

**OFFICIAL NOTICE OF SALE,
OFFICIAL BID FORM,
AND
PRELIMINARY OFFICIAL STATEMENT**

\$11,500,000*

**CITY OF CROWLEY, TEXAS
(Tarrant and Johnson Counties, Texas)**

**COMBINATION TAX AND LIMITED PLEDGE
REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2018**

**Bids due
Thursday, July 19, 2018
at
11:00 A.M. Central Time**

***Preliminary, subject to change based on bid structures. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" IN THE OFFICIAL NOTICE OF SALE.**

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Certificates defined and described herein. The invitation for bids on the Certificates is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

\$11,500,000*

CITY OF CROWLEY, TEXAS

(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The City Council (the "City Council") of the City of Crowley, Texas (the "City" or the "Issuer") is offering for sale at competitive bid its \$11,500,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (the "Certificates").

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M. Central Time, on July 19, 2018. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on July 19, 2018 indicating their intent to submit a bid by internet

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email or facsimile, please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

OPENING OF BIDS: Bids will be opened and publicly read at 11:00 A.M. Central Time, on Thursday, July 19, 2018, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the "Financial Advisor") and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Certificates as described in the section entitled "AWARD AND SALE OF THE CERTIFICATES" below.

AWARD AND SALE OF THE CERTIFICATES: By 12:00 P.M. (noon) Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall award the Certificates to **the low qualified bidder (the "Winning Bidder")**, as described in the section entitled "**CONDITIONS OF SALE – Basis of Award**" herein subject to final approval of the City Council which will take action to adopt an ordinance (the "**Ordinance**") authorizing the issuance and awarding sale of the Certificates or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Thursday, July 19, 2018. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

*Preliminary, subject to change based on bid structures. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" herein.

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated August 1, 2018 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on February 1, 2019, and semiannually on each August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Certificates will be issued as fully registered Certificates in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of Certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” in the Official Statement.) The Certificates will be stated to mature on August 1 in each of the following years in the following amounts:

MATURITY SCHEDULE (Due August 1)

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2019	\$135,000	2029	\$590,000
2020	240,000	2030	615,000
2021	425,000	2031	645,000
2022	435,000	2032	670,000
2023	450,000	2033	700,000
2024	475,000	2034	735,000
2025	490,000	2035	765,000
2026	515,000	2036	805,000
2027	535,000	2037	840,000
2028	560,000	2038	875,000

*Preliminary, subject to change.

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$11,500,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, not to exceed five term certificates (the “Term Certificates”).

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on August 1 of the first year which has been combined to form such Term Certificate and continuing on August 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The City reserves the right, at its option, to redeem the Certificates maturing on or after August 1, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2028, or any date thereafter, at the redemption price of par plus accrued interest as further described in the Official Statement.

SECURITY FOR PAYMENT: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council on July 19, 2018, and the City's Home Rule Charter and are payable primarily from an annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and are further secured by a lien on and pledge of the Pledged Revenues being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that may be pledged to the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance the City retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

OTHER TERMS AND COVENANTS: Other terms of the Ordinance and the various covenants of the City contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

SUCCESSOR PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 101% nor greater than 106% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates (the "Code"), relating to the excludability of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of initial delivery of the Certificates) a certification as to their initial offering prices of the Certificates (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale. (See "ESTABLISHMENT OF ISSUE PRICE" herein.)

ESTABLISHMENT OF ISSUE PRICE:

(a) The Winning Bidder shall assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City by the Delivery Date an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the City, and Norton Rose Fulbright US LLP, the City’s Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Certificates under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the City’s Financial Advisor and any notice or report to be provided to the City may be provided to the City’s Financial Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the “competitive sale requirements”) because:

- (1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the Winning Bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Certificates as the issue price of that maturity (the “hold-the-offering-price rule”). The City shall promptly advise the Winning Bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.** In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Certificates, the Winning Bidder agrees to promptly report to the City the prices at which the unsold Certificates of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Delivery Date has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until all Certificates of that maturity have been sold. The 10% test shall be considered satisfied with respect to a maturity when at least 10% of the Certificates of that maturity have been sold to the public at a particular price.

(f) The City acknowledges that, in making the representation set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer

that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Certificates.

(g) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the Winning Bidder that either the 10% test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the public and (B) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the Winning Bidder or such underwriter that either the 10% test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Winning Bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Certificates to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the public),
- (3) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Certificates are awarded by the City to the Winning Bidder.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "City of Crowley, Texas" in the amount of \$230,000, which is 2% of the par value of the Certificates (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail or refuse to take up and pay for the Certificates, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

New obligation of the City to receive information from winning bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Effective January 1, 2018, pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Crowley, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Crowley CO2018 – Bid Form) and description of the goods or services (Purchase of the City of Crowley, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC’s “electronic portal” to the City. The executed Disclosure Form must be sent by email to the City’s financial advisor at mmcliney@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Clay Binford, c/o Norton Rose Fulbright US LLP, 300 Convent Street, Suite 2100, San Antonio, Texas 78205, along with a PDF executed version sent to clayton.binford@nortonrosefulbright.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE: To the extent the sale of Certificates that is the subject of this Notice of Sale is a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, each Bidder, through submittal of an executed Official Bid Form, hereby verifies that it is a company which does not boycott Israel and will not boycott Israel through the term of this Agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, “company” and “boycott Israel” have the meanings ascribed to such terms by Chapter 808 of the Texas Government Code.

Pursuant to Subchapter F, Chapter 2252, Texas Government Code, to the extent applicable to the sale of Certificates that is the subject of this Notice of Sale, each Bidder, through submittal of an executed Official Bid Form, represents that it is not a company (as defined in Section 2270.0001(2), Texas Government Code) which is on a list prepared and maintained by the Comptroller of Public Accounts of the State of Texas under Sections 2270.0201 or 2252.153, Texas Government Code. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such section does not contravene applicable Federal law and excludes the Bidder and each of its affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the “Rule”), of the United States Securities and Exchange Commission (“SEC”), the City and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE: The City has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the City of the initial offering yields of the Certificates.

The City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a “designated electronic format” (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board (“MSRB”). The City consents to the distribution of such documents in a “designated electronic format.” Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The City will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the City intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the City makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

FINAL OFFICIAL STATEMENT: In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Certificates, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the City and the Certificates to subsequent purchasers of the Certificates, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Certificates to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Certificates have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Certificates, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the City to do so will terminate when the City delivers the Certificates to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Certificates have been sold to ultimate customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Certificates) until all of the Certificates have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Certificates (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefore, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last financial statements of the City appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the City.

CONTINUING DISCLOSURE AGREEMENT: The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the past five years, the City has complied in all material respects with all continuing disclosure agreements made in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATES: The initial delivery of the Certificates to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of \$11,500,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Certificate(s)"), signed by manual or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate(s), they shall be immediately canceled and one Certificate for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Certificates. It is anticipated that Initial Delivery of the Initial Certificates can be made on or about August 16, 2018, but if for any reason the City is unable to make delivery by August 16, 2018, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Certificates. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES: Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate are to be canceled by the Paying Agent/Registrar and registered definitive Certificates delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Certificates shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Certificate, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Certificate and delivery of registered definitive Certificates may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid by the City; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Certificate, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "No Material Adverse Change", all as described below. In addition, if the City fails to comply with its obligations described under "FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the City within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligation of the Purchaser to take up and pay for the Certificates, and of the City to deliver the Initial Certificate, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificate(s), there shall have been no material adverse change in the affairs of the City subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Certificates are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Certificates are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Certificates shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. 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 (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Certificates surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for determining the party to whom the semiannual interest on the Certificates is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

RATING: A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

SALE OF ADDITIONAL CERTIFICATES: The City currently has no plans to issue additional ad valorem tax supported debt in 2018 except potentially issuing refunding bonds for debt service savings.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE: No registration statement relating to the Certificates has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Certificates have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or 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 registration or qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Certificates, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Certificates are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from www.samco.postos.com.

The City Council has approved the form and content of the Official Notice of Sale, the Official Bid Form, and the Official Statement and authorized the use thereof in its initial offering of the Certificates. On the date of the sale, the Certificates will, in the Ordinance authorizing the issuance of the Certificates, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

/s/ Billy P. Davis

Mayor,
City of Crowley

ATTEST:

/s/ Carol Konhauser

City Secretary,
City of Crowley

July 10, 2018

OFFICIAL BID FORM

Honorable Mayor and City Council
 City of Crowley
 201 East Main
 Crowley, Texas 76036

July 19, 2018

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated July 10, 2018, which terms are incorporated by reference to this proposal (and which are hereto agreed as evidenced by on submission of this bid), we hereby submit the following bid for \$11,500,000 (preliminary, subject to change) City of Crowley, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018, dated August 1, 2018 (the "Certificates").

For said legally issued Certificates, we will pay you \$_____ (being a price of no less than 101% and no more than 106% of par value) plus accrued interest from their date to the date of delivery to us for Certificates maturing August 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2019	\$135,000		2029*	\$590,000	
2020	240,000		2030*	615,000	
2021	425,000		2031*	645,000	
2022	435,000		2032*	670,000	
2023	450,000		2033*	700,000	
2024	475,000		2034*	735,000	
2025	490,000		2035*	765,000	
2026	515,000		2036*	805,000	
2027	535,000		2037*	840,000	
2028	560,000		2038*	875,000	

**Maturities available for term certificates.*

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: _____%

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$11,500,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table (which may include no more than five Term Certificates). For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year. The Term Certificates created are as follows:

Term Certificate Maturity Date August 1	Year of First Mandatory Redemption	Principal Amount of Term Certificate	Interest Rate
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of _____ Bank, _____, Texas, in the amount of \$230,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds at the Corporate Trust Division, UMB Bank, N.A., Austin Texas, not later than 10:00 A.M., Central Time, on Thursday, August 16, 2018, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Certificates to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Federal law, it does not and will not "boycott Israel" and is not a company that engages in business with Iran, Sudan, or any "foreign terrorist organizations" and it is not on the Texas Comptroller's list concerning the same prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE".

For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, notarized, and sent by email to the City's financial advisor at afriedman@samcocapital.com and Bond Counsel at clayton.binford@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

By: _____
Authorized Representative

Telephone Number

Email Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Crowley, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 19th day of July 2018.

Mayor,
City of Crowley, Texas

ATTEST:

City Secretary,
City of Crowley

\$11,500,000*
CITY OF CROWLEY, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2018

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____, _____, _____ (“_____”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Obligations”) of the City of Crowley, Texas (the “Issuer”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by _____ are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Obligations used by _____ in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by _____ to purchase the Obligations.

(b) _____ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by _____ constituted a firm offer to purchase the Obligations.

2. Defined Terms.

(a) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is July 19, 2018.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents _____ interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

By: _____
Name: _____
Title: _____

Dated: _____

*Preliminary, subject to change.

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SCHEDULE A
EXPECTED OFFERING PRICES

(this page intentionally left blank)

SCHEDULE B
COPY OF UNDERWRITER'S BID

(this page intentionally left blank)

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "Applied For"
(See: "OTHER PERTINENT INFORMATION- Rating")

PRELIMINARY OFFICIAL STATEMENT
July 10, 2018

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Certificates and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. (See "TAX MATTERS" herein.)

\$11,500,000*

CITY OF CROWLEY, TEXAS

(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: August 1, 2018

Due: August 1, as shown on inside cover

The \$11,500,000* City of Crowley, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City of Crowley, Texas (the "City" or the "Issuer") on July 19, 2018, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the *System*), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Certificates will accrue from August 1, 2018 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2019, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing Downtown Main Street improvements (including utilities repair, replacement, and relocation), quiet zone for railroad, medians, roundabouts, benches, public art, curbs, gutters, and sidewalk improvements, including drainage and landscaping incidental thereto; (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's Downtown Plaza, including parking and landscaping; (3) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City Hall; (4) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving a new Fire Station; (5) purchase of equipment for public safety or public works, (6) the purchase of materials, supplies, equipment, public safety vehicles, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (7) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

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

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.) It is expected that the Certificates will be available for initial delivery through DTC on or about August 16, 2018.

* Preliminary, subject to change

BIDS DUE THURSDAY, JULY 19, 2018 BY 11:00 A.M., CENTRAL TIME

\$11,500,000*
CITY OF CROWLEY, TEXAS
(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

MATURITY SCHEDULE*
(Due August 1)

CUSIP Prefix No. 228111⁽¹⁾

Stated				CUSIP	Stated				CUSIP
Maturity	Principal	Interest	Intital	No.	Maturity	Principal	Interest	Intital	No.
<u>8/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> ⁽¹⁾	<u>8/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> ⁽¹⁾
2019	\$ 135,000				2029	\$ 590,000			
2020	240,000				2030	615,000			
2021	425,000				2031	645,000			
2022	435,000				2032	670,000			
2023	450,000				2033	700,000			
2024	475,000				2034	735,000			
2025	490,000				2035	765,000			
2026	515,000				2036	805,000			
2027	535,000				2037	840,000			
2028	560,000				2038	875,000			

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after August 1, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2028, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

* Preliminary, subject to change.

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

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CITY OF CROWLEY, TEXAS
201 East Main
Crowley, Texas 76036
Phone: (817) 297-2201

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Billy P. Davis Mayor	20	2019	Arborist
Johnny Shotwell Mayor Pro Tem	15	2018	Operations Consultant – SSA Global
Jim Hirth Councilmember	17	2018	Machinist
Jerry Beck, Jr. Councilmember	14	2019	Security Officer
Jesse D. Johnson Councilmember	16	2019	Funeral Plan Sales
Tina Pace Councilmember	11	2020	Accountant
Christine M. Gilbreath Councilmember	5	2020	Retired Military

ADMINISTRATION

Name	Position	Length of Service (Years)
Robert Loftin	City Manager	28 years
Lori Watson	Assistant City Manager/Director of Finance	15 years
Jack Thompson	Assistant City Manager/Economic Development Director	6 months
Carol Konhauser	City Secretary	1 year

CONSULTANTS AND ADVISORS

Bond Counsel.....	Norton Rose Fulbright US LLP San Antonio, Texas
Certified Public Accountants	George, Morgan, & Sneed, P.C. Weatherford, Texas
Financial Advisor.....	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

Ms. Lori Watson
Assistant City Manager/Director of Finance
City of Crowley
201 East Main
Crowley, Texas 76036
Phone: (817) 297-2201
lwatson@ci.crowley.tx.us

Mr. Mark M. McLiney
Mr. Andrew T. Friedman
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “Rule”), and in effect on the date of this Preliminary Official Statement, this document constitutes an “official statement” of the Issuer with respect to the Certificates that has been “deemed final” by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression 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 an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer 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.

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

None of the City, the Financial Advisors or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its Book-Entry-Only System as such information is provided by DTC respectively.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Crowley, Texas (the “City” or “Issuer”), a municipal corporation and political subdivision of the State of Texas, was originally incorporated in 1951 and adopted a Home Rule Charter on May 1, 1999, as amended on May 9, 2009. The City operates under a Council/Manager form of government with a Mayor and six Council Members. The City is directly south of Fort Worth, approximately 30 miles southwest of the Dallas-Fort Worth International Airport and two miles west of Interstate Highway 35. Farm-to-market roads 1187 and 731 provide ready access to Interstate Highways 20 and 35. The 2018 population was 15,600. (See “APPENDIX B – General Information Regarding the City of Crowley and Tarrant and Johnson Counties” herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the “Ordinance”) to be adopted by the City Council of the City, on July 19, 2018 and the City’s Home Rule Charter. (See “THE CERTIFICATES - Authority for Issuance” herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.
Security	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City’s combined utility system (the “System”), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise (See “THE CERTIFICATES - Security for Payment” and “TAX RATE LIMITATIONS” herein.)
Redemption Provisions of the Certificates	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after August 1, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2028, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a “Term Certificate” and such “Term Certificates” would also be subject to mandatory sinking fund redemption. (See “THE CERTIFICATES - Redemption Provisions of the Certificates” herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under “TAX MATTERS”, including the alternative tax on corporations. (See “TAX MATTERS” and “APPENDIX C - Form of Opinion of Bond Counsel” herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing Downtown MainStreet improvements (including utilities repair, replacement, and relocation), quiet zone for railroad, medians, roundabouts, benches, public art, curbs, gutters, and sidewalk improvements, including drainage and landscaping incidental thereto; (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's Downtown Plaza, including parking and landscaping; (3) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City Hall; (4) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving a new Fire Station; (5) purchase of equipment for public safety or public works, (6) the purchase of materials, supplies, equipment, public safety vehicles, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (7) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Rating

A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" herein.)

