HTSContinuingDisclosureServices
A Division of Hilltop Securities.
(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated September 10, 2018

Ratings:
S&P: "AAA"
Fitch: "AAA"
See "OTHER INFORMATION-Ratings"

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes, and the Bonds are not "private activity bonds." See "TAX MATTERS" herein.

THE BONDS **HAVE NOT** BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$7,270,000
CITY OF LEWISVILLE, TEXAS
(Denton and Dallas Counties, Texas)
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2018

Dated Date: September 1, 2018 **Due: February 15, as shown on Page 2**
Interest to accrue from Date of Delivery

PAYMENT TERMS . . . Interest on the $7,270,000 City of Lewisville, Texas, Waterworks and Sewer System Revenue Bonds, Series 2018 (the "Bonds"), will accrue from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery"), will be payable on February 15 and August 15 of each year commencing February 15, 2019, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System". The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the general laws of the State of Texas (the "State"), particularly Chapter 1502, Texas Government Code, as amended, and an ordinance (the "Ordinance") passed by the City Council and, together with outstanding parity revenue bonds (the "Previously Issued Bonds") and any additional parity revenue bonds (the "Additional Bonds"), are special obligations of the City of Lewisville, Texas (the "City"), payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the City's Waterworks and Sewer System (the "System"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring and installing improvements, additions and extensions to the City's waterworks and sewer system and (ii) paying the costs of issuing the Bonds.

CUSIP PREFIX: 528835

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on October 10, 2018.

CUSIP Prefix: 528835 [(1)]

MATURITY SCHEDULE

15-Feb Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[(1)]
2019	$ 400,000	4.000%	1.750%	2P5
2020	375,000	4.000%	1.800%	2Q3
2021	390,000	4.000%	1.900%	2R1
2022	405,000	4.000%	2.000%	2S9
2023	420,000	4.000%	2.100%	2T7
2024	440,000	4.000%	2.270%	2U4
2025	455,000	4.000%	2.380%	2V2
2026	475,000	4.000%	2.490%	2W0
2027	495,000	4.000%	2.580%	2X8
2028	515,000	4.000%	2.660%	2Y6
2029	535,000	4.000%	2.770% [(2)]	2Z3
2030	555,000	4.000%	2.900% [(2)]	3A7
2031	580,000	4.000%	3.000% [(2)]	3B5
2032	605,000	4.000%	3.100% [(2)]	3C3
2033	625,000	4.000%	3.180% [(2)]	3D1

(Interest to accrue from the Date of Delivery)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, S&P Capital IQ 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. Neither the City, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield shown is yield to first call date, February 15, 2028.

OPTIONAL REDEMPTION OPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

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

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

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

Neither the City, nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Lewisville, Texas (the "City"), is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Denton and Dallas Counties, Texas. The City encompasses approximately 43 square miles (see "INTRODUCTION - Description of the City").

THE BONDS .... The Bonds are issued as $7,270,000 Waterworks and Sewer System Revenue Bonds, Series 2018. The Bonds are being issued as serial bonds maturing on February 15 in the years 2019 through 2033 (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery") and is payable February 15, 2019 and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS - Optional Redemption").

AUTHORITY FOR ISSUANCE.......... The Bonds are issued pursuant to the general laws of the State, including particularly Chapter 1502, Texas Government Code, as amended and an Ordinance passed by the City Council of the City (see "THE BONDS - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds, together with the previously issued parity bonds (the "Previously Issued Bonds") and any additional bonds (the "Additional Bonds"), constitute special obligations of the City, payable, both as to principal and interest, solely from and secured by a lien on and pledge of the net revenues of the City's Waterworks and Sewer System. **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

TAX EXEMPTION........................... In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes, and the Bonds are not "private activity bonds." See "TAX MATTERS".

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring and installing improvements, additions and extensions to the System and (ii) paying the costs of issuing the Bonds.

RATINGS .... The Bonds and the presently outstanding waterworks and sewer system revenue debt of the City are rated "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "AAA" by Fitch Ratings ("Fitch"), without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

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

PAYMENT RECORD .... The City has never defaulted in payment of its bonds.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population(1)	Water Volume (Thousand Gallons) Average Day	Peak Day	Annual Total	Net Revenue Available For Debt Service	Maximum Debt Service Requirements	Coverage of Maximum Debt Service Requirements
2013	97,860	15,110	24,009	5,515,330	$14,743,214	$ 6,113,056	2.41x
2014	98,330	13,037	23,480	4,758,351	12,458,533	5,748,976	2.17x
2015	99,480	13,050	25,474	4,741,371	13,724,702	6,277,460	2.19x
2016	100,400	14,040	25,846	5,139,109	15,768,293	7,178,754	2.20x
2017	103,640	13,740	23,186	5,586,583	14,194,468	7,178,754	1.98x

(1) Source: City Officials.

