.

Municipal obligations are required to be rated A or better by at least one NRSRO.

The City's adopted Investment Policy restricts investment in SEC registered money market mutual funds striving to maintain a $1 net asset value and defined by State law.

Local government investment pools in Texas are required to be rated AAA, or equivalent by at least one nationally recognized securities rating organization. The City Policy is restricted to AAA-rated local government investment pools.

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. It is the policy of the City to diversity its investment portfolios. Whenever practical, assets held in the common investment portfolio shall be diversified to minimize the risk of loss resulting from one concentration of assets in a specific maturity, a specific issuers, or a specific class of securities.

Custodial Risk

To control custody and safekeeping risk, State law and the City's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of US Financial Institutions Resource and Recovery Enforcement Act ("FIRREA"). The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

3. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables as of September 30, 2017 for the City's individual major funds, and non-major funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	General	BCSDC Special Revenue	4A Corp Special Revenue	Parks Performance	Bond Funded Capital Projects	Mineral Lease Funded Capital Projects	General Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Receivables:									
Taxes	$ 480,302	$ -	$ -	$ -	$ -	$ -	$ 55,232	$ 58,512	$ 594,046
Accounts	975,628	1,589	11,869	27,205	360	-	-	2,296	1,018,947
Intergovernmental	1,456,727	724,327	724,327	-	-	-	-	232,162	3,137,543
Interest	4,560	28	31	394	112	1,216	-	2,547	8,888
Gross receivables	2,917,217	725,944	736,227	27,599	472	1,216	55,232	295,517	4,759,424
Less: allowance for uncollectibles	(456,869)	-	-	-	-	-	(21,696)	-	(478,565)
Net total receivabl	$ 2,460,348	$ 725,944	$ 736,227	$ 27,599	$ 472	$ 1,216	$ 33,536	$ 295,517	$ 4,280,859
Deferred inflows of resources:									
Mowing liens	$ 58,008	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 58,008
Franchise fees	399,751	-	-	-	-	-	-	-	399,751
Total deferred inflow	$ 457,759	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 457,759

	Water and Wastewater	Golf Course	Solid Waste	Non-major	Business-Type Activities Total
Receivables:					
Accounts	$ 1,525,710	$ -	$ 282,717	$ 6,045	$ 1,814,472
Unbilled	930,405	-	256,874	-	1,187,279
Interest	2,124	17	414	364	2,919
Gross receivables	2,458,239	17	540,005	6,409	3,004,670
Less: Allowance for uncollectibles	(10,910)	-	(3,558)	(3,020)	(17,488)
Net total receivables	$ 2,447,329	$ 17	$ 536,447	$ 3,389	$ 2,987,182

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Transfers/ Additions	Transfers/ Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 29,178,750	$ 1,340,722	$(16,298)	$ 30,503,174
Construction in progress	31,173,305	7,228,759	(18,546,736)	19,855,328
Historical/Artwork collections	45,000	-	-	45,000
Total capital assets not being depreciated	60,397,055	8,569,481	(18,563,034)	50,403,502
Capital assets being depreciated:				
Buildings and improvements	43,052,132	17,292	(128,960)	42,940,464
Improvements other than buildings	27,410,726	7,698,751	-	35,109,477
Infrastructure	127,755,295	21,688,697	-	149,443,992
Vehicles	6,317,326	1,428,793	(195,049)	7,551,070
Machinery and equipment	13,106,420	1,814,455	(73,559)	14,847,316
Total capital assets being depreciated	217,641,899	32,647,988	(397,568)	249,892,319
Less accumulated depreciation for:				
Buildings	(7,954,130)	(856,196)	92,398	(8,717,928)
Improvements other than buildings	(7,961,203)	(1,224,885)	-	(9,186,088)
Infrastructure	(52,253,258)	(3,949,666)	-	(56,202,924)
Vehicles	(3,636,494)	(737,700)	182,798	(4,191,396)
Machinery and equipment	(9,071,972)	(864,486)	(110,179)	(10,046,637)
Total accumulated depreciation	(80,877,057)	(7,632,933)	165,017	(88,344,973)
Total capital assets being depreciated, net	136,764,842	25,015,055	(232,551)	161,547,346
Governmental activities capital assets, net	$ 197,161,897	$ 33,584,536	$(18,795,585)	$ 211,950,848