Payment Record

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Future Debt Issues

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2018, except potentially issuing refunding bonds for debt service savings.

Delivery

When issued, anticipated on or about August 16, 2018.

Legality

Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel.

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PRELIMINARY OFFICIAL STATEMENT

relating to

\$11,500,000*

CITY OF CROWLEY, TEXAS

(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Crowley, Texas (the "City" or the "Issuer") of its \$11,500,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and its Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

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

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated August 1, 2018 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2019, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Austin, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on July 19, 2018, and the City's Home Rule Charter.

Security for Payment

Limited Pledge of Ad Valorem Taxes. The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM TAX PROCEDURES" and "TAX RATE LIMITATIONS" herein.)

*Preliminary, subject to change.

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Even though the City has pledged the Pledged Revenues of the System to further secure the Certificates, the City does not expect that any Net Revenues from such System will actually be utilized to pay the debt service requirements on the Certificates.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after August 1, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Two or more consecutive maturities of the Certificates may be grouped together as a "Term Certificate" by the Purchaser, and such "Term Certificates" would also be subject to mandatory sinking fund redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

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

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

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with

DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

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

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing Downtown Main Street improvements (including utilities repair, replacement, and relocation), quiet zone for railroad, medians, roundabouts, benches, public art, curbs, gutters, and

sidewalk improvements, including drainage and landscaping incidental thereto; (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City’s Downtown Plaza, including parking and landscaping; (3) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City Hall; (4) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving a new Fire Station; (5) purchase of equipment for public safety or public works, (6) the purchase of materials, supplies, equipment, public safety vehicles, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (7) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Certificates	\$ _____
Accrued Interest on the Certificates	_____
[Net] Original Issue Reoffering Premium	_____
Total Sources of Funds	=====
Uses	
Construction Fund Deposit	\$ _____
Purchaser’s Discount	_____
Certificate Fund Deposit	_____
Costs of Issuance	_____
Total Uses	=====

Payment Record

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the redemption price or amounts, change the place or places at or the coin or currency in which any Certificate or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, (3) extend any waiver of default to subsequent defaults, or (4) reduce the aggregate principal amount of Certificates required for consent to any amendment, change, modification, or waiver.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City’s Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that “Government 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 of the purchase thereof, 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 adopts or approves the proceedings authorizing the financial arrangements 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 additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. City officials are authorized to restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates (“Defeasance Proceeds”), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented

to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson*") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or 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 general principles of equity that permit the exercise of judicial discretion creditors and general principals of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the 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.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. 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 will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "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 registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or

interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

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, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States 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 Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, 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 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).

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

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

INVESTMENT POLICIES

The Issuer invests its investable funds in investments authorized by Texas law, including Chapter 2256, as amended, Texas Government Code (the "Texas Public Funds Investment Act"), and in accordance with investment policies approved by the Board. Both State law and the Issuer's investment policies are subject to change.

Legal Investments

Under State law, the Issuer 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 of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally

recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for Issuer deposits, or (ii) certificates of deposit where (a) the funds are invested by the Issuer through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the Issuer as required by law, or a depository institution that has its main office or a branch office in the State of Texas that is selected by the Issuer; (b) the broker or the depository institution selected by the Issuer arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Issuer, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Issuer appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the Issuer with respect to the certificates of deposit issued for the account of the Issuer; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the Issuer or cash held by the Issuer to be pledged to the Issuer, held in the Issuer’s name and deposited at the time the investment is made with the Issuer or with a third party selected and approved by the Issuer, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the Issuer, held in the Issuer’s name and deposited at the time the investment is made with the Issuer or a third party designated by the Issuer, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers’ acceptances if the bankers’ acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the Issuer with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (15) investment pools if the Issuer has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than “AAA” or “AAA-m” or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the Issuer and deposited with the Issuer or with a third party selected and approved by the Issuer.

The Issuer 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 Issuer retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Issuer must do so by order, ordinance, or resolution. The Issuer 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 final stated 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.

Investment Policies

Under State law, the Issuer 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 Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer 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 State law, the Issuer’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the investment officers of the Issuer must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (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) the investment strategy expressed in the Issuer’s investment policy, and (b) the Public Funds Investment Act. No person may invest Issuer funds without express written authority from the City Council.

Additional Provisions

Under State law, the Issuer is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an order 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 said order 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 Issuer; (4) require the qualified representative of firms offering to engage in an investment transaction with the Issuer to: (a) receive and review the Issuer’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Issuer and the business organization that are not authorized by the Issuer’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Issuer’s entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Issuer and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Issuer’s investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other 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 repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 80% of the Issuer’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the Issuer’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load money market mutual funds of any portion of bond proceeds reserves and funds held for debt service to no more than 15% of the entity’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to confirm 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 Issuer.

Current Investments ⁽¹⁾

TABLE 1

As of April 30, 2018 the City held investments as follows:

<u>Type of Security</u>	<u>Market Value</u>	<u>Percentage of Total</u>
TexPool	\$ 20,806,654	100.00%
Total	\$ 20,806,654	100.00%

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

⁽¹⁾ Unaudited.

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Tax Code") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Tarrant Appraisal District (the "Appraisal District") is responsible for appraising property within the City generally as of January 1 of each year. (A small portion of the City lies within Johnson County, Texas. The Central Appraisal District of Johnson County appraises such property and acts in a manner similar to what is described herein with respect to the Tarrant County Appraisal District.) The appraisal values set by the Appraisal District are subject to review and change by the Tarrant County Review Board (the "Appraisal Review Board") which is appointed by the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the Issuer in establishing its tax roll and tax rate.

Property Subject to Taxation by the Issuer

Except for certain exemptions provided by Texas law, all real and certain tangible personal property with a tax situs in the City are subject to taxation by the City. Principal categories of exempt property (including certain exemptions which are subject to local option by the City Council) include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the Issuer has agreed to abate ad valorem taxes, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a non-profit corporation used in scientific research and educational activities benefiting a college or university, and designated historical sites. Other principal categories of exempt property include tangible personal property not held or used for production of income, solar and wind-powered energy devices; most individually owned automobiles; certain varying amounts of valuation attributable to residential homesteads of disabled persons or persons ages 65 or over and property of disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; and certain classes of intangible property. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value.

The voters of the State of Texas previously approved a constitutional amendment authorizing counties, cities, towns or junior college districts to establish an ad valorem "tax freeze" on residence homesteads of the disabled and persons sixty-five years of age or older. This "tax freeze" can be implemented by official action of a governing body, or pursuant to an election called by the governing body upon receipt of a petition signed by 5% of registered voters of the political subdivision. **The City has implemented this "tax freeze."**

If the tax limitation is established, the total amount of ad valorem taxes imposed by the City on a homestead that receives the exemption may not be increased while it remains the residence homestead of that person or that person's spouse who is disabled or sixty-five years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse, and (3) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. In addition, the Texas Legislature by general law may provide for the transfer of all or a proportionate amount of the tax limitation applicable to a person's homestead to be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation.

Valuation of Property for Taxation

Generally, property in the City must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the Issuer in establishing its tax rolls and tax rate. Assessments under the Tax Code are to be based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

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. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

Article VIII of the Texas Constitution and the Tax Code permits land designated for agricultural use (Section 1-d), open space or timberland (Section 1-d-1) to be appraised at the lesser of its value based on the land's capacity to produce agricultural or timber products or its market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Issuer can collect taxes based on the new value, including three (3) years for agricultural use and five (5) years for agricultural open space land and timberland prior to the loss of the designation. The same land may not be qualified under both Section 1-d and 1-d-1.

Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. The Issuer, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the City or an estimate of any new property or improvements within the City. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the City, it cannot be used for establishing a tax rate within the City until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

Residential Homestead Exemptions

Under Section 1-b, Article VIII of the Texas Constitution, and State law, the governing body of a political subdivision, at its option, may grant:

1. 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. **The Issuer has elected to grant \$40,000 for persons 65 years of age or older.**
2. An exemption of up to 20% of the market value of residence homesteads; minimum exemption \$5,000. **The City has not elected to grant this additional exemption.**

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.

A disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Also, the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or a part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of the death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Freeport Goods and Goods-In-Transit Exemption

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit", which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date 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. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. On October 23, 2007 the City adopted an ordinance that continued the taxation of all goods-in-transit for the tax year 2008 and beyond. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action after October 1 of the prior year but before January 1 of the first tax year in which the governing body proposes to tax goods-in-transit in the 2012 tax year and beyond. **The City does not tax freeport property. The City has taken action to tax goods-in-transit.**

Tax Abatement

The Issuer may designate areas within the City as a reinvestment zone. Thereafter, the Issuer may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity with taxing authority over the property will follow in granting tax abatement to owners of property. The tax abatement agreement may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Issuer, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same.

Tax Increment Reinvestment (Financing) Zones

The City, by action of the City Council, may create one or more tax increment reinvestment zones (“TIRZs” or “TIFs”) within the City, and in doing so, other overlapping taxing entities may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for public improvements or projects within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value of taxable real property in the TIRZ is known as the “Incremental Value”, and during the existence of the TIRZ, all or a portion (as determined by the City) of the taxes levied by the City against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of the City. The City currently participates in one TIRZ.

Economic Development Programs of Grants and Loans

Cities are also authorized, pursuant to Chapter 380, as amended, 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, a city may make loans or grants of public funds 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.

Issuer and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Issuer, may appeal the orders of the Appraisal Review Board by filing a timely petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

The Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Issuer and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

The Financial Institutions Act of 1989

The “Financial Institutions Reform, Recovery and Enforcement Act of 1989” (“FIRREA”), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (the “FDIC”).

Under the FIRREA, real property held by the FDIC is subject to ad valorem taxation, however such act states that (i) no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary lien shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real property tax when due, (iii) no personal property owned by FDIC is subject to ad valorem taxation, and (iv) notwithstanding failure of a person to challenge an appraisal in accordance with State law, such value shall be determined as of the period for which such tax is imposed.

As of the date hereof, the Issuer is not aware of any significant properties in the City which are under the control of the FDIC, however, real property could come under their control while acting as the receiver of an insolvent financial institution. Accordingly, to the extent the FIRREA provisions are valid and applicable to property in the City, and to the extent that the FDIC attempts to enforce the same, the provisions may affect the time at which the Issuer can collect taxes on property owned by the FDIC, if any, in the City.

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit or as soon thereafter as possible, the rate of taxation is set by the Issuer based upon the valuation of property within the City as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of

months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the Issuer. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Issuer's Rights in the Event of Tax Delinquencies

Taxes levied by the Issuer are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the Issuer, having power to tax the property. The Issuer's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Issuer is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Issuer may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Issuer must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the City records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TAX RATE LIMITATIONS

General

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population: limits the City's maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation. The Issuer has adopted a Home Rule Charter which does not limit the City's maximum tax rate limit beyond the Constitutional limit of \$2.50 per \$100 of assessed valuation for all Issuer purposes. No direct funded debt limitation is imposed on the City under current Texas law. The Texas Attorney General has adopted an administrative policy that generally prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of the foregoing \$2.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate this constitutional provision or the Texas Attorney General's administrative policy.

The Property Tax Code

Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit, the City Council must adopt a tax rate per \$100 taxable value for the current 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.

The City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The City Council may not adopt a tax rate that exceeds the lower of the rollback rate or 103% of the effective tax rate until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. 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 (unadjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (adjusted) divided by the anticipated tax collection rate.

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.

The Property Tax Code provides certain cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the Property Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election. In addition, the Issuer has approved an additional one-half cent sales

tax for economic development, effective July 1, 2004. **The Issuer has authorized the additional sales tax for economic development at the rate of 1/2% and additional 1/2% for sales tax for the Crowley Crime Control and Prevention District.**

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel’s opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

For taxable years that began before January 1, 2018, interest on the Certificates owned by a corporation will be included in such corporation’s adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust (“FASIT”). The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to certificateholders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Certificates

The initial public offering price of certain Certificates (the “Discount Certificates”) may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018 and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Certificates (the "Premium Certificates") may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable certificate premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable certificate premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance 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 events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information".

Annual Reports

Under State law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request to City Secretary, 201 East Main, Crowley, Texas 76036 and upon payment of charges prescribed by the Texas General Services Commission.

The City will file certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general obligation type included in Table 1 of the Official Statement and in Tables 1 through 14 of APPENDIX A to this Official Statement, and in APPENDIX D. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2018. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March 31 in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB through EMMA.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. Neither the Certificates nor the Ordinance make any provision for debt service reserve funds, credit enhancement or liquidity enhancement. 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". The City will provide each notice described in this paragraph to the MSRB.

Availability of Information

Effective July 1, 2009, the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule. All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the City issued prior to the EMMA Effective Date, the City remains obligated to make annual required filings, as well as notices of specified events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the City receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the City has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

Limitations and Amendments

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

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as

amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or 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 or beneficial owners of the Certificates. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions “THE CERTIFICATES” (except under the subcaptions “Use of Certificate Proceeds”, “Sources and Uses” “Payment Record”, and “Default and Remedies”, as to which no opinion is expressed), “REGISTRATION, TRANSFER AND EXCHANGE”, “TAX RATE LIMITATIONS - General”, “TAX MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Undertakings” as to which no opinion is expressed), “LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas”, and “OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale” in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

Litigation

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

At the time of the initial delivery of the Certificates, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, 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. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See “OTHER PERTINENT

INFORMATION – Rating” herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

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

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

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

Rating

A municipal bond rating application for the Certificates has been made to S&P Global Ratings (“S&P”). The outcome of the result will be made available as soon as possible. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. 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. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no

responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Certificates.

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

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net original issue reoffering premium of \$_____, less a Purchaser's discount of \$ _____, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2017, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Concluding Statement

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

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

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

This Official Statement will be approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF CROWLEY, TEXAS

/s/ Mayor
City of Crowley, Texas

ATTEST:

/s/ City Secretary
City of Crowley, Texas

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APPENDIX A
FINANCIAL INFORMATION RELATING TO
THE CITY OF CROWLEY, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2017 Certified Market Value of Taxable Property (100% of Market Value).....	\$ 998,489,611
Less Exemptions:	
Optional Over 65 or Disabled.....	\$ 32,091,009
Veterans' Exemptions.....	7,084,103
Pollution Control.....	160,489
Open Space Land and Timberland.....	13,903,175
Prorations.....	80,757,332
Loss to 10% HO Cap.....	1,257,501
Homestead Exemption.....	11,317,511
TOTAL EXEMPTIONS	<u>\$ 146,571,120</u>
2017 Certified Assessed Value of Taxable Property.....	<u>\$ 851,918,491</u>
2018 Certified Assessed Value of Taxable Property.....	<u>\$ 1,011,331,289</u>

Source: Tarrant Appraisal District and Central Appraisal District of Johnson County

GENERAL OBLIGATION BONDED DEBT

(as of June 1, 2018)

General Obligation Debt Principal Outstanding

General Obligation Refunding Bonds, Series 2005	\$ 225,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009	505,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011	1,690,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	3,710,000
General Obligation Refunding Bonds, Series 2012	390,000
General Obligation Refunding Bonds, Series 2012A	1,385,000
General Obligation Refunding Bonds, Series 2013	3,080,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	5,715,000
General Obligation Refunding Bonds, Series 2017	6,545,000
The Certificates	11,500,000 *
Total Gross General Obligation Debt	<u>\$ 34,745,000</u>
Less: Self Supporting Debt	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009 (26.77% Water & Sewer)	\$ 390,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 (100% Water & Sewer)	1,690,000
General Obligation Refunding Bonds, Series 2012A (76.76% Water & Sewer)	1,065,000
General Obligation Refunding Bonds, Series 2013 (52.92% Crime Control and Prevention District)	1,630,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 (50.34% Water and Sewer)	2,915,000
General Obligation Refunding Bonds, Series 2017 (27.50% Water & Sewer)	1,800,000
The Certificates (36.96% EDC)	4,250,000 *
Total Self-Supporting Debt	<u>\$ 13,740,000</u>
Total Net General Obligation Debt Outstanding	<u>\$ 21,005,000</u>
2017 Net Assessed Valuation	\$ 851,918,491
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation	4.08%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation	2.47%
Population: 1990 - 6,974; 2000 - 7,467; 2010 - 12,838; est. 2018 - 15,600	
Per Capita Certified Net 2017 Taxable Assessed Valuation - \$54,610.16	
Per Capita Gross General Obligation Debt Principal - \$2,227.24	
Per Capita Net General Obligation Debt Principal - \$1,346.47	

* Preliminary, subject to change.

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

(As of September 30, 2017)

On January 19, 2012, the city entered into a municipal lease-purchase agreement in the amount of \$957,493 for financing the purchase of radio equipment. The total cost of the radio equipment was \$957,493. This lease is considered a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

Assets:	Governmental Activities
Equipment	\$ 957,493
Less: accumulated depreciation	(430,872)
Total	<u>\$ 526,621</u>

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2016, were as follows:

Year Ending September 30,	Governmental Activities
2017	204,475
Total Debt Service requirement	\$ 204,475
Less: interest portion	6,705
Obligations under capital lease	<u>\$ 197,770</u>

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2017.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt ^(a)	The Certificates*			Combined Debt Service ^(a)	Less: Self- Supporting Debt	Total Net Debt Service
		Principal	Interest	Total			
2018	\$ 2,828,727			\$ -	\$ 2,828,727	\$ 1,096,284	\$ 1,732,443
2019	2,700,496	\$ 135,000	517,500	652,500	3,352,996	1,420,126	1,932,870
2020	2,695,542	240,000	511,425	751,425	3,446,967	1,420,906	2,026,061
2021	2,567,092	425,000	500,625	925,625	3,492,717	1,415,314	2,077,403
2022	2,562,866	435,000	481,500	916,500	3,479,366	1,417,882	2,061,485
2023	2,477,504	450,000	461,925	911,925	3,389,429	1,419,027	1,970,403
2024	2,136,244	475,000	441,675	916,675	3,052,919	1,153,208	1,899,711
2025	1,895,323	490,000	420,300	910,300	2,805,623	1,026,473	1,779,150
2026	1,638,496	515,000	398,250	913,250	2,551,746	896,803	1,654,944
2027	1,634,975	535,000	375,075	910,075	2,545,050	893,151	1,651,899
2028	1,635,981	560,000	351,000	911,000	2,546,981	889,086	1,657,895
2029	1,625,710	590,000	325,800	915,800	2,541,510	884,220	1,657,290
2030	875,524	615,000	299,250	914,250	1,789,774	681,515	1,108,259
2031	880,509	645,000	271,575	916,575	1,797,084	680,971	1,116,113
2032	703,590	670,000	242,550	912,550	1,616,140	513,475	1,102,665
2033	375,830	700,000	212,400	912,400	1,288,230	514,139	774,091
2034	373,604	735,000	180,900	915,900	1,289,504	514,301	775,203
2035	371,275	765,000	147,825	912,825	1,284,100	513,738	770,363
2036	373,793	805,000	113,400	918,400	1,292,193	517,621	774,571
2037	-	840,000	77,175	917,175	917,175	327,675	589,500
2038	-	875,000	39,375	914,375	914,375	329,175	585,200
Total	<u>\$ 30,353,080</u>	<u>\$ 11,500,000</u>	<u>\$ 6,369,525</u>	<u>\$ 17,869,525</u>	<u>\$ 48,222,605</u>	<u>\$ 18,525,090</u>	<u>\$ 29,697,515</u>

^(a) Includes self-supporting debt.

* Preliminary, subject to change.

TAX ADEQUACY (Includes Self-Supporting Debt)

2017 Certified Assessed Value of Taxable Property	\$ 851,918,491
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	3,492,717.00
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.4183

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

TAX ADEQUACY (Excludes Self-Supporting Debt)

2017 Certified Assessed Value of Taxable Property	\$ 851,918,491
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	2,077,402.75
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.24883

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of June 1, 2018)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding ^(a)	The Certificates	Total*		
2018	\$ -	\$ -	-	34,745,000	0.00%
2019	2,055,000	135,000	2,190,000	32,555,000	6.30%
2020	2,110,000	240,000	2,350,000	30,205,000	13.07%
2021	2,040,000	425,000	2,465,000	27,740,000	20.16%
2022	2,095,000	435,000	2,530,000	25,210,000	27.44%
2023	2,070,000	450,000	2,520,000	22,690,000	34.70%
2024	1,785,000	475,000	2,260,000	20,430,000	41.20%
2025	1,595,000	490,000	2,085,000	18,345,000	47.20%
2026	1,385,000	515,000	1,900,000	16,445,000	52.67%
2027	1,425,000	535,000	1,960,000	14,485,000	58.31%
2028	1,470,000	560,000	2,030,000	12,455,000	64.15%
2029	1,505,000	590,000	2,095,000	10,360,000	70.18%
2030	790,000	615,000	1,405,000	8,955,000	74.23%
2031	820,000	645,000	1,465,000	7,490,000	78.44%
2032	665,000	670,000	1,335,000	6,155,000	82.29%
2033	350,000	700,000	1,050,000	5,105,000	85.31%
2034	355,000	735,000	1,090,000	4,015,000	88.44%
2035	360,000	765,000	1,125,000	2,890,000	91.68%
2036	370,000	805,000	1,175,000	1,715,000	95.06%
2037	-	840,000	840,000	875,000	97.48%
2038	-	875,000	875,000	-	100.00%
Total	\$ 23,245,000	\$ 11,500,000	\$ 34,745,000		

*Preliminary, subject to change.

^(a) Includes self-supporting debt.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2007-2017

TABLE 3

Tax Year	Net Taxable	Change From Preceding Year	
	Assessed Valuation	Amount (\$)	Percent
2007-08	\$ 626,379,303	---	---
2008-09	699,069,220	72,689,917	11.60%
2009-10	781,918,131	82,848,911	11.85%
2010-11	748,510,664	(33,407,467)	-4.27%
2011-12	728,094,678	(20,415,986)	-2.73%
2012-13	707,516,015	(20,578,663)	-2.83%
2013-14	723,646,623	16,130,608	2.28%
2014-15	779,002,956	55,356,333	7.65%
2015-16	746,060,271	(32,942,685)	-4.23%
2016-17	778,957,906	32,897,635	4.41%
2017-18	851,918,491	72,960,585	9.37%

Source: Texas Comptroller of Public Accounts, Tarrant Appraisal District and Central Appraisal District of Johnson County.

PRINCIPAL TAXPAYERS 2017-2018

TABLE 4

Name	Type of Business/Property	2017 Net Taxable Assessed Valuation	% of Total 2017 Assessed Valuation
Harbison Fischer MFG Co	Steel Manufacturing	\$ 43,298,039	5.08%
Wal-Mart Real Estate Business Trust	Retail Sales	19,022,631	2.23%
AZZ Inc	Manufacturing	10,079,767	1.18%
Stone Gate Shops LLC	Shopping Center	9,766,920	1.15%
Oncor Electric Delivery Co. LLC	Electric Utility	8,328,660	0.98%
Jeff 1 LLC	Real Estate Development	7,746,163	0.91%
Atmos Energy/Mid Tex Division	Oil and Gas	5,228,640	0.61%
SWTX Real Estate Inv Inc	Real Estate Development	5,187,900	0.61%
Powerhouse Partners LLC	Oil and Gas	5,012,927	0.59%
Crowley Partners LLC	Real Estate Development	4,722,015	0.55%
		\$ 118,393,662	13.90%

Source: Texas Comptroller of Public Accounts, Tarrant Appraisal District and Central Appraisal District of Johnson County.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 5

	2017	% of Total	2016	% of Total	2015	% of Total
Real, Residential, Single-Family	\$ 683,820,690	68.49%	\$ 609,697,534	67.40%	\$ 528,487,073	63.65%
Real, Residential, Multi-Family	42,473,918	4.25%	31,522,480	3.48%	27,859,933	3.36%
Real, Vacant Lots/Tracts	20,585,605	2.06%	21,662,642	2.39%	20,585,097	2.48%
Real, Acreage (Land Only)	18,599,534	1.86%	390,818	0.04%	765,960	0.09%
Real, Farm and Ranch Improvements	-	0.00%	18,131,346	2.00%	-	0.00%
Real, Commercial	106,757,299	10.69%	99,400,997	10.99%	130,822,580	15.76%
Real, Industrial	12,748,636	1.28%	12,354,673	1.37%	10,865,078	1.31%
Oil and Gas	1,059,970	0.11%	2,096,300	0.23%	30,544,610	3.68%
Real & Tangible, Personal Utilities	28,576,149	2.86%	28,228,303	3.12%	7,282,074	0.88%
Tangible Personal, Commercial	29,838,917	2.99%	29,045,222	3.21%	21,746,540	2.62%
Tangible Personal, Industrial	42,061,637	4.21%	42,063,092	4.65%	42,436,024	5.11%
Tangible Personal, Mobile Homes	3,918,959	0.39%	4,758,642	0.53%	4,543,176	0.55%
Real Property, Inventory	8,048,297	0.81%	5,299,334	0.59%	4,304,078	0.52%
Total Appraised Value	\$ 998,489,611	100.00%	\$ 904,651,383	100.00%	\$ 830,242,223	100.00%
Less:						
Optional Over 65 or Disabled	\$ 32,091,009		\$ 30,803,317		\$ 29,620,263	
Veterans' Exemptions	7,084,103		5,215,322		23,131,248	
Pollution Control	160,489		269,603		-	
Open Space Land and Timberland	13,903,175		13,728,298		16,878,806	
Prorations	80,757,332		44,317,597		-	
Loss to 10% HO Cap	1,257,501		31,359,340		2,397,975	
Homestead Exemption	11,317,511		-		12,153,660	
Net Taxable Assessed Valuation	\$ 851,918,491		\$ 778,957,906		\$ 746,060,271	

Source: Tarrant Appraisal District and Central Appraisal District of Johnson County

TAX DATA

TABLE 6

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2007	\$ 626,379,303	\$ 0.575497	\$ 2,539,612	97.79	101.67	9/30/2008
2008	699,069,220	0.575500	3,720,926	96.82	100.21	9/30/2009
2009	781,918,131	0.575500	4,042,979	98.93	101.98	9/30/2010
2010	748,510,664	0.640000	4,790,468	97.80	99.91	9/30/2011
2011	728,094,678	0.640000	4,659,806	97.62	98.83	9/30/2012
2012	707,516,015	0.669019	4,733,417	98.12	101.92	9/30/2013
2013	723,646,623	0.696829	5,042,580	98.96	102.90	9/30/2014
2014	779,002,956	0.696829	5,428,319	98.38	101.64	9/30/2015
2015	746,060,271	0.739270	5,515,400	96.68	97.75	9/30/2016
2016	778,957,906	0.739270	5,758,602	98.92	101.09	9/30/2017
2017	851,918,491	0.719000	6,125,294	(In Proess of Collection)		9/30/2018

TAX RATE DISTRIBUTION

TABLE 7

	2017	2016	2015	2014	2013
General Fund	\$ 0.514161	\$ 0.513591	\$ 0.512894	\$ 0.488351	\$ 0.474528
I & S Fund	0.204839	0.225679	0.226376	0.208478	0.222301
Total Tax Rate	\$ 0.719000	\$ 0.739270	\$ 0.739270	\$ 0.696829	\$ 0.696829

Source: Texas Comptroller of Public Accounts, Tarrant Appraisal District and Central Appraisal District of Johnson County

MUNICIPAL SALES TAX COLLECTIONS

TABLE 8

The Issuer has adopted the provisions of Chapter 321, Texas Tax Code, as amended, and pursuant thereto levies a sales and use tax at the rate of 1% on the retail sales of taxable items sold within the Issuer. In addition, some issuers, including the City, are eligible to levy a sales tax of up to ½ of 1% for property tax relief and/or an additional sales tax of up to ½ of 1% for economic development. State law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including municipal street maintenance and repair, sports and community venues, and funding certain projects through municipal development districts created by the City pursuant to Chapter 377, Texas Local Government Code. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

The Issuer has not authorized the additional ½ of 1% sales tax for property tax relief but has authorized an additional 1/2 of 1% sales tax for economic development and an additional 1/2 of 1% sales tax for the Crowley Crime Control and Prevention District. The figures below represent collections from the combined 2.00% sales tax.

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Crowley Crime Control and Prevention District
2008	\$ 1,321,142	32.84%	\$ 0.189	\$ 372,575
2009	1,314,537	26.27%	0.168	352,181
2010	1,428,874	29.83%	0.191	361,232
2011	1,333,610	28.62%	0.183	373,552
2012	1,736,107	36.68%	0.245	499,202
2013	1,929,287	38.26%	0.267	572,641
2014	1,982,611	36.52%	0.255	585,752
2015	2,080,250	37.72%	0.279	621,598
2016	2,240,620	38.91%	0.288	650,858
2017	2,443,066	39.88%	0.287	747,226
2018	1,048,073	(As of June 2018)		317,950

Source: State Comptroller's Office of the State of Texas.

City of Crowley Economic Development Corporation

On June 1, 2016, the Crowley Economic Development Corporation issued its "City of Crowley Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2016", in the amount of \$2,180,000, secured by the previously mentioned 1/2 of 1% sales tax imposed for economic development purposes.

Fiscal Year Ended 9/30	Principal	Interest	Total
2018	\$ 120,000	\$ 89,250	\$ 209,250
2019	125,000	85,650	210,650
2020	125,000	81,900	206,900
2021	130,000	78,150	208,150
2022	135,000	74,250	209,250
2023	140,000	68,850	208,850
2024	145,000	63,250	208,250
2025	150,000	57,450	207,450
2026	155,000	51,450	206,450
2027	165,000	45,250	210,250
2028	170,000	37,000	207,000
2029	180,000	28,500	208,500
2030	190,000	19,500	209,500
2031	200,000	10,000	210,000
Total	\$ 2,130,000	\$ 790,450	\$ 2,920,450

OVERLAPPING DEBT INFORMATION

(As of June 1, 2018)

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

Taxing Body	Gross Debt (As of 6/1/2018)	% Overlapping	Amount Overlapping
Burleson Independent School District	\$ 329,205,852	0.16%	\$ 526,729
Crowley Independent School District	394,583,964	12.91%	50,940,790
Johnson County	27,030,000	0.02%	5,406
Tarrant County	321,795,000	0.50%	1,608,975
Tarrant County Hospital District	19,300,000	0.48%	92,640
Total Gross Overlapping Debt			<u>\$ 53,174,540</u>
City of Crowley			\$ 34,745,000
Total Gross Direct and Overlapping Debt			<u>\$ 87,919,540</u>
Ratio of Gross Direct and Overlapping Debt to 2016 Net Assessed Valuation			10.32%
Per Capita Gross Direct and Overlapping Debt			\$ 6,089.88

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is \$21,005,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	\$ 74,179,540
Ratio of Direct and Overlapping Debt to 2017 Net Assessed Valuation	8.71%
Per Capita Net Direct and Overlapping Debt	\$4,755.10

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2017 Assessed Valuation	% of Actual	2017 Tax Rate
Burleson Independent School District	\$ 4,363,612,387	100%	\$ 1.670000
Crowley Independent School District	6,098,504,252	100%	1.670000
Johnson County	11,188,577,009	100%	0.472000
Tarrant County	173,599,602,263	100%	0.244000
Tarrant County Hospital District	173,702,738,366	100%	0.224000

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

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

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Burleson Independent School District	5/6/2018	School Building/Auditorium	\$ 85,000,000	\$ 60,000,000	\$ 25,000,000
Crowley Independent School District	10/5/2002	Natorium	\$ 15,000,000	\$ 3,000,000	\$ 12,000,000
Johnson County	5/12/2007	School Building	416,800,000	252,000,000	164,800,000
Tarrant County*	None				
	8/8/1998	Law Enforcement Center	\$ 70,600,000	\$ 63,100,000	\$ 7,500,000
	8/8/1998	Healthcare Facility	9,100,000	1,000,000	8,100,000
	5/13/2006	County Buildings	62,300,000	47,300,000	15,000,000
Tarrant County Hospital District	None				
Crowley, City of	None				

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

* While the foregoing bonds received previous voter authorization, and such authorization remains valid, the ability to issue such bonds on the basis of voted authorization in excess of 10 years old is generally subject to a Texas Attorney General analysis of whether the length of time elapsed from the election to present day meets a reasonableness standard.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 10

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Fund Balance - Beginning of Year	\$ 6,369,015	\$ 5,848,011	\$ 5,283,317	\$ 4,738,010	\$ 3,987,639
Revenues	10,648,139	9,611,843	9,052,881	9,041,437	8,804,526
Expenditures	10,447,187	9,648,967	9,068,653	9,015,475	8,573,670
Excess (Deficit) of Revenues Over Expenditures	\$ 200,952	\$ (37,124)	\$ (15,772)	\$ 25,962	\$ 230,856
Other Financing Sources (Uses):					
Operating Transfers In	\$ 580,466	\$ 580,466	\$ 580,466	\$ 519,345	\$ 519,515
Issuance of Long-Term Debt	-	-	-	-	-
Operating Transfers Out	(145,857)	(22,338)	-	-	-
Interest Income	-	-	-	-	-
Proceeds Bonds	-	-	-	-	-
Proceeds from Sale of Bonds	-	-	-	-	-
Total Financings Sources (Uses)	434,609	558,128	580,466	519,345	519,515
Reclassifications	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-
	-	-	-	-	-
Fund Balance - End of Year	\$ 7,004,576	\$ 6,369,015	\$ 5,848,011	\$ 5,283,317	\$ 4,738,010

Source: The Issuer's Comprehensive Annual Financial Reports and information provided by the Issuer.