	Beginning Balance	Transfers/ Additions	Transfers/ Deletions	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 5,142,325	$ 63,661	$ -	$ 5,205,986
Construction in progress	6,935,958	3,050,224	(4,384,656)	5,601,526
Total capital assets not being depreciated	12,078,283	3,113,885	(4,384,656)	10,807,512
Capital assets being depreciated:				
Water systems	55,837,072	3,042,042	-	58,879,114
Wastewater systems	47,656,349	5,309,819	-	52,966,168
Infrastructure	30,524	-	-	30,524
Buildings and improvements	6,850,965	-	(20,359)	6,830,606
Machinery and equipment	863,539	24,960	(15,234)	873,265
Vehicles	2,383,487	175,724	(34,438)	2,524,773
Capitalized interest	895,963	-	-	895,963
Total capital assets being depreciated	114,517,899	8,552,545	(70,031)	123,000,413
Less accumulated depreciation for:				
Water systems	(14,168,414)	(1,197,614)	-	(15,366,028)
Wastewater systems	(10,132,622)	(1,010,090)	-	(11,142,712)
Infrastructure	(19,535)	(3,053)	-	(22,588)
Buildings and improvements	(3,363,581)	(166,286)	17,964	(3,511,903)
Machinery and equipment	(791,610)	(21,516)	15,234	(797,892)
Vehicles	(1,365,786)	(236,971)	31,438	(1,571,319)
Capitalized interest	(146,690)	(2,340)	-	(149,030)
Total accumulated depreciation	(29,988,238)	(2,637,870)	64,636	(32,561,472)
Total capital assets being depreciated, net	84,529,661	5,914,675	(5,395)	90,438,941
Business-type activities capital assets, net	$ 96,607,944	$ 9,028,560	$(4,390,051)	$ 101,246,453

Because the City maintains an internal service fund solely for the purpose of servicing business-type activities of the City, capital assets in this schedule are not equal to those reported in the statement of net position for proprietary funds. Capital assets in the Proprietary Vehicle Replacement fund are $953,454 and are included in the above schedule.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 154,096
Public safety	617,778
Public works, which includes the depreciation of general infrastructure assets	5,955,911
Culture and recreation	905,148
Total governmental activities depreciation	$ 7,632,933
Business-type activities:	
Water and wastewater	$ 2,352,125
Golf course	97,345
Solid waste disposal and collection	1,945
Cemetery	10,625
Vehicle replacement fund	175,830
Total business-type activities depreciation	$ 2,637,870

Construction Commitments

The City has active construction projects as of September 30, 2017. At year end the City has $80,167 of outstanding construction commitments.

5. LEASES

The City entered into a lease agreement as lessee to finance an energy efficiency performance contract with Johnson Controls, Inc. (JCI) with no down payment. Proposed energy improvements in this contract included lighting and controls, water conservation, HVAC improvements, and power management. Costs associated with this lease are partially covered by utility savings that are guaranteed by JCI through the energy efficiency contract. The City also financed the purchase of a fire truck for the fire department with no down payment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

See note 8 to the basic financial statements for the future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Machinery and equipment	$ 876,188	$ 107,677
Infrastructure	592,423	30,524
Less: Accumulated depreciation	(917,343)	(130,265)
Total	$ 551,268	$ 7,936

6. OTHER ASSETS

Included in business-type activities other assets are the following:

Deferred bond issuance costs resulting from the 2008 water and sewer CO bonds. The costs are being amortized over the life of the bond issue.	$ 1,275
Costs incurred in the construction of a water line which is owned by the City of Fort Worth. The costs are being amortized over 50 years, or the estimated life of the water line.	1,677,759
Prepaid arbitrage liability	38,142
	$ 1,717,176

The amounts above are net of accumulated amortization of $1,327,106.

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

The composition of interfund balances as of September 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Hidden Creek Golf Course Fund	$ 298,164
Water and Wastewater	Non-Major Governmental Fund	213,420

The outstanding balances between funds result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

Interfund transfers during the year ended September 30, 2017, were as follows:

Transfers out:	Transfers in: General Fund	Parks Performance	Bond Funded Funded Capital Projects	Hidden Creek GC	Internal Service Funds	Nonmajor Governmental Funds	General Debt Service	Total
General Fund	$ -	$ -	$ -	$ -	$ 34,000	$ 1,136,468	$ 357,350	$ 1,527,818
BCSDC Special Revenue	-	1,420,487	1,544,480	846,331	-	413,836	-	4,225,134
4A Corp Special Revenue	-	-	-	-	-	2,432,612	-	2,432,612
Water and Wastewater	676,000	-	-	-	-	-	-	676,000
Bond Funded Cap Proj	-	-	-	-	-	1,500,000	-	1,500,000
Nonmajor Enterprise	-	-	-	-	-	500,000	-	500,000
Nonmajor Governmental	-	-	-	-	-	692,263	-	692,263
Total	$ 676,000	$ 1,420,487	$ 1,544,480	$ 846,331	$ 34,000	$ 6,675,179	$ 357,350	$ 11,553,827

In the government-wide financial statements, interfund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Transfers are used to (1) move revenues collected in the special revenue funds to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted for debt service from the funds collecting the receipts to a debt service fund as debt service payments become due, (3) transfer additional funds to the Golf Course (4) pay for property purchased in advance of bond issuances (5) and pay the water and solid waste utilities' payments in lieu of taxes.

Cost Reimbursements

The cost of the City's central general and administrative services is allocated to the designated special revenue and enterprise funds. These costs are reported as interfund services provided and used rather than interfund transactions, and are treated as revenues in the General fund and expenses (expenditures) in the other funds. Interfund services provided and used are "arms-length" transactions between departments or funds that would be treated as revenues, expenditures or expenses if they were with an external organization. The distinguishing aspects of interfund services provided and used are that each department or fund both gives and receives consideration.

Significant cost reimbursements made to the General Fund during the year were as follows:

Fund	Amount
Water and Wastewater	$ 1,345,175
4A Corp Special Revenue	269,300
Parks Performance Fund	280,214
Hotel Motel	11,000
Solid Waste	54,221
Total to General Fund	$ 1,959,910

Franchise Fees

The City's enterprise funds, which use the public right-of-ways, pay franchise fees to the General Fund as if they were organizations separate from the City. These fees are not taxes, but are compensation to the City for the use of the City's streets and public right-of-ways. These payments are reported as interfund services provided and used rather than interfund transactions, and are treated as revenue (reported as franchise fees) in the General Fund and expenses in the enterprise funds. Such fees paid during the year were:

Fund	Amount
Water and Wastewater	$ 713,000
Solid Waste	81,600
Total to General Fund	$ 794,600

Payments in Lieu of Property Taxes

For fiscal year 2017, the Water and Wastewater fund made a $676,000 payment in lieu of property taxes to the General Fund. The payment is calculated by applying the City's property tax rate to the net book value of the enterprise fund's capital assets.

8. LONG-TERM DEBT AND OBLIGATIONS

General Obligation Bonds and Certificates of Obligation

The City issues general obligation bonds and certificates of obligation for the purpose of providing funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation are issued for both governmental activities and business-type activities and are direct obligations issued on a pledge of the general taxing power for payment of the debt obligations of the City.

Revenue Bonds

Water and sewer revenue bonds are issued for the purpose of financing the acquisition and construction of major capital improvements for the water and sewer system and related facilities secured by a pledge of the net revenues of the water and sewer system.