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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 plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2017</u>
Employee Deposit Rate	6%
Matching Ratio (City to employee)	2 to 1
Years Required for Vesting	5 years
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100% repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

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 state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.62% and 10.26% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$543,838, 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% per year
Investment Rate of Return	6.75%, net of pensionplan 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 Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. These rates were projected on a fully generational basis by scale BB to account to 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 results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2010 valuation. 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. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	<u>100.00%</u>	

Discount Rate

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

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/15	\$ 16,071,820	\$ 13,430,471	\$ 2,641,349
Changes for the year:			\$ -
Service cost	761,876	-	761,876
Interest	1,094,661	-	1,094,661
Changes in net benefit terms	-	-	-
Difference between expected and actuarial experience	(171,608)	-	(171,608)
Change of assumptions	-	-	-
Contributions - employer	-	547,783	(547,783)
Contributions - employee	-	320,340	(320,340)
Net investment income	-	906,744	(906,744)
Benefit payments, including refunds of employee contributions	(471,107)	(471,107)	-
Administrative expense	-	(10,251)	10,251
Other changes	-	(552)	552
Net changes	<u>1,213,822</u>	<u>1,292,957</u>	<u>(79,135)</u>
Balance at 12/31/15	\$ <u>17,285,642</u>	\$ <u>14,723,428</u>	\$ <u>2,562,214</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 5,379,701	\$ 2,562,214	\$ 291,601

Pension Plan Fiduciary Net Position

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

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 \$799,660.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 116,211	\$ 270,907
Changes in actuarial assumptions	13,184	-
Differences between projected and actual investment earnings	596,463	150
Contributions subsequent to the measurement date	435,243	-
Total	<u>\$ 1,161,101</u>	<u>\$ 271,057</u>

\$435,243 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2017	\$ 159,217
2018	159,218
2019	161,025
2020	(24,659)
2021	-
Thereafter	-
	<u>\$ 454,801</u>

UTILITY SYSTEM PLANT IN OPERATION

TABLE 11

	FYE 9/30/2017
Land	\$ 34,751
Construction in Progress	22,648
Buildings and Improvements	2,232,132
Infrastructure/utility system	18,147,707
Equipment and furniture	<u>2,671,371</u>
Total Capital Assets	\$ 23,108,609
Less: Accumulated Depreciation	<u>(10,851,024)</u>
Net Capital Assets	<u>\$ 12,257,585</u>

Source: The Issuer's Annual Financial Report for fiscal year ended September 30, 2017 and information provided by the Issuer.

WATERWORKS SYSTEM OPERATING SYSTEM

TABLE 12

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.

Fiscal Year Ended:	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Revenues	\$ 5,937,507	\$ 5,164,797	\$ 5,014,795	\$ 5,258,858	\$ 4,900,472
Expenses	<u>3,754,581</u>	<u>4,184,705</u>	<u>3,818,548</u>	<u>3,316,418</u>	<u>3,211,837</u>
Net Revenue Available for Debt Service	\$ 2,182,926	\$ 980,092	\$ 1,196,247	\$ 1,942,440	\$ 1,688,635
Customer Count:					
Water	5,595	5,479	5,221	5,314	5,266
Sewer	5,399	5,292	5,402	5,135	5,089

Source: The Issuer's Annual Financial Reports, information provided by the Issuer and the Texas Municipal Reports published by the Municipal Advisory Council of Texas.

CITY OF CROWLEY ECONOMIC DEVELOPMENT CORPORATION

Nature of Pledge: The bonds are special, limited obligations of the Crowley Development Corporation, payable from and secured by a lien on and pledge of the Pledged Revenues. Pledged Revenues consist of (1) Gross Sales Tax Revenues from time to time deposited or owing to the Sales Tax revenue Fund and (2) such other money, income, revenue, receipts or other property as may be specifically dedicated, pledged or otherwise encumbered in a Supplemental Resolution for the payment and security of Parity Obligations. On February 2, 2002, an election was held in the City of Crowley authorizing a one-half percent Sales and Use Tax (Type B) effective July 1, 2002 to be collected within the boundaries of the City of Crowley for the benefit of the Corporation.

Fiscal Year Ended	30-Sep	Principal	Interest	Total
2018	\$	120,000	\$ 89,250	\$ 209,250
2019		125,000	85,650	210,650
2020		125,000	81,900	206,900
2021		130,000	78,150	208,150
2022		135,000	74,250	209,250
2023		140,000	68,850	208,850
2024		145,000	63,250	208,250
2025		150,000	57,450	207,450
2026		155,000	51,450	206,450
2027		165,000	45,250	210,250
2028		170,000	37,000	207,000
2029		180,000	28,500	208,500
2030		190,000	19,500	209,500
2031		<u>200,000</u>	<u>10,000</u>	<u>210,000</u>
Total	\$	2,130,000	\$ 790,450	\$ 2,920,450

WATER RATES**TABLE 13**

(Based on monthly billing)

New Rates		
<u>(Effective October 1, 2016)</u>		
Minimum Base Rate	\$	16.99
First 2,000 Gallons (Minimum)		1.75
up to 10,000 Gallons, per 1,000 Gallons		4.92
11,000-25,000 Gallons, per 1,000 Gallons		5.46
26,000-75,000 Gallons, per 1,000 Gallons		5.99
All over 76,000 Gallons, per 1,000 Gallons		6.26
<u>Outside City Limits</u>		
Minimum Base Rate (Includes \$.00 administrative fee)	\$	20.99
First 2,000 Gallons (Minimum) (Includes \$4.00 Administration Fee)		1.75
Up to 10,000 Gallons, per 1,000 Gallons		4.92
11,000-25,000 Gallons, per 1,000 Gallons		5.46
26,000-75,000 Gallons, per 1,000 Gallons		5.99
All over 76,000 Gallons, per 1,000 Gallons		6.26
Old Rates		
<u>(Effective October 1, 2014)</u>		
First 2,000 Gallons (Minimum)	\$	14.99
up to 10,000 Gallons, per 1,000 Gallons		4.92
11,000-25,000 Gallons, per 1,000 Gallons		5.46
26,000-75,000 Gallons, per 1,000 Gallons		5.99
All over 76,000 Gallons, per 1,000 Gallons		6.26
<u>Outside City Limits</u>		
First 2,000 Gallons (Minimum) (Includes \$4.00 Administration Fee)		18.99
Up to 10,000 Gallons, per 1,000 Gallons		4.24
11,000-25,000 Gallons, per 1,000 Gallons		4.71
26,000-75,000 Gallons, per 1,000 Gallons		5.16
All over 76,000 Gallons, per 1,000 Gallons		5.54

SEWER RATES**TABLE 14**

(Based on monthly billing)

New Rates		
<u>(Effective October 1, 2016)</u>		
Minimum Base Rate	\$	16.99
First 2,000 Gallons per 1,000 Gallons		1.75
3,000-10,000 Gallons, per 1,000 Gallons (12,000 maximum)		3.75
Old Rates		
<u>(Effective October 1, 2014)</u>		
\$14.99 Base Rate		
\$3.75/1,000		
Based on Water consumption with a 12,000 Gallon Cap on Residential		
No Cap on Commercial		

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APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF CROWLEY
AND TARRANT COUNTY, TEXAS**

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**GENERAL INFORMATION REGARDING THE CITY OF CROWLEY, TEXAS
AND TARRANT COUNTY, TEXAS**

The City of Crowley, Texas (the “City”) is 6.7 square miles and located in southern Tarrant County, Texas. The City is approximately 13 miles from the City of Fort Worth, Texas at the crossroads of Farm roads 1187 and 731, two miles west of Interstate Hwy 35. The rural atmosphere allows relaxed living while having city conveniences of a metropolitan area right in our own backyard.

The City was incorporated in the State of Texas on February 12, 1951 under Title 28, Revised Civil Statutes of Texas, Chapters 1-10, as amended, relating to cities and towns and adopted a Home Rule Charter on May 1, 1999. The Home Rule Charter was most recently amended on May 9, 2009. The City operates under a Mayor-Council form of government and provides the following services as authorized by the State of Texas, as a duly incorporated General Law City, and subsequent City ordinances: public safety (police and fire), highways and streets, sanitation, water and sewer, public improvements, planning and zoning, and general administrative services. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of six members, a mayor and five council-persons elected by the City’s residents.

Several manufacturing and industrial firms are located in the Crowley area, as well as a variety of commercial establishments, restaurants, shops, and food stores. Undeveloped property in industrial zoning districts is currently available within the City limits with rail service and an adequate water supply to meet fire protection and diversified demands. The City is not financially dependent upon any one industry. The City recognizes the value of industry to its economic base and continues to seek industry which will be beneficial to the community. The City is a retail center located near Fort Worth, Texas.

TARRANT COUNTY, TEXAS

Tarrant County, Texas (the “County”) is an urban county located in the north central part of Texas with an estimated 2016 population of approximately 1,984,449. The City of Fort Worth, Texas which began as an army post in 1849 serves as the county seat. The County is one of the fastest growing urban counties in the United States today. Twenty-five other incorporated cities are located wholly within the County, and seven other incorporated county-line cities are located largely within the County’s boundaries. The twelve county Dallas-Fort Worth Metroplex has a total population of almost 6.9 million people, making it the largest metropolitan area in the South and the fourth-largest in the United States.

The County’s roots lie in the ‘Old West’ and much of its heritage can be traced to the era of the cowboy and cattle drives that passed through the County. The County is one of 254 counties in Texas which were originally set up by the State of Texas to serve as decentralized administrative divisions providing state services and collecting state taxes.

The County has changed dramatically over the past few years. Once dependent on defense plants and its military base, the County’s economy has been transformed into one of the most vibrant and diverse in the nation and is leading the regional resurgence in business relocations and expansions, retail development and new housing construction. Once tied to the oil rigs and cattle ranches of west Texas, the County’s businesses today reach around the globe and the County’s commercial and industrial airports are among the country’s foremost international gateways.

The advantages that the County offers – a low cost of living, a central location, a mild climate, an outstanding transportation network, an educated, dynamic and adaptable work force, a vigorous “can do” business attitude and a long and effective tradition of cooperation between government and business – have made the County one of the fastest growing economies in the nation.

Principal Employers

Employer	Entity	2017 Employees	2017 Percentage of Total Tarrant County Employment
AMR Corp./American Airlines	Commercial Airline	30,000	2.99%
Lockheed Martin Aeronautics Company	Aircraft Manufacturer	13,400	1.33%
Fort Worth Independent School District	School District	12,000	1.19%
Texas Health Resources	Health Care	12,000	1.19%
NAS Fort Worth JRB	Naval Station	9,700	0.97%
Arlington Independent School District	School District	8,500	0.85%
University of Texas at Arlington	Higher Education	7,548	0.75%
JPS Health Network	Health Care	6,500	0.65%
City of Fort Worth	Municipal Government	6,161	0.61%
Cook Children’s Health Care System	Health Care	6,072	0.60%

Source: Tarrant County audited financial statements for fiscal year ended September 30, 2017.

Principal Taxpayers

Fiscal Year 2017		
Taxpayer	Taxable Assessed Value*	Percentage of Taxable Assessed Value
Oncor Electric Delivery	\$996,397	0.64%
American Airlines	608,720	0.39%
Opryland Hotel	559,232	0.36%
Walmart Real Estate Bus. Trust/Wal-Mart Stores Texas	449,186	0.29%
Bell Helicopter Textron	453,815	0.29%
Alcon Laboratories	397,224	0.26%
Barnet Gathering LP	345,413	0.22%
Mouser Electronics	318,402	0.21%
Amazon.Com.KYDC LLC	315,195	0.20%
XTO Energy Inc.	297,816	0.19%

*Amounts in thousands.

Source: Tarrant County Appraisal District.

Museums

The Amon Carter Museum was established by Amon G. Carter, Sr. (1879-1955), and opened in 1961 to house his collection of four hundred paintings, drawings, and sculptures by Frederic Remington and Charles M. Russell, the single most important collection of works by these artists. The Amon Carter Museum collects, preserves and exhibits a wide range of nineteenth and early twentieth-century American paintings, prints, and sculptures as well as one of the finest collections of American photography from the early days to the present.

The Kimbell Art Museum has long been considered the finest small museum in the United States. Its holding range in period from antiquity to the 20th century including masterpieces by Fra Angelico, El Greco, Caravaggio, La Tour, Velasquez, Rembrandt, Houdon, Goya, David, Delacroix, Cezanne, Mondrian, Picasso, Matisse, Holbein and Vigee Le Brun. The museum is one of the only institutions in the Southwest with a substantial collection of Asian arts and has also assembled small but select groups of Mesoamerican, African and Mediterranean antiquities. The Kimbell is the site of choice for many traveling shows and exhibits.

Parks and Lakes

The region's many parks and lakes offer everything from public trails for horseback riding, hiking and rollerblading to lectures and guided tours of the area's natural sanctuaries. There are over 20 public and private golf courses. There are ten lakes, all or partly located in the County, covering over 100,000 acres. County residents have access to numerous other lakes throughout the region and camping is available at several state parks within the North Texas region.

	Labor Force Statistics ⁽¹⁾			
	2018 ⁽²⁾	2017 ⁽³⁾	2016 ⁽³⁾	2015 ⁽³⁾
Civilian Labor Force	1,059,388	1,03,3317	1,009,291	990,682
Total Employed	1,023,616	995,339	969,161	949,513
Total Unemployed	35,772	37,978	40,130	41,169
% Unemployment	3.4%	3.7%	4.0%	4.2%
Texas Unemployment	3.7%	4.3%	4.6%	4.4%

(1) Source: Texas Workforce Commission.

(2) As of May, 2018.

(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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DRAFT

IN REGARD to the authorization and issuance of the “City of Crowley, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018” (the *Certificates*), dated August 1, 2018 in the aggregate principal amount of \$_____ we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Crowley, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of August 1 in each of the years 2019 through 2038, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer's combined utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Certificates, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion

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Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "CITY OF CROWLEY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018"

concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer also previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals, or, except as hereinafter described, corporations.

FOR TAXABLE YEARS THAT BEGAN BEFORE JANUARY 1, 2018, interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF CROWLEY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018”

obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements – not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Crowley, 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 Crowley, 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.

Auditor's 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.

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 account 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 management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and schedule of contributions on pages 4 - 14 and pages 50 - 54 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 combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has 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 Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, on our consideration of the City of Crowley, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crowley, Texas' internal control over financial reporting and compliance.

George Morgan Jreed, P.C.

Weatherford, Texas
January 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Crowley, Texas, we offer readers of The City of Crowley's financial statements this narrative overview and analysis of the financial activities of The City of Crowley for the fiscal year ended September 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Crowley exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$34,368,399 (*net position*) compared to \$31,478,953 for the prior year. Of this amount, \$7,631,610 (*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 \$2,889,446. The City's governmental activities net position increased by \$1,990,551 and the business-type activities net position increased by \$898,895.
- As of the close of the current year, the City of Crowley's governmental funds reported combined ending fund balances of \$14,009,299 compared to \$13,506,353 for the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$6,984,467, or 67% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report consists of three components 1) management's discussion and analysis, 2) the basic financial statements (government-wide financial statements, fund financial statements and notes to the financial statements) and 3) supplementary information.

Government-wide financial statements.

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets, liabilities and deferred inflows of resources – are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial 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). All of the City's services are included here, such as general government, public works and safety, and community services in the governmental activities and stormwater utility and water and sewer services in the business-type or proprietary activities.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

Fund financial statements.

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are used by the City to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide a reconciliation that explains the relationship (or differences) between them.