Long-term debt transactions, including current portion, for the year ended September 30, 2017, are summarized as follows:

	Balance at October 1, 2016	Increased	Retired	Balance at September 30, 2017	Due Within One Year
Governmental activities:					
General obligation bonds	$ 68,653,213	$ 2,155,000	$ 3,597,286	$ 67,210,927	$ 4,038,572
Certificates of obligation	20,895,000	2,810,000	1,885,000	21,820,000	1,870,000
Sales tax revenue bonds	3,815,000	-	700,000	3,115,000	735,000
Compensated absences	4,902,731	4,327,327	3,861,488	5,368,570	2,298,394
Capital leases	412,380	-	114,984	297,396	124,384
Premium on debt	8,325,210	214,037	1,120,278	7,418,969	-
Net OPEB obligation	646,393	199,468	77,211	768,650	-
Net pension liability	17,211,974	3,454,271	2,880,956	17,785,289	-
Governmental activities long-term debt	$ 124,861,901	$ 13,160,103	$ 14,237,203	$ 123,784,801	$ 9,066,350
Business-type activities:					
General obligation bonds	$ 24,816,787	$ -	$ 2,252,714	$ 22,564,073	$ 2,476,429
Certificates of obligation	24,050,000	7,400,000	1,420,000	30,030,000	1,475,000
Water and sewer revenue bonds	3,655,000	-	185,000	3,470,000	185,000
Compensated absences	377,549	316,079	301,481	392,147	157,697
Capital leases	11,902	-	2,965	8,937	3,189
Premium on debt	3,548,319	297,679	496,387	3,349,611	-
Net OPEB obligation	71,980	22,212	9,724	84,468	-
Net pension liability	1,741,857	387,522	316,553	1,812,826	-
Business-type activities long-term debt	$ 58,273,394	$ 8,423,492	$ 4,984,824	$ 61,712,062	$ 4,297,315

Premium on debt is amortized over the life of the debt using the effective interest method.

Bonds payable at September 30, 2017, is comprised of the following individual issues:

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Amount Outstanding
Governmental Activities:					
General obligation bonds:					
2008 Series	4.00-4.625	4/15/2008	3/1/2028	$ 14,750,000	$ 710,000
2010 Series	2.00-4.25	5/1/2010	3/1/2030	10,805,000	7,110,000
2012 Series	2.00-4.00	5/16/2012	5/16/2032	5,040,000	4,110,000
2014 Series	2.00-4.00	7/2/2014	3/1/2034	19,558,570	16,580,927
2015 Series	1.00-5.00	4/20/2015	3/1/2035	12,150,000	11,560,000
2016 Series	2.00-5.00	6/6/2016	3/1/2036	25,135,000	24,985,000
2017 Series	2.50-4.00	7/17/2017	3/1/2037	2,155,000	2,155,000
Total general obligated bonds				89,593,570	67,210,927
Certificates of Obligation:					
2008 Tax and Revenue	4.00-4.625	4/15/2008	3/1/2028	20,900,000	1,005,000
2013 Tax and Revenue	2.00-3.00	5/1/2013	3/1/2033	4,620,000	3,875,000
2014 Tax and Revenue	2.00-4.00	7/2/2014	3/1/2034	4,685,000	4,225,000
2015 Tax and Revenue	1.00-5.00	4/20/2015	3/1/2035	6,565,000	6,170,000
2016 Tax and Revenue	2.00-5.00	6/6/2016	3/1/2036	3,855,000	3,735,000
2017 Tax and Revenue	2.50-4.00	7/17/2017	3/1/2037	2,810,000	2,810,000
Total certificates of obligation				43,435,000	21,820,000
Sales tax revenue bonds:					
2010 Sales Tax Revenue bonds	2.00-4.00	5/1/2010	9/1/2021	8,565,000	3,115,000
				8,565,000	3,115,000
Total governmental activities				$ 141,593,570	$ 92,145,927
Business Activities:					
General obligation bonds:					
2011 Water & Sewer refunding	4.00-4.375	5/1/2011	3/1/2027	$ 10,770,000	$ 6,365,000
2014 Golf Course refunding	2.00-4.00	7/2/2014	3/1/2034	3,006,430	2,514,073
2015 Water & Sewer refunding	1.00-5.00	4/20/2015	3/1/2035	10,730,000	9,760,000
2016 Water & Sewer refunding	2.00-5.00	6/6/2016	3/1/2036	4,435,000	3,925,000
Total general obligated bonds				28,941,430	22,564,073
Certificates of Obligation:					
2008 Tax and Revenue	4.00-4.325	4/15/2008	3/1/2028	4,545,000	220,000
2011 Tax and Revenue	4.00-4.375	5/1/2011	3/1/2031	7,075,000	5,540,000
2013 Tax and Revenue	2.00-3.00	5/1/2013	3/1/2033	2,160,000	1,810,000
2014 Tax and Revenue	2.00-4.00	7/2/2014	3/1/2034	5,480,000	4,930,000
2015 Tax and Revenue	1.00-5.00	4/20/2015	3/1/2035	4,855,000	4,555,000
2016 Tax and Revenue	2.00-5.00	6/6/2016	3/1/2036	5,750,000	5,575,000
2017 Tax and Revenue	2.50-4.00	7/17/2017	3/1/2037	7,400,000	7,400,000
Total certificates of obligation				43,390,000	30,030,000
Water and sewer revenue bonds					
2012 Improvement	2.00-4.00	4/15/2012	3/1/2032	4,300,000	3,470,000
Total water and sewer revenue bonds				4,300,000	3,470,000
Total business-type activities				$ 76,631,430	$ 56,064,073