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, debt service fund and capital projects fund which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general fund, debt service fund, crime control and prevention district, economic development corporation and water and sewer fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains two types of proprietary funds. The City uses enterprise funds to account for its water and sewer and stormwater utility operations.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

Notes to the financial statements provide additional information that is necessary for a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 49 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,368,399 as of September 30, 2017. Below is a summary of the City's Statement of Net Position.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 15,988,422	\$ 15,124,072	\$ 7,792,704	\$ 6,763,183	\$ 23,781,126	\$ 21,887,255
Capital assets	30,709,272	31,122,668	12,257,585	13,025,340	42,966,857	44,148,008
Total Assets	<u>46,697,694</u>	<u>46,246,740</u>	<u>20,050,289</u>	<u>19,788,523</u>	<u>66,747,983</u>	<u>66,035,263</u>
Deferred outflows of resources	1,295,866	1,232,772	203,615	135,625	1,499,481	1,368,397
Current liabilities	1,229,470	919,542	904,502	1,006,416	2,133,972	1,925,958
Noncurrent liabilities	22,703,810	24,555,662	8,770,226	9,247,554	31,474,036	33,803,216
Total liabilities	<u>23,933,280</u>	<u>25,475,204</u>	<u>9,674,728</u>	<u>10,253,970</u>	<u>33,608,008</u>	<u>35,729,174</u>
Deferred inflows resources	243,951	178,530	27,106	17,003	271,057	195,533
Net position						
Net investment in capital assets	16,772,495	14,512,454	7,406,736	7,773,039	24,179,231	22,285,493
Restricted	2,415,882	1,922,822	141,676	36,475	2,557,558	1,959,297
Unrestricted	4,627,952	5,390,502	3,003,658	1,843,661	7,631,610	7,234,163
Total net position	<u>\$ 23,816,329</u>	<u>\$ 21,825,778</u>	<u>\$ 10,552,070</u>	<u>\$ 9,653,175</u>	<u>\$ 34,368,399</u>	<u>\$ 31,478,953</u>

The largest portion of the City's net position (70%) reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure/utility systems and equipment and furniture); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$7,631,610 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Below is a summary of the City's Statement of Activities.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,237,847	\$ 2,634,128	\$ 6,302,356	\$ 5,512,007	\$ 9,540,203	\$ 8,146,135
Operating grants and contributions	365,947	383,764	-	-	365,947	383,764
Capital grants and contributions	-	326,941	-	133,783	-	460,724
General revenues:						
Property taxes	6,021,716	5,796,776	-	-	6,021,716	5,796,776
Sales taxes	3,190,638	2,881,333	-	-	3,190,638	2,881,333
Franchise taxes	783,558	797,294	-	-	783,558	797,294
Oil & gas royalties	484,816	290,643	-	-	484,816	290,643
Investment earnings	109,881	33,803	23,281	1,801	133,162	35,604
Gain on disposal of capital assets	-	12,189	-	3,418	-	15,607
Other revenue	29,197	36,621	-	-	29,197	36,621
Insurance recoveries	97,248	-	-	-	97,248	-
Total revenues	<u>14,320,848</u>	<u>13,193,492</u>	<u>6,325,637</u>	<u>5,651,009</u>	<u>20,646,485</u>	<u>18,844,501</u>
Expenses						
Administration and finance	944,131	945,021			944,131	945,021
Municipal court	280,147	276,323			280,147	276,323
Library	503,669	469,984			503,669	469,984
Senior citizens	30,702	33,362			30,702	33,362
Public safety	3,582,962	3,472,068			3,582,962	3,472,068
Fire and ambulance	2,854,557	2,570,601			2,854,557	2,570,601
Public works	933,676	928,403			933,676	928,403
Parks	516,296	475,700			516,296	475,700
Recreation center	688,487	688,476			688,487	688,476
Animal control	289,389	276,722			289,389	276,722
Code enforcement	51,899	44,053			51,899	44,053
Community development	272,968	278,359			272,968	278,359
Sanitation	703,660	687,741			703,660	687,741
Economic development	126,185	115,279			126,185	115,279
Nondepartmental	496,149	470,974			496,149	470,974
Interest and fiscal charges	635,886	744,040			635,886	744,040
Stormwater utility			22,340	22,329	22,340	22,329
Water and Sewer			4,823,936	5,255,603	4,823,936	5,255,603
Total expenses	<u>12,910,763</u>	<u>12,477,106</u>	<u>4,846,276</u>	<u>5,277,932</u>	<u>17,757,039</u>	<u>17,755,038</u>
Increase (decrease) in net position before transfers	1,410,085	716,386	1,479,361	373,077	2,889,446	1,089,463
Transfers	580,466	580,466	(580,466)	(580,466)	-	-
Increase (decrease) in net position	<u>1,990,551</u>	<u>1,296,852</u>	<u>898,895</u>	<u>(207,389)</u>	<u>2,889,446</u>	<u>1,089,463</u>
Net position-beginning	<u>21,825,778</u>	<u>20,528,926</u>	<u>9,653,175</u>	<u>9,860,564</u>	<u>31,478,953</u>	<u>30,389,490</u>
Net position-ending	<u>\$ 23,816,329</u>	<u>\$ 21,825,778</u>	<u>\$ 10,552,070</u>	<u>\$ 9,653,175</u>	<u>\$ 34,368,399</u>	<u>\$ 31,478,953</u>

Governmental Activities. Governmental activities increased the City's net position by \$1,990,551 in the current year compared with a \$1,296,852 increase in the prior year.

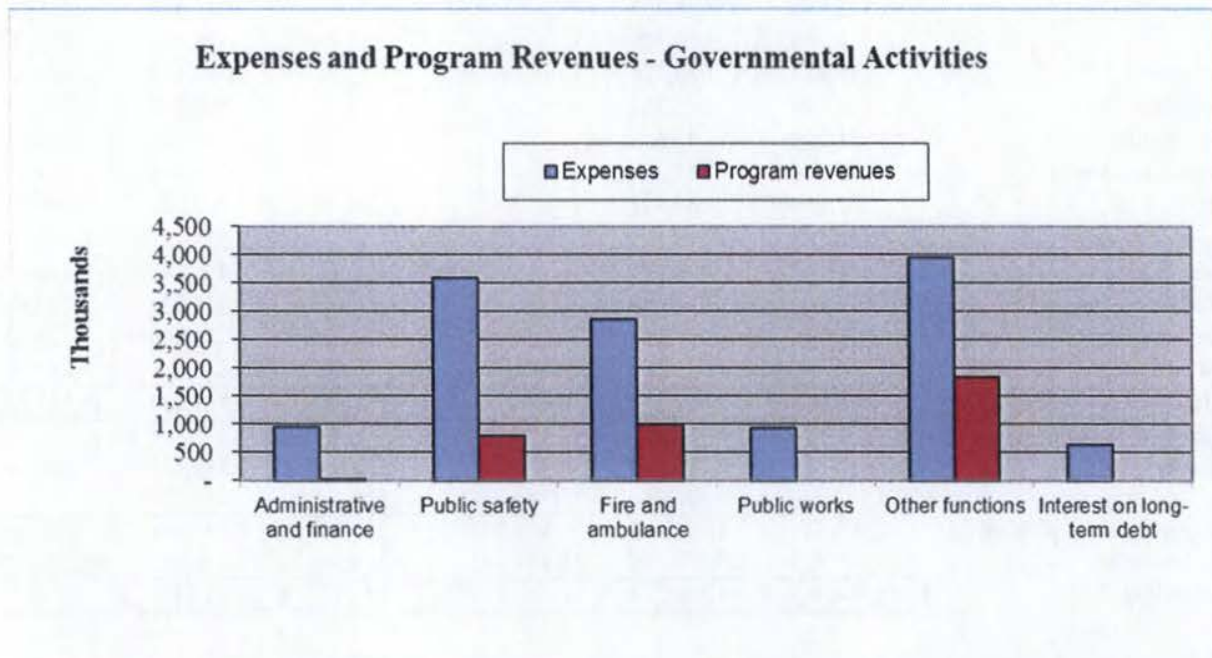
Total governmental activities revenues increased \$1,127,356 (9%) to \$14,320,848, primarily due to the following key factors:

- \$771,147 (8%) increase in general revenues primarily due to \$309,305 (11%) increase in sales tax revenue and \$194,173 increase in oil and gas royalties. Property taxes increased \$224,940 due to increase in property tax values (approximately \$19.6 million). Property tax rates remain the same.
- \$603,719 (23%) increase in charges for services primarily due to increase in EMS revenues and licenses and permits.
- Grant and contributions (operating and capital) decreased \$344,758 primarily due to grants from Green Ribbon Project of the Texas Department of Transportation in the prior year.

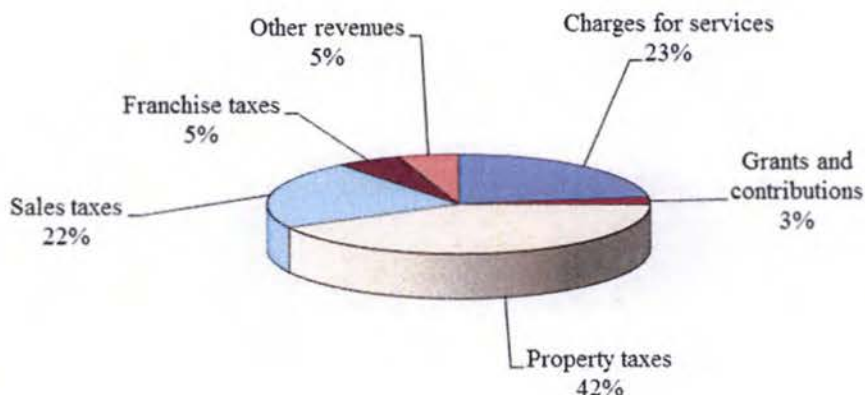
Total governmental activities expenses increased \$433,657 (3%) to \$12,910,763. Key elements of this increase are as follows.

- Public safety expenses increased \$110,894 primarily due to implementation of salary step program (pay scale), 3.5% raise and increase in overtime.
- Fire and ambulance expenses increased \$283,956 primarily due to implementation of salary step program (pay scale), 3.5% raise, increase in overtime and increase in operating and maintenance.

Below are two graphs summarizing governmental revenues and expenses:



Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$898,895 in the current year compared to a decrease in net position of \$207,389 in the prior year. The business-type activities total revenues increased \$674,628 (12%) to \$6,325,637 and total expenses decreased \$431,656 (8%) to \$4,846,276. Key elements of these changes are as follows.

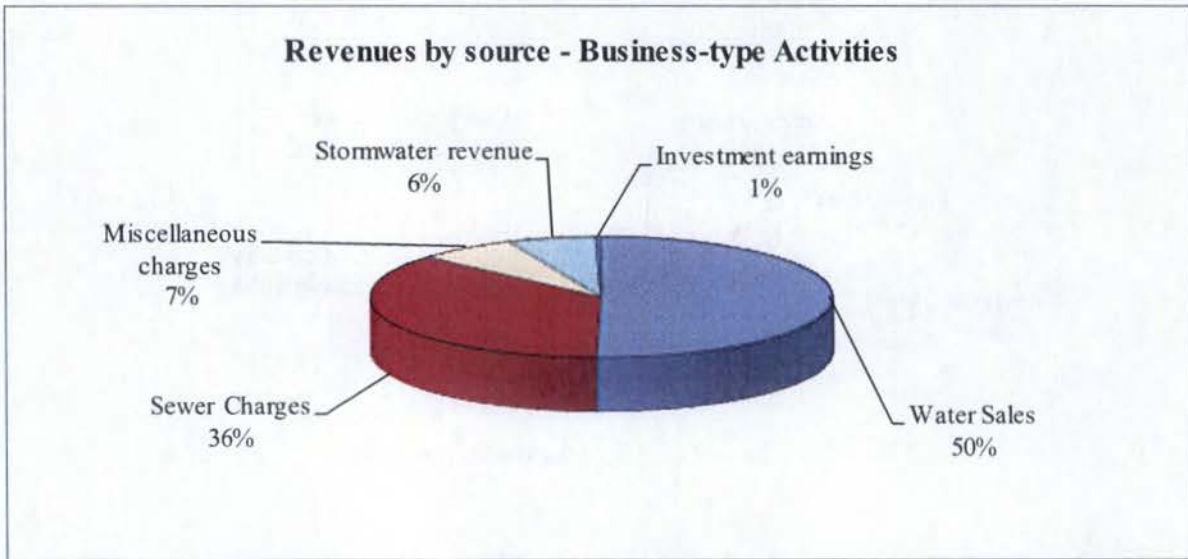
Revenues:

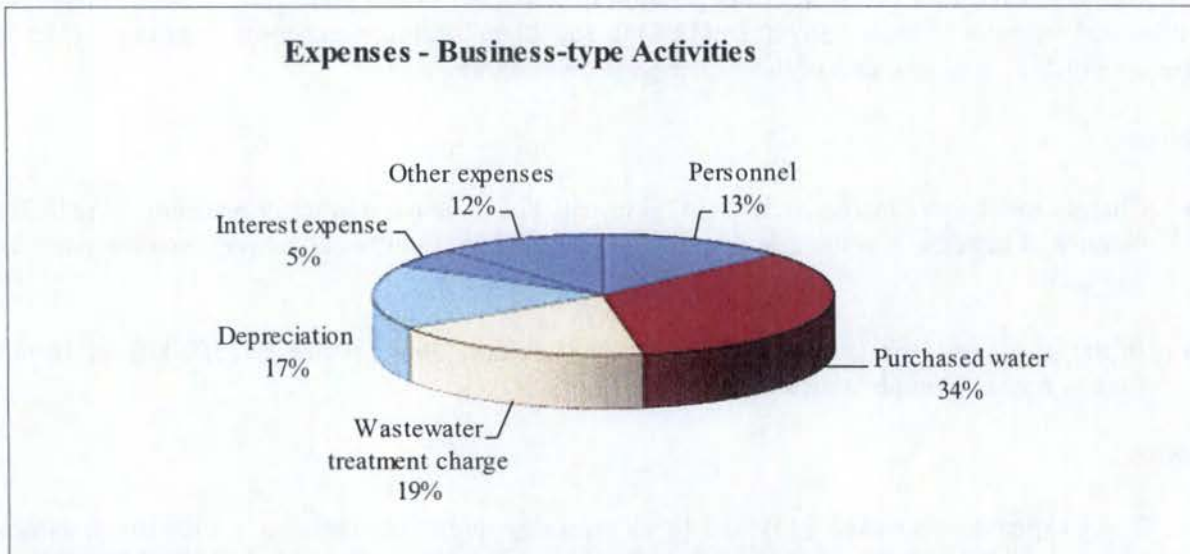
- Charges for services increased \$790,349 primarily due to increase in water revenues by \$344,339 because of increase in water consumption and increase in water rates. Sewer revenues increased \$360,551.
- In the prior year, the City received grants and contributions totaling \$133,783 from Tarrant County for sewer improvements.

Expenses:

- Total expenses decreased \$431,656 (8%) primarily due to decrease in wastewater treatment charge by \$412,379. Wastewater flow volume decreased by approximately 175 million gallons compared to last year.

Below are two graphs summarizing business-type activities revenues and expenses:





Financial Analysis of the Government's Funds

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

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 the City's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$14,009,299. \$6,984,467 (50%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and nonspendable.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,984,467. The fund balance of the general fund increased \$635,561. Below is a comparison of the general fund's net change in fund balance for 2017 and 2016.

	9/30/2017	9/30/2016	Increase (Decrease)	Percent Increase (Decrease)
REVENUES				
Taxes:				
Property	\$ 4,105,850	\$ 4,014,384	\$ 91,466	2.28%
Sales	1,631,604	1,491,561	140,043	9.39%
Franchise	754,735	777,685	(22,950)	-2.95%
Charges for service	1,969,515	1,697,325	272,190	16.04%
Fees and Fines	684,635	643,173	41,462	6.45%
Licenses and permits	483,554	308,830	174,724	56.58%
Grants and contributions	306,806	294,333	12,473	4.24%
Oil & Gas Revenue	484,816	290,643	194,173	66.81%
Investment Earnings	100,479	30,746	69,733	226.80%
Other revenue	126,145	63,163	62,982	99.71%
Total revenues	<u>10,648,139</u>	<u>9,611,843</u>	<u>1,036,296</u>	<u>10.78%</u>
EXPENDITURES				
Administrative and finance	724,198	738,625	(14,427)	-1.95%
Municipal court	244,795	242,744	2,051	0.84%
Library	424,406	382,066	42,340	11.08%
Senior citizens	30,702	33,362	(2,660)	-7.97%
Public safety	2,886,823	2,935,179	(48,356)	-1.65%
Fire and ambulance	2,583,444	2,406,417	177,027	7.36%
Public works	397,961	412,051	(14,090)	-3.42%
Parks	371,116	317,942	53,174	16.72%
Recreation Center	483,209	444,646	38,563	8.67%
Animal Control	233,968	219,785	14,183	6.45%
Code enforcement	50,079	43,174	6,905	0.00%
Community development	267,737	271,156	(3,419)	-1.26%
Sanitation	703,660	687,741	15,919	2.31%
Nondepartmental	1,043,239	513,490	529,749	103.17%
Capital outlay	1,850	589	1,261	214.09%
Total expenditures	<u>10,447,187</u>	<u>9,648,967</u>	<u>798,220</u>	<u>8.27%</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	580,466	580,466	-	0.00%
Transfers out	(145,857)	(22,332)	(123,525)	0.00%
NET CHANGE IN FUND BALANCE	<u>\$ 635,561</u>	<u>\$ 521,010</u>	<u>\$ 114,551</u>	<u>21.99%</u>

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail on pages 22 - 24. Also, see page 9 for explanation of significant changes.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$3,003,658. Total net position increased \$898,895. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year the City amended its budget. General fund appropriations were increased \$646,717 including administration and finance (\$15,124), library (\$19,064), public safety (\$6,190), fire and ambulance (\$90,491), public works (\$2,950), parks (\$125,465), recreation center (\$72,633), animal control (\$8,700), community development (\$3,177) and nondepartmental (\$302,953). These increases were funded with increases in the property tax, sales tax, gas royalties and charges for services.

Overall, total actual expenditures of the general fund exceeded appropriations by \$14,118. Excess expenditures were funded by excess revenues.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2017, amounts to \$42,966,857 (net of accumulated depreciation).

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

Governmental Activities:

- Acquired real estate property at 128 Harris Drive and .174 acre lot at a total cost of \$345,624.
- Purchased two police vehicles at a total cost of \$108,137.
- Purchased various equipment (extrication tools, dual band radios, surveillance system, scanner, portable light tower and computer network) for a total cost of \$219,472.
- Major capital projects in progress such East Main Street façade, Main Street improvements, East 1187 expansion project for a total cost of \$684,251.

Business-type activities:

- Installed water meters at a total cost of \$22,099.
- Sewer line improvement project in progress at a cost of \$22,648.
- \$22,173 cost of fencing around tower – Hampton.

**The City of Crowley's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,762,002	4,416,378	34,751	34,751	4,796,753	4,451,129
Construction in progress	810,804	126,553	22,648	-	833,452	126,553
Buildings and improvements	15,413,451	16,156,388	1,669,121	1,716,208	17,082,572	17,872,596
Infrastructure/utility system	7,807,502	8,282,465	9,955,192	10,504,101	17,762,694	18,786,566
Equipment and furniture	1,915,513	2,140,884	575,873	770,280	2,491,386	2,911,164
Total	30,709,272	31,122,668	12,257,585	13,025,340	42,966,857	44,148,008

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

Debt Administration

At the end of the year, the City had a total bonded debt and capital leases payable of \$28,506,733. Of this amount, \$13,413,505 comprises bonded debt backed by the full faith and credit of the government, \$12,821,278 are certificates of obligation secured by ad valorem taxes and surplus revenues of the water and sewer revenues and \$2,271,950 are revenue bonds secured by sale tax revenue. Outstanding at year-end are as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 10,065,904	\$ 6,214,278	\$ 3,347,601	\$ 1,746,668	\$ 13,413,505	\$ 7,960,946
Certificates of Obligation	7,666,534	13,080,588	5,154,744	7,216,706	12,821,278	20,297,294
Revenue Bonds	2,271,950	2,332,089	-	-	2,271,950	2,332,089
Capital lease	-	197,770	-	-	-	197,770
Total	\$ 20,004,388	\$ 21,824,725	\$ 8,502,345	\$ 8,963,374	\$ 28,506,733	\$ 30,788,099

The City's bond ratings are listed below:

	Standard & Poor's
General obligation bonds	AA-
Certificate of obligation bonds	AA-

No direct funded debt limitation is imposed on the City under current state law or the City's Home Rule Charter.

Additional information on the City's long-term debt can be found in Notes 8 through 9 to the financial statements.

Economic factors and the Next Year's Budgets and Rates

General fund revenues are budgeted to increase 1% (\$63,802) in fiscal year 2017-2018 when compared to the 2016-2017 amended budget to \$10,509,822. The adopted tax rate is \$.7190 per \$100 of taxable value. The largest increases in the revenue budget are on property tax revenue (\$331,404), charges for services (\$81,903), license and permits (\$55,665) and other revenues (\$75,011). The largest decreases are on sales tax revenue (\$31,500), franchise revenue (\$52,200), fees and fines (\$151,781), grants and

General fund expenditures are budgeted to increase 1% (\$73,144) when compared to the prior year amended appropriations to \$10,506,213. The largest increases are \$87,257 in administrative and finance appropriations, \$149,548 in public safety appropriations, \$325,758 in fire and ambulance appropriations and \$52,219 in community development appropriations. The largest decreases are \$29,677 municipal court appropriations, \$64,095 public works appropriations, \$125,689 parks appropriations, and \$339,591 nondepartmental appropriations.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers and all investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact the City Offices at 201 E Main St or by telephone at 817-297-2201.

BASIC FINANCIAL STATEMENTS

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CITY OF CROWLEY, TEXAS
Statement of Net Position
September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,026,920	\$ 1,897,504	\$ 2,924,424
Investments	13,318,579	1,428,408	14,746,987
Receivables (net of allowance for uncollectibles)			
Property taxes	169,690	-	169,690
Other taxes	822,777	-	822,777
Accounts	444,934	747,856	1,192,790
Miscellaneous	185,407	4,256	189,663
Inventory	20,115	5,394	25,509
Restricted assets			
Investments	-	3,709,286	3,709,286
Capital assets			
Nondepreciable	5,572,806	57,399	5,630,205
Depreciable, net of accumulated depreciation	25,136,466	12,200,186	37,336,652
Total Assets	46,697,694	20,050,289	66,747,983
Deferred Outflows of Resources			
Deferred outflow related to TMRS pension	1,044,991	116,110	1,161,101
Deferred charges on refunding	250,875	87,505	338,380
Total Deferred Outflows of Resources	1,295,866	203,615	1,499,481
LIABILITIES			
Accounts payable	771,356	334,634	1,105,990
Accrued payroll liabilities	276,836	24,459	301,295
Due to other governments	31,486	-	31,486
Unearned revenue	4,327	-	4,327
Internal balances	26	(26)	-
Interest payable	145,439	40,322	185,761
Current liabilities payable from restricted assets			
Customer deposits payable	-	505,113	505,113
Noncurrent liabilities:			
Due within one year	1,935,435	618,688	2,554,123
Due in more than one year	20,768,375	8,151,538	28,919,913
Total liabilities	23,933,280	9,674,728	33,608,008
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS pension	243,951	27,106	271,057
Total deferred inflows of resources	243,951	27,106	271,057
NET POSITION			
Net investment in capital assets	16,772,495	7,406,736	24,179,231
Restricted for:			
Capital improvements	-	141,676	141,676
Debt service	277,615	-	277,615
Public safety	757,002	-	757,002
Economic development	1,152,683	-	1,152,683
Grant program	37,015	-	37,015
Community program	191,567	-	191,567
Unrestricted	4,627,952	3,003,658	7,631,610
Total net position	\$ 23,816,329	\$ 10,552,070	\$ 34,368,399

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

CITY OF CROWLEY, TEXAS
Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Administration and finance	\$ 944,131	\$ 275	\$ -	\$ -
Municipal court	280,147	19,494	-	-
Library	503,669	14,070	13,830	-
Senior citizens	30,702	-	-	-
Public safety	3,582,962	754,584	32,962	-
Fire and ambulance	2,854,557	682,366	303,589	-
Public works	933,676	-	-	-
Parks	516,296	132,195	1,300	-
Recreation Center	688,487	148,417	-	-
Animal control	289,389	12,076	7,916	-
Code enforcement	51,899	-	-	-
Community development	272,968	689,261	-	-
Sanitation	703,660	754,381	-	-
Economic development	126,185	30,728	-	-
Nondepartmental	496,149	-	6,350	-
Interest and fiscal charges	635,886	-	-	-
Total governmental activities	12,910,763	3,237,847	365,947	-
Business-type activities:				
Water and sewer	4,823,936	5,914,226	-	-
Stormwater utility	22,340	388,130	-	-
Total business-type activities	4,846,276	6,302,356	-	-
Total primary government	\$ 17,757,039	\$ 9,540,203	\$ 365,947	\$ -

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for TIRZ #1

Sales taxes

Franchise

Oil and gas royalties

Investment earnings

Other revenue

Transfers

Insurance recoveries

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (943,856)	\$ -	\$ (943,856)
(260,653)	-	(260,653)
(475,769)	-	(475,769)
(30,702)	-	(30,702)
(2,795,416)	-	(2,795,416)
(1,868,602)	-	(1,868,602)
(933,676)	-	(933,676)
(382,801)	-	(382,801)
(540,070)	-	(540,070)
(269,397)	-	(269,397)
(51,899)	-	(51,899)
416,293	-	416,293
50,721	-	50,721
(95,457)	-	(95,457)
(489,799)	-	(489,799)
(635,886)	-	(635,886)
<u>(9,306,969)</u>	<u>-</u>	<u>(9,306,969)</u>
-	1,090,290	1,090,290
-	365,790	365,790
-	1,456,080	1,456,080
<u>\$ (9,306,969)</u>	<u>\$ 1,456,080</u>	<u>\$ (7,850,889)</u>
\$ 4,119,438	-	4,119,438
1,810,371	-	1,810,371
91,907	-	91,907
3,190,638	-	3,190,638
783,558	-	783,558
484,816	-	484,816
109,881	23,281	133,162
29,197	-	29,197
580,466	(580,466)	-
97,248	-	97,248
<u>11,297,520</u>	<u>(557,185)</u>	<u>10,740,335</u>
1,990,551	898,895	2,889,446
<u>21,825,778</u>	<u>9,653,175</u>	<u>31,478,953</u>
<u>\$ 23,816,329</u>	<u>\$ 10,552,070</u>	<u>\$ 34,368,399</u>

CITY OF CROWLEY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2017

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 963,044	\$ 11,588	\$ -	\$ 52,288	\$ 1,026,920
Investments	6,497,455	308,160	4,588,835	1,924,129	13,318,579
Receivables (Net of allowances for uncollectibles)					
Property taxes	117,888	51,802	-	-	169,690
Other taxes	555,033	-	-	267,744	822,777
Accounts	444,934	-	-	-	444,934
Miscellaneous	185,394	-	-	13	185,407
Inventory	20,115	-	-	-	20,115
Due from other funds	191,615	-	-	91,940	283,555
Total assets	8,975,478	371,550	4,588,835	2,336,114	16,271,977
LIABILITIES					
Accounts payable	767,158	-	-	4,195	771,353
Accrued payroll liabilities	276,836	-	-	-	276,836
Interest payable	-	16,641	-	-	16,641
Unearned revenue	2,292	-	-	2,035	4,327
Due to other governments	31,486	-	-	-	31,486
Due to other funds	66,475	25,492	-	191,617	283,584
Total liabilities	1,144,247	42,133	-	197,847	1,384,227
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	826,649	51,802	-	-	878,451
Total deferred inflows of resources	826,649	51,802	-	-	878,451
FUND BALANCES					
Nonspendable					
Inventory	20,115	-	-	-	20,115
Restricted	-	277,615	4,588,835	2,138,267	7,004,717
Unassigned	6,984,467	-	-	-	6,984,467
Total fund balances	7,004,582	277,615	4,588,835	2,138,267	14,009,299
Total liabilities, deferred inflows of resources and fund balances	\$ 8,975,478	\$ 371,550	\$ 4,588,835	\$ 2,336,114	\$ 16,271,977

CITY OF CROWLEY, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2017

Total fund balances - governmental funds	\$ 14,009,299
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$56,411,809 and the accumulated depreciation was \$25,702,537. The net effect of including the ending balances of capital assets (net of depreciation) in the governmental activities is to increase net position.	30,709,272
Deferred charges for refunding related to governmental activity debt are not financial resources and, therefore, are not reported in the governmental funds.	250,875
Long-term liabilities, including \$20,004,388 bonds and \$378,070 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(20,382,458)
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$2,321,352, deferred resource intflows related to TMRS pension of \$243,951, and a deferred resource outflow related to TMRS pension in the amount of \$1,044,991. The result is to decrease net position.	(1,520,312)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(128,798)
Property taxes, franchise taxes, ems charges and municipal court fines and fees are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.	878,451
Net position of governmental activities	<u>\$ 23,816,329</u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 4,105,850	\$ 1,804,398	\$ -	\$ 91,908	\$ 6,002,156
Sales	1,631,604	-	-	1,559,034	3,190,638
Franchise taxes	754,735	-	-	25,006	779,741
Charges for service	1,969,515	-	-	-	1,969,515
Fees and fines	684,635	-	-	16,499	701,134
Licenses and permits	483,554	-	-	-	483,554
Grants and contributions	306,806	-	-	55,418	362,224
Oil and gas revenue	484,816	-	-	-	484,816
Investment earnings	100,479	-	-	9,402	109,881
Other revenue	126,145	-	-	34,751	160,896
Total revenues	<u>10,648,139</u>	<u>1,804,398</u>	<u>-</u>	<u>1,792,018</u>	<u>14,244,555</u>
EXPENDITURES					
Current:					
Administrative and finance	724,198	-	-	50,657	774,855
Municipal court	244,795	-	-	26,117	270,912
Library	424,406	-	-	10,643	435,049
Senior citizens center	30,702	-	-	-	30,702
Public safety	2,886,823	-	-	422,487	3,309,310
Fire and ambulance	2,583,444	-	-	26,878	2,610,322
Public works	397,961	-	-	-	397,961
Parks	371,116	-	-	-	371,116
Recreation center	483,209	-	-	-	483,209
Animal control	233,968	-	-	-	233,968
Code enforcement	50,079	-	-	-	50,079
Community development	267,737	-	-	-	267,737
Sanitation	703,660	-	-	-	703,660
Economic development	-	-	-	362,103	362,103
Nondepartmental	1,043,239	-	-	-	1,043,239
Capital outlay	1,850	-	280,089	13,633	295,572
Debt service:					
Principal	-	1,270,000	197,770	515,000	1,982,770
Interest and fiscal charges	-	426,675	6,703	144,981	578,359
Bond issuance costs	-	80,935	-	-	80,935
Total expenditures	<u>10,447,187</u>	<u>1,777,610</u>	<u>484,562</u>	<u>1,572,499</u>	<u>14,281,858</u>
Excess (deficiency) of revenues over expenditures	<u>200,952</u>	<u>26,788</u>	<u>(484,562)</u>	<u>219,519</u>	<u>(37,303)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	580,466	121,152	6,560	165,818	873,996
Transfers out	(145,857)	-	(147,673)	-	(293,530)
Refunding bonds issued	-	4,745,000	-	-	4,745,000
Bond Premium	-	251,274	-	-	251,274
Payment to refund bond escrow agent	-	(5,036,491)	-	-	(5,036,491)
Total other financing sources (uses)	<u>434,609</u>	<u>80,935</u>	<u>(141,113)</u>	<u>165,818</u>	<u>540,249</u>
Net change in fund balances	<u>635,561</u>	<u>107,723</u>	<u>(625,675)</u>	<u>385,337</u>	<u>502,946</u>
Fund balances - beginning	<u>6,369,021</u>	<u>169,892</u>	<u>5,214,510</u>	<u>1,752,930</u>	<u>13,506,353</u>
Fund balances - ending	<u>\$ 7,004,582</u>	<u>\$ 277,615</u>	<u>\$ 4,588,835</u>	<u>\$ 2,138,267</u>	<u>\$14,009,299</u>