The annual requirements to amortize all debt outstanding as of September 20, 2017, are as follows:

	Governmental Activities							
Year Ending September 30,	General Obligation	GO Interest	Certificates of Obligation	CO Interest	Sales Tax Revenue Bonds	STR Interest	Capital Leases	Capital Lease Interest
2018	$ 4,038,571	$ 2,625,488	$ 1,870,000	$ 767,426	$ 735,000	$ 124,600	$ 122,301	$ 12,998
2019	5,095,500	2,474,678	895,000	721,038	765,000	95,200	129,953	7,248
2020	5,273,071	2,292,664	910,000	696,713	790,000	64,600	45,142	1,413
2021	5,469,357	2,088,044	940,000	670,613	825,000	33,000	-	-
2022	5,427,571	1,887,357	970,000	640,988	-	-	-	-
2023-2027	27,156,857	6,019,793	5,410,000	2,627,022	-	-	-	-
2028-2032	10,575,000	1,736,001	6,560,000	1,475,125	-	-	-	-
2033-2037	4,175,000	270,959	4,265,000	274,547	-	-	-	-
Total	$ 67,210,927	$ 19,394,985	$ 21,820,000	$ 7,873,470	$ 3,115,000	$ 317,400	$ 297,396	$ 21,659

	Business-Type Activities							
Year Ending September 30,	General Obligation	GO Interest	Certificates of Obligation	CO Interest	Water and Wastewater Revenue Bonds	Water and Wastewater Interest	Capital Leases	Capital Lease Interest
2018	$ 2,476,429	$ 867,147	$ 1,475,000	$ 1,115,842	$ 185,000	$ 114,925	$ 3,189	$ 339
2019	2,449,500	793,041	1,295,000	1,062,757	190,000	111,175	3,422	204
2020	2,371,929	707,849	1,345,000	1,022,232	195,000	106,838	2,326	73
2021	2,365,643	614,472	1,380,000	979,557	200,000	101,900	-	-
2022	2,442,429	522,386	1,425,000	933,057	205,000	96,325	-	-
2023-2027	10,153,143	1,056,688	8,040,000	3,776,348	1,130,000	379,025	-	-
2028-2032	305,000	7,625	9,280,000	1,988,942	1,365,000	141,100	-	-
2033-2037	-	-	5,790,000	412,406	-	-	-	-
Total	$ 22,564,073	$ 4,569,208	$ 30,030,000	$ 11,291,141	$ 3,470,000	$ 1,051,288	$ 8,937	$ 616

In prior years, the City defeased certain General Obligation Bonds, Certificates of Obligation, and Water and Sewer System Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and defeased bonds are not included in the City's financial statements. At September 30, 2017, the unpaid amount of the defeased bonds total $24,455,000.