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

CITY OF CROWLEY, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of
The Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Total net change in fund balances - governmental funds	\$ 502,946
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$1,441,166 of capital outlays and \$1,982,770 of debt principal payments is to increase net position.	3,423,936
Transactions involving issuance of refunding bonds are expenditures and other financing sources (uses) in the fund financial statements but change in deferred charges for refunding and noncurrent liabilities in the government-wide financial statements. The net effect is a decrease in net position.	40,217
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,854,562)
The net effect of various miscellaneous transactions involving capital assets (i.e. disposal and donations) is to increase net position.	
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	76,293
GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to TMRS pension, and deferred resource outflow related to TMRS pension. The changes in these balances decreased net position.	(181,981)
Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period, and, therefore are not reported as liabilities or assets in the funds. The \$24,817 increase in interest payable and \$39,706 increase in compensated absences and \$48,225 amortization of premiums increase net position.	(16,298)
Change in net position of governmental activities	<u>\$ 1,990,551</u>

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

CITY OF CROWLEY, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2017

	Water and Sewer Fund	Stormwater Utility	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 520,620	\$ 1,376,884	\$ 1,897,504
Investments	1,428,408	-	1,428,408
Receivables (Net of allowance for uncollectibles):			
Accounts	697,984	49,872	747,856
Miscellaneous	4,256	-	4,256
Due from other funds	26	-	26
Inventory	5,394	-	5,394
Restricted Assets			
Investments	3,709,286	-	3,709,286
Total current assets	<u>6,365,974</u>	<u>1,426,756</u>	<u>7,792,730</u>
Noncurrent Assets:			
Capital assets, at cost			
Non-depreciable assets	57,399	-	57,399
Depreciable assets, net of accumulated depreciation	12,068,701	131,485	12,200,186
Total noncurrent assets	<u>12,126,100</u>	<u>131,485</u>	<u>12,257,585</u>
Total assets	<u>18,492,074</u>	<u>1,558,241</u>	<u>20,050,315</u>
Deferred Outflows of Resources			
Deferred outflows related to TMRS pension	116,110	-	116,110
Deferred charges on refunding	87,505	-	87,505
Total Deferred Outflows of Resources	<u>\$ 203,615</u>	<u>\$ -</u>	<u>\$ 203,615</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 334,634	\$ -	\$ 334,634
Accrued payroll liabilities	24,459	-	24,459
Compensated absences	19,454	-	19,454
Current portion of long-term liabilities	599,234	-	599,234
Interest payable	40,322	-	40,322
Current Liabilities Payable from Restricted Assets			
Customer deposits payable	505,113	-	505,113
Total current liabilities	<u>1,523,216</u>	<u>-</u>	<u>1,523,216</u>
Noncurrent Liabilities			
Compensated absences	7,565	-	7,565
Net pension liability	240,862	-	240,862
Bonds payable	7,903,111	-	7,903,111
Total noncurrent liabilities	<u>8,151,538</u>	<u>-</u>	<u>8,151,538</u>
Total liabilities	<u>9,674,754</u>	<u>-</u>	<u>9,674,754</u>
Deferred Inflows of Resources			
Deferred inflow related to TMRS pension	27,106	-	27,106
Total Deferred Inflows of Resources	<u>27,106</u>	<u>-</u>	<u>27,106</u>
NET POSITION			
Net investment in capital assets	7,275,251	131,485	7,406,736
Restricted for impact fees for capital improvements (Expendable)	141,676	-	141,676
Unrestricted	1,576,902	1,426,756	3,003,658
Total net position	<u>\$ 8,993,829</u>	<u>\$ 1,558,241</u>	<u>\$ 10,552,070</u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	Water and Sewer Fund	Stormwater Utility	Totals
Operating revenues			
Charges for services:			
Water Sales	\$ 3,182,189	\$ -	\$ 3,182,189
Sewer charges	2,294,082	-	2,294,082
Stormwater revenue	-	388,130	388,130
Miscellaneous water charges	437,955	-	437,955
Total operating revenue	<u>5,914,226</u>	<u>388,130</u>	<u>6,302,356</u>
Operating expenses			
Personnel services	647,523	-	647,523
Professional services	90,986	-	90,986
Purchased water	1,639,813	-	1,639,813
Wastewater treatment charge	902,203	-	902,203
Contractual services	178,262	-	178,262
Insurance	45,442	-	45,442
Administrative	70,135	2,111	72,246
Repairs and maintenance	110,407	-	110,407
Utilities	69,810	-	69,810
Depreciation	814,446	20,229	834,675
Total operating expenses	<u>4,569,027</u>	<u>22,340</u>	<u>4,591,367</u>
Operating income (loss)	<u>1,345,199</u>	<u>365,790</u>	<u>1,710,989</u>
Nonoperating revenues (expenses):			
Investment earnings	23,281	-	23,281
Interest expense	(254,909)	-	(254,909)
Total nonoperating revenues (expenses)	<u>(231,628)</u>	<u>-</u>	<u>(231,628)</u>
Income (loss) before transfers	1,113,571	365,790	1,479,361
Transfers out	<u>(580,466)</u>	<u>-</u>	<u>(580,466)</u>
Change in net position	533,105	365,790	898,895
Net position - beginning	8,460,724	1,192,451	9,653,175
Net position - ending	<u>\$ 8,993,829</u>	<u>\$ 1,558,241</u>	<u>\$ 10,552,070</u>

CITY OF CROWLEY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Water and Sewer Fund	Stormwater Utility	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 5,855,605	\$ 378,675	\$ 6,234,280
Cash paid to suppliers	(3,172,804)	(2,111)	(3,174,915)
Cash paid to employees	(657,796)	-	(657,796)
Net cash provided by operating activities	<u>2,025,005</u>	<u>376,564</u>	<u>2,401,569</u>
Cash flow from noncapital financing activities:			
Transfers to other funds	(580,466)	-	(580,466)
Net cash provided (used) by noncapital financing activities	<u>(580,466)</u>	<u>-</u>	<u>(580,466)</u>
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(555,000)	-	(555,000)
Capital outlay	(66,920)	-	(66,920)
Interest paid on capital debt	(238,373)	-	(238,373)
Net cash used by capital and related financing activities	<u>(860,293)</u>	<u>-</u>	<u>(860,293)</u>
Cash flow from investing activities:			
Proceeds from sale of investments	1,911,258	-	1,911,258
Purchase of investments	(2,858,762)	-	(2,858,762)
Investment earnings	23,281	-	23,281
Net cash provided by investing activities	<u>(924,223)</u>	<u>-</u>	<u>(924,223)</u>
Net increase (decrease) in cash and cash equivalents	(339,977)	376,564	36,587
Cash and cash equivalents, beginning	<u>860,597</u>	<u>1,000,320</u>	<u>1,860,917</u>
Cash and cash equivalents, ending	<u>\$ 520,620</u>	<u>\$ 1,376,884</u>	<u>\$ 1,897,504</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 1,345,199	\$ 365,790	\$ 1,710,989
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	814,446	20,229	834,675
(Increase) decrease in accounts receivable	(58,621)	(9,455)	(68,076)
(Increase) decrease in miscellaneous receivables	223	-	223
(Increase) decrease in inventory	22,423	-	22,423
Increase (decrease) in accounts payable	(130,874)	-	(130,874)
Increase (decrease) in accrued payroll liabilities	(1,887)	-	(1,887)
Increase (decrease) in customer meter deposits	20,777	-	20,777
Increase (decrease) in net pension balances	21,705	-	21,705
Increase (decrease) in compensated absences payable	(8,386)	-	(8,386)
Total adjustments	<u>679,806</u>	<u>10,774</u>	<u>690,580</u>
Net cash provided by operating activities	<u>\$ 2,025,005</u>	<u>\$ 376,564</u>	<u>\$ 2,401,569</u>
Increase in bonds payable due to refinancing	<u>\$ 118,205</u>	<u>\$ -</u>	<u>\$ 118,205</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Crowley, Texas (the City) is a Home Rule city which citizens elect the mayor and six council members at large. The City operates under the Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden or benefit on the City. Based on these considerations, the Crowley Crime Control and Prevention District and the Crowley Economic Development Corporation have been included in the City's reporting entity as blended component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Both component units have September 30 year ends.

Blended Component Units

The *Crowley Crime Control and Prevention District* (the "Crime District") is an entity legally separate from the City and was created by resolution of the City Council with approval by vote of the residents of Crowley. The Crime District is funded with a one half percent sales tax. The City Council services as the board of directors of the Crime District. The day-to-day operations of the Crime District are performed by City employees. For financial reporting purposes, the Crime Control and Prevention District is reported as if it were a part of the City's operations because the Crime District's governing body is the same as that of the City.

The *Crowley Economic Development Corporation* (the "Corporation") is a nonprofit development corporation formed under the Development Corporation Act of 1979 and governed by Section 4B of the Act. The Corporation was created with approval of a vote of the residents of Crowley and is governed by a seven member board of directors appointed by the City Council. The Corporation is funded with a one half percent sales tax. The Corporation was created to promote economic development with the City and State of Texas in order to eliminate unemployment and under employment and to promote and encourage employment and the public welfare of, for, and on behalf of the City. The Corporation may finance and undertake any such project, subject to the regulations and limitations set forth in Section 4B of the Act and a special election held in the City on February 2, 2002. For financial reporting purposes, the Corporation is reported as if it were a part of the City's operations because it provides services entirely for the City.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the government receives payment.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

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

The *debt service fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *general capital projects fund* accounts for the acquisition or construction of major capital assets and facilities financed by general obligation bonds or certificates of obligation of the governmental activities.

The City reports the following major enterprise fund:

The *water and sewer fund* accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

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

Proprietary funds, distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

1. Cash and Investments

The City pools cash resources of its various funds to maximize its investment program. Cash applicable to a particular fund is readily identifiable. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Amounts invested in Tex-Pool public investment pools are not considered cash and cash equivalents. Assets reported as cash and cash equivalents are considered cash and cash equivalents for the statement of cash flows.

2. Interfund 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". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

3. Unbilled Service

Utility operating revenues (water and sewer) are billed on monthly cycles. The City records estimated revenues for services delivered during the fiscal year, which will be billed during the next fiscal year.

4. Inventory

The inventories of supplies are recorded under the purchase method. Under the purchase method the inventory is first recorded as an expense when purchased and then adjusted at the end of the year to reflect the value of inventory at that date. Inventories are valued at the lower of cost or market using the first-in-first-out ("FIFO") method.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer fund during the current fiscal year was \$254,909. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

Property, plant and equipment of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 - 30 years
Infrastructure/utility systems	10 - 50 years
Equipment and furniture	2 - 15 years

6. *Compensated Absences*

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. The City pays up to 200 hours of accrued sick leave when an employee retires. Vacation and sick pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. *Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *Fund Balance – Governmental Funds*

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

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form (such as prepaids or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

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

Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City has not yet adopted a policy designating who can assign amounts.

Unassigned – All amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The details of the fund balances of the governmental funds are as follows:

	General Fund	Debt Service Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Inventory	\$ 20,115	\$ -	\$ -	\$ -	\$ 20,115
Restricted					
Debt Service	-	277,615	-	-	277,615
Capital Projects	-	-	4,588,835	-	4,588,835
Public Safety - Police	-	-	-	673,191	673,191
Public Safety - Court	-	-	-	83,811	83,811
Economic Development	-	-	-	1,152,683	1,152,683
Grant programs	-	-	-	37,015	37,015
Public Education Grant	-	-	-	191,567	191,567
Unassigned	6,984,467	-	-	-	6,984,467
	<u>\$ 7,004,582</u>	<u>\$ 277,615</u>	<u>\$ 4,588,835</u>	<u>\$ 2,138,267</u>	<u>\$ 14,009,299</u>

9. Net Position

Net position represents the difference between assets and liabilities, deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The following is a reconciliation of restricted fund balance reported in the governmental fund financial statements to restricted net position of the governmental activities reported in the government-wide financial statements.

Restricted Fund Balance (Exhibit C-1)	\$ 7,004,717
Adjustment:	
Unspent proceeds from bonds reclassified to net investment in capital assets	(4,588,835)
Total adjustments	<u>(4,588,835)</u>
Restricted net position (Exhibit A-1)	<u>\$ 2,415,882</u>

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position and then unrestricted net position.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. *Use of Estimates*

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

11. *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.

NOTE 2: DEPOSITS AND INVESTMENTS

Substantially all operating cash and investments are maintained in consolidated cash and investment accounts. Investment income relating to consolidated investments is allocated to the individual funds monthly based on the funds' pro-rata share of total cash and investments.

The City's investment policy authorizes the City to invest in U.S. Treasury obligations, U.S. government agency and instrumentality obligations, certificates of deposit, investment-grade obligations of state, provincial and local governments and public authorities, money market mutual funds regulated by the SEC and local government investment pools wither state-administered or developed through joint powers statutes and other intergovernmental agreement legislation. During the year ended September 30, 2017, the City did not own any types of securities other than those permitted by statute.

The City invests in the TexPool, which is a local government investment pool in the State of Texas. All investments are stated at amortized cost, which is in most cases approximates the market value of the securities. The objective of TexPool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas. All TexPool securities are marked to market daily.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 2: DEPOSITS AND INVESTMENTS (continued)

The City's investments are as follows:

<u>Investment</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in TexPool	AAAm	37 days	100.00%	<u>\$ 18,456,273</u>	<u>\$ 18,456,273</u>

(1) Per Standard and Poor's

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2017, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by its investment policy.

Interest Rate Risk – Investments

In accordance with its investment policy, the City manages its exposure to declines in fair market values by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio.

The City's investments at September 30, 2017 included the following:

The following cash and investments in the water and sewer fund are restricted for the following purposes:

	<u>Investments</u>
Business-type Activities	
Customer deposits	\$ 395,948
Bonds construction accounts	3,313,338
Total	<u>\$ 3,709,286</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 3: PROPERTY TAX

The City's property tax is levied (assessed) each October 1, on the value listed as of the prior January 1, for all real property and personal property located in the City. Taxes are billed and due on October 1 of each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1 with additional attorney fees being added on July 1. Lien attaches to properties on the January 1 following levy date. Tarrant County bills and collects the general property taxes for the City. In the governmental funds the City's property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected in deferred revenue.

NOTE 4: RECEIVABLES

All receivables are shown net of an allowance for uncollectible accounts. The allowances for uncollectible accounts are based upon historical experience. Property tax, EMS and municipal court allowances for uncollectible accounts are equal to approximately 38%, 79% and 85% of the outstanding balances, respectively, at September 30. The allowance for water, and sewer trade accounts receivable is equal to the accounts receivable that are inactive (final billed) as of September 30. Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Nonmajor Governmental	Water and Sewer	Stormwater Utility
Receivables:					
Property taxes	\$ 189,868	\$ 83,431	\$ -	\$ -	\$ -
Other taxes	555,033	-	267,744	945,332	-
Accounts	1,850,107	-	-	-	49,872
Miscellaneous	860,295	-	13	4,256	-
Gross receivables	3,455,303	83,431	267,757	949,588	49,872
Less: allowance					
for uncollectibles	(2,152,054)	(31,629)	-	(247,348)	-
Net total receivables	<u>\$ 1,303,249</u>	<u>\$ 51,802</u>	<u>\$ 267,757</u>	<u>\$ 702,240</u>	<u>\$ 49,872</u>

NOTE 5: DEFERRED 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 only two items that qualify for reporting in this category, deferred charges on refunding bonds and deferred outflows related to pensions reported in the government-wide statement of net position and proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its acquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 5: DEFERRED INFLOWS OF RESOURCES (continued)

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position or fund balance that applies to 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 qualifies for reporting in this category, unavailable revenues for governmental funds and deferred inflows related to pensions in the government-wide statement of net position and proprietary fund statement of net position. At the end of the fiscal year the components of deferred inflows in the governmental funds were as follows:

	General	Debt Service	Nonmajor Governmental	Total Governmental Funds
Deferred property tax revenue	\$ 117,888	\$ 51,802	\$ -	\$ 169,690
Deferred franchise tax revenue	220,492			220,492
Deferred EMS charges revenue	369,157			369,157
Deferred municipal court fees and fines	119,112			119,112
	<u>\$ 826,649</u>	<u>\$ 51,802</u>	<u>\$ -</u>	<u>\$ 878,451</u>

NOTE 6: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2017, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General	Water and sewer	\$ 580,466	Use unrestricted revenues collected in the water and sewer fund to finance various general fund programs in accordance with budgetary authorizations.
Capital projects	General	6,560	Transfer expenses.
Debt service	General	121,152	City's cash contribution in 2017 refunding bonds.
Crime Control	General	1,495	Transfer Crime Control & Prevention District expenses.
EDC	General	164,323	Transfer EDC expenses.
Total governmental funds transfers in		<u>\$ 873,996</u>	

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 7: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Governmental activities:					
Non - Depreciable Assets:					
Land	\$ 4,416,378	\$ 345,624	\$ -	\$ -	\$ 4,762,002
Construction in progress	126,553	684,251	-	-	810,804
Total non-depreciable assets	<u>4,542,931</u>	<u>1,029,875</u>	<u>-</u>	<u>-</u>	<u>5,572,806</u>
Depreciable Assets:					
Building and improvements	22,619,758	42,370	-	-	22,662,128
Infrastructure/utility system	19,605,589	41,312	-	-	19,646,901
Equipment and furniture	8,202,365	327,609	-	-	8,529,974
Total capital assets being depreciated	<u>50,427,712</u>	<u>411,291</u>	<u>-</u>	<u>-</u>	<u>50,839,003</u>
Accumulated Depreciation:					
Building and improvements	(6,463,370)	(785,307)	-	-	(7,248,677)
Infrastructure/utility system	(11,323,124)	(516,275)	-	-	(11,839,399)
Equipment and furniture	(6,061,481)	(552,980)	-	-	(6,614,461)
Total accumulated depreciation	<u>(23,847,975)</u>	<u>(1,854,562)</u>	<u>-</u>	<u>-</u>	<u>(25,702,537)</u>
Governmental activities capital assets, net	<u>\$31,122,668</u>	<u>\$ (413,396)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$30,709,272</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
General government	\$ 156,385
Court	5,595
Library	73,702
Public safety	356,558
Fire and ambulance	244,842
Public works	528,436
Community development	1,591
Parks	174,546
Recreation center	261,126
Animal control	51,781
Total depreciation expense - governmental activities	<u>\$ 1,854,562</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 7: CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Business-type activities:					
Non - Depreciable Assets:					
Land	\$ 34,751	\$ -	\$ -	\$ -	\$ 34,751
Construction in progress	-	22,648	-	-	22,648
Total non-depreciable assets	<u>34,751</u>	<u>22,648</u>	<u>-</u>	<u>-</u>	<u>57,399</u>
Depreciable Assets:					
Building and improvements	2,209,959	22,173	-	-	2,232,132
Infrastructure/utility system	18,147,707	-	-	-	18,147,707
Equipment and furniture	2,649,272	22,099	-	-	2,671,371
Total capital assets being depreciated	<u>23,006,938</u>	<u>44,272</u>	<u>-</u>	<u>-</u>	<u>23,051,210</u>
Accumulated Depreciation:					
Building and improvements	(493,751)	(69,260)	-	-	(563,011)
Infrastructure/utility system	(7,643,606)	(548,909)	-	-	(8,192,515)
Equipment and furniture	(1,878,992)	(216,506)	-	-	(2,095,498)
Total accumulated depreciation	<u>(10,016,349)</u>	<u>(834,675)</u>	<u>-</u>	<u>-</u>	<u>(10,851,024)</u>
Business-type activities capital assets, net	<u>\$13,025,340</u>	<u>\$ (767,755)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,257,585</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water and sewer	\$ 814,446
Stormwater utility	20,229
Total depreciation expense - business-type activities	<u>\$ 834,675</u>

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

The General Obligation Bonds and Certificates of Obligation Bonds principal and interest are paid by the debt service fund. Capital Leases principal and interest are paid by the capital projects fund.

In May 2017, the City issued \$6,545,000 General Obligation Refunding Bonds, Series 2017. The bonds consisted of general obligation bonds with interest rates ranging from 3.00% to 3.25%. The net proceeds were used to partially refund Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009 with a total principal amount of \$6,445,000. The refunding decreased debt service payments by \$753,377 with a net present value savings (economic gain) of \$647,770.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

As of September 30 the City had the following governmental activities long-term debt outstanding:

	<u>9/30/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2017</u>	<u>Due Within One Year</u>
General Obligation Bonds					
\$2,880,000; General Obligation Refunding Bonds, Series 2005 due in semi-annual installments from 2/1/2005; 3.92% until 2/1/2020.	\$ 680,000	\$ -	\$ 215,000	\$ 465,000	\$ 240,000
\$580,000; General Obligation Refunding Bonds, Series 2010, due in semi-annual installments from 2/1/2012; 1.05% - 2.30% until 2/1/17.	100,000	-	100,000	-	-
\$1,855,000; General Obligation Refunding Bonds, Series 2012; due in semi-annual installments from 2/1/2013; 2.00% - 3.00% until 2/1/2022.	790,000	-	300,000	490,000	100,000
Series 2012 unamortized bond premium	205,588	-	12,984	192,604	12,984
\$590,000; General Obligation Refunding Bonds, Series 2012A; due in semi-annual installments from 2/1/2014; 2.00% 3.00% until 2/1/2023.	435,000	-	55,000	380,000	60,000
Series 2012A unamortized bond premium	33,690	-	3,743	29,947	3,743
\$4,920,000; General Obligation Refunding Bonds, Series 2013, due in semi-annual installments from 2/1/2014; 2.19% until 2/1/2025.	3,970,000	-	455,000	3,515,000	435,000
\$4,745,000; General Obligation Refunding Bonds, Series 2017, due in semi-annual installments from 2/1/2018; 3.00% until 2/1/2029.	-	4,745,000	-	4,745,000	-
Series 2017 unamortized bond premium	-	251,274	2,921	248,353	2,921
Total General Obligation Bonds	\$ 6,214,278	\$ 4,996,274	\$ 1,144,648	\$ 10,065,904	\$ 854,648

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

	<u>9/30/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2017</u>	<u>Due Within One Year</u>
Certificates of Obligation					
\$8,000,000; Certificates of Obligation, Series 2009 due in semi-annual installments from 2/1/2011; 3.00% - 5.25% until 2/1/2029.	\$ 5,765,000	\$ -	\$ 5,040,000	\$ 725,000	\$ 355,000
Series 2009 unamortized bond premium	104,883	-	92,257	12,626	6,641
\$4,890,000; Certificates of Obligation, Series 2012 due in semi-annual installments from 2/1/2013; 2.00% - 3.50% until 2/1/2032.	4,115,000	-	200,000	3,915,000	205,000
Series 2012 unamortized premium	53,037	-	8,164	44,873	8,164
\$2,970,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 due in annual installments from 2/1/17; 2.00% - 3.00% until 2/1/2025.	2,970,000	-	70,000	2,900,000	100,000
Series 2016 unamortized premium	72,668	-	3,633	69,035	3,633
Total Certificates of Obligation	<u>\$ 13,080,588</u>	<u>\$ -</u>	<u>\$ 5,414,054</u>	<u>\$ 7,666,534</u>	<u>\$ 678,438</u>
Revenue Bonds					
\$2,180,000; Sales Tax Revenue Bonds, Taxable Series 2016 due in annual installments from 8/1/17; 3.00% - 5.00% until 8/1/2031.	2,180,000	-	50,000	2,130,000	120,000
Series 2016 unamortized premium	152,089	-	10,139	141,950	10,139
Total Revenue Bonds	<u>\$ 2,332,089</u>	<u>\$ -</u>	<u>\$ 60,139</u>	<u>\$ 2,271,950</u>	<u>\$ 130,139</u>
Capital Leases Payable					
\$957,493 Lease payable to Motorola Credit Corp in 5 annual payments of \$204,475 including interest at 3.39%. Secured by radio equipment.	197,770	-	197,770	-	-
Total Capital Leases	<u>\$ 197,770</u>	<u>\$ -</u>	<u>\$ 197,770</u>	<u>\$ -</u>	<u>\$ -</u>
Net pension liability	<u>\$ 2,392,573</u>	<u>\$ -</u>	<u>\$ 71,221</u>	<u>\$ 2,321,352</u>	<u>\$ -</u>
Compensated absences	<u>\$ 335,813</u>	<u>\$ 332,692</u>	<u>\$ 290,435</u>	<u>\$ 378,070</u>	<u>\$ 272,210</u>
Total Governmental Activities	<u>\$ 24,553,111</u>	<u>\$ 5,328,966</u>	<u>\$ 7,178,267</u>	<u>\$ 22,703,810</u>	<u>\$ 1,935,435</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

The aggregate debt service payments to maturity of the governmental activities general obligation bonds, certificates of obligation bonds and sales tax revenue bonds are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		<u>Sales Tax Revenue Bonds</u>		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 835,000	\$ 290,108	\$ 660,000	\$ 215,250	\$ 120,000	\$ 89,250	\$ 2,209,608
2019	740,000	232,543	710,000	192,200	125,000	85,650	2,085,393
2020	1,135,000	207,008	350,000	175,725	125,000	81,900	2,074,633
2021	1,045,000	177,465	355,000	165,800	130,000	78,150	1,951,415
2022	1,070,000	149,526	365,000	155,000	135,000	74,250	1,948,776
2023 - 2027	3,705,000	387,570	2,025,000	586,525	755,000	286,250	7,745,345
2028 - 2032	1,065,000	32,175	2,355,000	254,248	740,000	95,000	4,541,423
2033 - 2036	-	-	720,000	29,828	-	-	749,828
Total debt service requirements	9,595,000	1,476,395	7,540,000	1,774,576	2,130,000	790,450	23,306,421
Add: Unamortized premium	470,904	-	126,534	-	141,950	-	739,388
	<u>\$ 10,065,904</u>	<u>\$ 1,476,395</u>	<u>\$ 7,666,534</u>	<u>\$ 1,774,576</u>	<u>\$ 2,271,950</u>	<u>\$ 790,450</u>	<u>\$ 24,045,809</u>

NOTE 9: BUSINESS-TYPE LONG-TERM DEBT

	<u>9/30/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2017</u>	<u>Due Within One Year</u>
General Obligation Bonds					
\$1,025,000; General Obligation Refunding Bonds, Series 2005 due in semi-annual installments from 2/1/2005; 3.92% until 2/1/2020.	\$ 200,000	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
\$1,945,000; General Obligation Refunding Bonds, Series 2012A; due in semi-annual installments from 2/1/2014; 2.00% 3.00% until 2/1/2023.	1,435,000	-	180,000	1,255,000	190,000
Series 2012A unamortized bond premium	111,668	-	12,408	99,260	12,408
\$1,800,000; General Obligation Refunding Bonds, Series 2017, due in semi-annual installments from 2/1/2018; 3.00% until 2/1/2029.	-	1,800,000	-	1,800,000	-
Series 2017 unamortized bond premium	-	95,311	1,970	93,341	1,970
Total General Obligation Bonds	<u>\$ 1,746,668</u>	<u>\$ 1,895,311</u>	<u>\$ 294,378</u>	<u>\$ 3,347,601</u>	<u>\$ 304,378</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 9: BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (Continued)

	<u>9/30/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2017</u>	<u>Due Within One Year</u>
Certificates of Obligation					
\$3,000,000; Certificates of Obligation, Series 2009 due in semi-annual installments from 2/1/2011; 3.00% - 5.25% until 2/1/2029.	\$ 2,135,000	\$ -	\$ 1,870,000	\$ 265,000	\$ 130,000
Series 2009 unamortized bond premium	39,331	-	34,597	4,734	2,491
\$2,500,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 due in annual installments from 2/1/2012; 2.00% - 4.50% until 2/1/2029.	1,945,000	-	125,000	1,820,000	130,000
Series 2011 unamortized premium	59,707	-	3,732	55,975	3,732
\$2,965,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 due in annual installments from 2/1/17; 2.00% - 3.00% until 2/1/2025.	2,965,000	-	25,000	2,940,000	25,000
Series 2016 unamortized premium	72,668	-	3,633	69,035	3,633
Total Certificates of Obligation	<u>\$ 7,216,706</u>	<u>\$ -</u>	<u>\$ 2,061,962</u>	<u>\$ 5,154,744</u>	<u>\$ 294,856</u>
Net pension liability	<u>\$ 248,856</u>	<u>\$ -</u>	<u>\$ 7,994</u>	<u>\$ 240,862</u>	<u>\$ -</u>
Compensated absences	<u>\$ 35,405</u>	<u>\$ 21,450</u>	<u>\$ 29,836</u>	<u>\$ 27,019</u>	<u>\$ 19,454</u>
Total Business-Type Activities	<u>\$ 9,247,635</u>	<u>\$ 1,916,761</u>	<u>\$ 2,394,170</u>	<u>\$ 8,770,226</u>	<u>\$ 618,688</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 9: BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (Continued)

The aggregate debt service requirements to maturity for business-type activities general obligation bonds and certificates of obligation outstanding as of September 30, 2017, are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		Total
	Principal	Interest	Principal	Interest	
2018	\$ 290,000	\$ 105,416	\$ 285,000	\$ 147,653	\$ 828,069
2019	215,000	83,650	390,000	137,103	825,753
2020	360,000	75,025	265,000	127,784	827,809
2021	370,000	64,075	270,000	119,753	823,828
2022	385,000	52,750	275,000	110,590	823,340
2023 - 2027	1,135,000	136,213	1,395,000	412,236	3,078,449
2028 - 2032	400,000	12,000	1,430,000	172,893	2,014,893
2033 - 2036	-	-	715,000	29,674	744,674
Total debt service requirements	3,155,000	529,129	5,025,000	1,257,686	9,966,815
Add: Unamortized premium	192,601	-	129,744	-	322,345
	<u>\$ 3,347,601</u>	<u>\$ 529,129</u>	<u>\$ 5,154,744</u>	<u>\$ 1,257,686</u>	<u>\$10,289,160</u>

The various bond ordinances contain a number of limitations and restrictions. Management believes the City is in compliance with all significant limitation and restrictions at September 30, 2017.

NOTE 10: RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League and participates in the Intergovernmental Risk Pool insurance coverage and are 100% covered through third-party insurance policies. The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with not reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 11: DEFINED BENEFIT PENSION PLANS

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 agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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 plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2017</u>
Employee deposit rate	6%
Matching ratio (city to employee)	2-1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

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

Active employees	110
Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	73
	230

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 contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.26% and 10.76% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were \$595,975, 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 Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates were projected on a fully generational basis by scale BB to account to future mortality improvements. For disable annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

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 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 emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Assest Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	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%
Total	<u>100.00%</u>	

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate

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

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/15	\$ 16,071,820	\$ 13,430,471	\$ 2,641,349
Changes for the year:			
Service cost	761,876	-	761,876
Interest	1,094,661	-	1,094,661
Changes in net benefit terms	-	-	-
Difference between expected and actual experience	(171,608)	-	(171,608)
Change of assumptions	-	-	-
Contributions - employer	-	547,783	(547,783)
Contributions - employee	-	320,340	(320,340)
Net investment income	-	906,744	(906,744)
Benefit payments, including refunds of employee contributions	(471,107)	(471,107)	-
Administrative expense	-	(10,251)	10,251
Other changes	-	(552)	552
Net changes	<u>1,213,822</u>	<u>1,292,957</u>	<u>(79,135)</u>
Balance at 12/31/16	<u>\$ 17,285,642</u>	<u>\$ 14,723,428</u>	<u>\$ 2,562,214</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$5,379,701	\$2,562,214	\$291,601

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

Pension Plan Fiduciary Net Position

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

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 \$799,660.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 116,211	\$ 270,907
Difference in assumption changes	13,184	-
Difference in projected and actual earnings	596,463	150
Contributions subsequent to the measurement date	435,243	-
Total	\$ 1,161,101	\$ 271,057

\$435,243 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2017	\$	159,217
2018		159,218
2019		161,025
2020		(24,659)
2021		-
Thereafter		-
	\$	454,801

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

Supplemental Death Benefits Fund

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.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS continued

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 postemployment benefit” or OPEB.

Your city offers supplemental death to:	Plan Year 2016	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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.

The City’s contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$7,856, \$6,823 and \$6,835, respectively, which equaled the required contributions each year.

NOTE 13: CONTINGENT LIABILITIES

Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

These programs are governed by various statutory rules and regulations of grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City’s administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 13: CONTINGENT LIABILITIES continued

Litigation

Various claims and lawsuits are pending against the City. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City management and legal counsel that the potential loss on all claims will be covered by the City's insurance policy or will not have a material adverse effect on the financial condition of the City.

NOTE 14: CONTRACTS AND COMMITMENTS

A. Water and Sewer Contracts

The City has separate contracts with the City of Fort Worth, Texas for the purchase of treated water and for the treatment of wastewater, which expire in 2031 and 2017, respectively. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Purchases during 2017 of treated water were \$1,639,813 and for the treatment of wastewater were \$902,203.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 29, 2018, which is the date the financial statements were available to be issued.

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* replaces the requirements of Statements No. 45 and No. 57 for accounting and financial reporting of postemployment benefits other than pensions. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the effect these statements will have on its financial reporting.

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