The ordinances authorizing the issuance of Water and Sewer serial bonds created the revenue bond debt service and retirement funds. The gross revenues of the waterworks system, after deduction of reasonable expenses of operation and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the revenue bond and emergency funds. At September 30, 2017, the minimum amount required by the ordinances for the revenue bond debt service and retirement funds had been accumulated.

The revenue bond ordinances also require that the City charge for services sufficient to produce net revenues, as defined, in an amount not less than 1.25 times the average annual principal and interest requirement. At September 30, 2017, this requirement had been met.

The ordinance authorizing the issuance of General Obligation Bonds created the Debt Service Fund. All taxes levied and collected for an on account of said bonds are pledged to the Debt Service Fund in amounts authorized by the City Council, but never less than annual maturing interest and principal requirements with the provision that the principal portion will never be less than 2% of the outstanding principal amount. At September 30, 2017, this requirement had been met.

Compensated absences, the net pension liability, and the net OPEB obligation are typically liquidated by the fund to which they relate.

9. ARBITRAGE LIABILITY

The City accrues a liability for an amount of rebatable arbitrage resulting from investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities. Such investment activities can result in interest revenue exceeding interest cost. The arbitrage liability is payable to the federal government every five years; however, the City calculates and records its arbitrage liability annually. The arbitrage liability is recorded as a liability in the government-wide and proprietary fund financial statements, as applicable, on the accrual basis of accounting. At September 30, 2017, the City had no arbitrage liability.

10. WATER AND SEWER CONTRACT

On July 19, 2010, the City entered into a contract with the City of Fort Worth, Texas, for the purchase of treated water to be effective January 1, 2011, and to expire on September 30, 2031. This contract requires the City to pay varying amounts based on annual consumption rates established under the terms of the contact. During fiscal year 2017, 1,514,492,518 gallons of treated water were purchased under the contract at a cost of $4,172,910.

In 1987, the City entered into a contract with the City of Fort Worth, Texas, for the transportation, treatment and disposal of sanitary sewage. Under the terms of the contract, the City is required to make payments for sewage actually discharged based on rates and charges determined on an annual basis under the terms of the contract. During fiscal year 2017, 1,417,738,288 gallons of sanitary sewage were treated by the City of Fort Worth, Texas at a cost of $3,176,933.

11. EMPLOYEES' RETIREMENT SYSTEM

Texas Municipal Retirement System

Plan Description - The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

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

Benefits Provided

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

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

Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 1996, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1996, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	151
Active employees	311
	570

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.46% and 15.55% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $3,270,142, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010, through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major assets class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 81,655,715	$ 62,701,884	$ 18,953,831
Changes for the year:			
Service cost	3,628,862	-	3,628,862
Interest	5,536,081	-	5,536,081
Difference between expected and actual experience	324,293	-	324,293
Changes of assumptions	-	-	-
Contributions - employer	-	3,195,301	(3,195,301)
Contributions - employee	-	1,459,887	(1,459,887)
Net investment income	-	4,240,199	(4,240,199)
Benefit payments, including refunds of employee contributions	(2,908,249)	(2,908,249)	-
Administrative expense	-	(47,857)	47,857
Other changes	-	(2,578)	2,578
Net changes	6,580,987	5,936,703	644,284
Balance at 12/31/2016	$ 88,236,702	$ 68,638,587	$ 19,598,115

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 33,940,359	$ 19,598,115	$ 8,009,228

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at *www.tmrs.org.*

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

For the year ended September 30, 2017, the City recognized pension expense of $4,524,573.

At September 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 325,939	$ 19,509
Changes in actuarial assumptions	-	126,676
Difference between projected and actual investment earnings	2,764,522	-
Contributions subsequent to the measurement date	2,603,181	-
Total	$ 5,693,641	$ 146,185

$2,603,181 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending December 31,	
2018	$ 1,001,458
2019	1,001,458
2020	863,011
2021	49,405
2022	28,944

12. DEFERRED COMPENSATION PLAN

The City participates in a deferred compensation plan which falls under Internal Revenue Code Section 475. Virtually all employees are eligible to participate in the plan. The deferred compensation plan allows the deferral of individual federal income taxes until funds are withdrawn. Funds may be withdrawn at termination, retirement, death or unforeseeable emergency. During the fiscal year 2017, employers or employees through salary reductions may contribute up to the limit of $18,000 compensation on behalf of the participant under this plan. Employees age 50 or older may contribute up to an additional $6,000, for a total of $24,000. Employees taking advantage of the special pre-retirement catch-up may be eligible to contribute up to double the normal limit, for a total of $36,000.

13. COMMITMENTS AND CONTINGENCIES

The City is a defendant in certain pending litigation. In the opinion of management, the potential claims against the City not covered by insurance would not materially affect the financial statements of the City.

The City has participated in a number of state and federally assisted grant programs. These programs were subject to financial and compliance audits by the grantors or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits it not believed to be material.

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has purchased commercial insurance to cover these general liabilities from the Texas Municipal League, a non-public entity risk pool. As an insured, the City is not obligated to reimburse the pool for losses. The TML risk pool is self-sustaining through annual member premiums and stop loss reinsurance coverage through various commercial insurers for excess claims. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in each of the past three fiscal years. Any losses reported, but unsettled or incurred and not reported, are believed to be insignificant to the City's financial statements.

The City offers health coverage to its employees and retirees in a managed care plan administered by United Health Care and funded by the City with both employee and City contributions. The City retains risk for up to: $125,000 per covered enrollee per year and up to $2,750,324 per period benefit, and transfers risk in excess of these amounts to a reinsurer. The City's operating funds are charged with premiums for coverage provided by the Risk Management department based on approved annual budgets with adjustments based on estimates of the amounts needed to pay prior and current year claims. These interfund premiums are used to reduce the amount of actual expenditures.

14. OTHER POST-EMPLOYMENT BENEFITS

Post-retirement Health Care Benefits

All employees on the health care plan at the time of retirement are eligible to elect retiree health benefits. Employees eligible to retire under the Texas Municipal Retirement System (TMRS) are considered eligible retirees for health care benefits. Employees are eligible for retirement if they are at least 60 years of age and have 5 years of service, or at any age with 20 years of services.

Eligible retirees may elect coverage that will include the same health care options offered to regular full-time employees at the same cost that the City pays for active employees. Retirees pay the same rate for coverage as employees pay, if they are electing dependent coverage. Benefit commences at the first of the month following the day of retirement, if the employee elects retiree or dependent coverage (at retiree's cost).

In the event that an active employee passes away, the spouse and dependents will become eligible or retiree coverage if (1) the employee was eligible for retirement as defined by TMRS; and (2) the employee had dependent coverage at the time of death. The surviving spouse will continue to receive the benefits of the retiree health insurance program, at the rate charged for retiree only. If dependent children are already on the plan at the time of the retiree's death, the spouse may continue to cover the children (at retiree's spouse's cost).

Retirees are eligible for medical and prescription insurance until they become Medicare eligible. Retired employees are eligible for vision and dental care benefits, at their expense (100%). Retired employees are not eligible to purchase life insurance benefits through the City. Those retirees who receive pension benefits through TMRS have a $7,500 life insurance burial benefit. This benefit is provided by TMRS. The City's only disability coverage is 100% voluntary and paid by the employee; these are not city-paid disability benefits.

Funding Policy and Annual OPEB Cost

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the fiscal year ending September 30, 2017, is as follows:

Annual Required Contribution (ARC)	$	221,494
Interest on net OPEB obligation		28,734
Adjustment to the ARC	(	28,549)
End of Year Annual OPEB Cost (Expense)		221,679
Net Estimated Employer Contributions	(	86,934)
Increase in net OPEB obligation	$	134,745
Beginning of Year Net OPEB Obligation	$	718,373
End of Year Net OPEB Obligation	$	853,118

The City 's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
2015	$ 105,693	$ 34,804	32.9%	$ 571,480
2016	193,341	46,448	24.0%	718,373
2017	221,679	86,934	39.2%	853,118

Funding Status and Funding Progress

The funded status of the City's retiree health care plan under GASB Statement No. 45 as of December 31, 2016, is as follows:

Actuarial Valuation Date as of December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)]/(c)
2016	$ -	$ 1,700,642	$ 1,700,642	0%	$ 21,398,660	7.95%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $1,700,642 as of December 31, 2016. As of the most recent valuation, the ratio of the unfunded actuarial liability to annual covered payroll is 7.95%.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Inflation rate	2.50% per annum
Investment rate of return	4.00%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year, open amortization
Payroll growth	3.00% per annum
Medical Trend	Initial rate of 7.50%, declining to an ultimate rate of 4.50% after 14 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Death Benefit

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post-employee benefit," or OPEB.

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

Schedule of Contribution Rates
(Retiree-only portion of the rate)

Plan Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.02%	0.02%	100.0%
2016	0.02%	0.02%	100.0%
2017	0.02%	0.02%	100.0%

15. RELATED PARTY TRANSACTIONS

During the fiscal year, the City contracted McClendon Construction Company, Inc. for various construction projects. This company is owned by City Council Member Dan McClendon. Total payments remitted to the company for the year were $1,418,088.

16. TAX ABATEMENTS

The City enters into economic development agreements subject to the Burleson Economic Development Incentives Program adopted in 1993. Abatement incentives are provided in accordance with Chapter 312 of the Texas Tax Code.

- For the fiscal year ended September 30, 2017, there was one property tax abatement agreement in place. The agreement with Chicken E Food Services provides a 75% tax abatement for 7 years, beginning in 2014 for development of a restaurant distribution facility. In fiscal year 2017, this agreement resulted in abated property taxes of $44,675.

Other incentives are provided according to Chapter 380 of the Texas Local Government Code. These consist of incentives tied to a percentage of property taxes paid, a percentage of sales taxes generated, or some other metric such as employment. The agreements are presented here in aggregate.

- Property tax rebate incentives - $257,840
- Sales tax rebate incentives - $208,750
- Grant payments for meeting other performance targets - $337,375.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

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

CITY OF BURLESON, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2018

AS BOND COUNSEL for the City of Burleson, Texas (the "City"), the issuer of the certificates of obligation described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, which Certificates of Obligation are issued in the aggregate principal amount of $21,880,000. The Certificates of Obligation bear interest from the date and mature on the dates specified on the face of the Certificates of Obligation, and are subject to redemption prior to maturity on the dates and in the manner specified on the face of the Certificates of Obligation, all in accordance with the ordinance of the City authorizing the issuance of the Certificates of Obligation (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the City, 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 No. R-1); however, we express no opinion with respect to any statement of insurance printed on the Certificates of Obligation.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates of Obligation have been authorized, issued and delivered in accordance with law, and constitute valid and legally binding obligations of the City; that the interest on and principal of the Certificates of Obligation shall be payable from the proceeds of an ad valorem tax levied and pledged for such purpose, within the limit prescribed by law; and that the principal of and interest on the Certificates of Obligation are additionally secured by and payable from a limited pledge (not to exceed $1,000) of the surplus revenues from the operation of the City's combined waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof and any other obligations heretofore or hereafter incurred to which such revenues have been or shall be encumbered by a lien on and pledge of such revenues superior to the lien on and pledge of such revenues to the Certificates of Obligation. The opinion hereinbefore expressed is qualified to the extent that the obligations of the City and the enforceability thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally, and the exercise of judicial discretion in accordance with general principles of equity.

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 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 City 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 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 City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates 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 City, 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 City as to the current outstanding indebtedness of the City, the assessed valuation of taxable property within the City, and the revenues of the City additionally pledged to the payment of the Certificates of Obligation. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates of Obligation has been limited as described therein.

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

Respectfully,

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