For additional information regarding the City, please contact:

Brenda Martin
Director of Finance
City of Lewisville
151 W. Church Street
Lewisville, Texas 75057
(972) 219-3775

or

W. Boyd London, Jr.
Jason L. Hughes
Hilltop Securities Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
(214) 953-4000

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Rudy Durham Mayor	24 Years	May, 2021	Chief Appraiser Denton Central Appraisal District
Brandon Jones Mayor Pro-Tem	2 Years	May, 2019	Senior Internal Auditor Dallas Independent School District
Bob Troyer Deputy Mayor Pro-Tem	1 Year	May, 2020	Director of Customer Projects Autosig Systems
T.J. Gilmore Councilmember	7 Years	May, 2020	Public Sector Manager Waste Management
R. Neil Ferguson Councilmember	6 Years	May, 2021	Technology Consultant
Brent Daniels Councilmember	3 Years	May, 2019	Owner Bahama Buck's

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Donna Barron	City Manager	28 Years
Eric Ferris	Deputy City Manager	32 Years
Melinda Galler	Assistant City Manager	30 Years
Claire Swann	Assistant City Manager	2 Years
Brenda Martin	Director of Finance	13 Years
Julie Worster	City Secretary	19 Years
Lizbeth Plaster	City Attorney	13 Years
Gina Thompson	Director of Budget and Strategic Services	18 Years
Nika Reinecke	Director of Economic Development	11 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Auditors .... Weaver and Tidwell, LLP
Dallas, Texas

Bond Counsel .... Bracewell LLP
Dallas, Texas

Financial Advisor .... Hilltop Securities Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$7,270,000
CITY OF LEWISVILLE, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2018

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $7,270,000 City of Lewisville, Texas, Waterworks and Sewer System Revenue Bonds, Series 2018 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the "Ordinance") authorizing the issuance of the Bonds (see "SELECTED PROVISIONS OF THE ORDINANCE").

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

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 the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION – Forward-Looking Statements Disclaimer").

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State and the City's Home Rule Charter. The City was incorporated in 1925, and first adopted its Home Rule Charter in 1963; its Home Rule Charter was last amended in 2017. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers elected for three-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, tourism and general administrative services. The 2010 Census population for the City was 95,290; the estimated 2018 population is 105,000. The City encompasses approximately 43 square miles.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 1, 2018, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2019, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the City and, together with certain outstanding revenue bonds of the City (the "Previously Issued Bonds") and any additional parity bonds (the "Additional Bonds") which may be issued in the future, payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the System. The Ordinance defines Net Revenues as the gross revenues of the System less Maintenance and Operating expenses. The Net Revenues are pledged to the payment of the Bonds, the Previously Issued Bonds and any Additional Bonds (collectively, "Bonds Similarly Secured"). See "SELECTED PROVISIONS OF THE ORDINANCE."

The City has outstanding Previously Issued Bonds secured by and payable from Net Revenues on parity with the Bonds, as follows:

Dated Date	Outstanding Debt[(1)]	Issue Description
6/1/2009	$ 760,000	Waterworks and Sewer System Revenue Bonds, Series 2009
4/1/2011	5,860,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2011
5/15/2012	3,060,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2012
5/15/2013	3,830,000	Waterworks and Sewer System Revenue Bonds, Series 2013
7/15/2015	8,675,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2015
6/1/2016	10,235,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2016
1/15/2017	10,245,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2017
	$ 42,665,000	

(1) As of July 10, 2018. Excludes the Bonds.

The Bonds are not a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City.

RESERVE FUND . . . As additional security, a Reserve Fund is required to be maintained in an amount at least equal to the average annual debt service requirements of the outstanding Previously Issued Bonds, the Bonds and any Additional Bonds issued on a parity with the Bonds. Any additional amount required to be accumulated in the Reserve Fund by reason of the issuance of the Bonds will be funded over a sixty month period in accordance with the provisions of the Ordinance. The Reserve Fund may be funded in the amount of the Required Reserve by deposit of a Reserve Fund Surety Bond sufficient to provide such portion of the Required Reserve (see "SELECTED PROVISIONS OF THE ORDINANCE").

RATES . . . The City has covenanted in the Ordinance that it will at all times charge and collect amounts for services rendered by the System at rates sufficient to pay all operating, maintenance, replacement and improvement expenses, and any other costs deductible in determining Net Revenues, to pay interest on and the principal of the Bonds Similarly Secured (as defined in the Ordinance), to produce Net Revenues equal to at least 1.10 times the annual Debt Service for the Fiscal Year on the Outstanding Bonds Similarly Secured, and to pay all other indebtedness payable from the Net Revenues and/or secured by a lien on the properties or the revenues of the System.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar, or DTC while the Bonds are in Book-Entry-Only form), shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. In the Ordinance, the City reserves the right, in the case of an optional redemption, to give notice of its election to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available, in part or in whole, on or before the redemption date shall not constitute an Event of Default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. SUBJECT TO THE RIGHT OF THE CITY TO GIVE A CONDITIONAL NOTICE OF REDEMPTION AS DESCRIBED IN THE IMMEDIATELY PRECEDING PARAGRAPH, NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current State law, such discharge may be accomplished by either (i) depositing with the Paying Agent/Registrar or any other lawfully authorized entity a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient, together with the investment earnings thereon, to provide for the payment and/or redemption of the Bonds; provided, that under current law, such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in Book-Entry-Only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

Under current State law, upon such deposit as described above, the Bonds shall no longer be regarded to be outstanding for any purpose other than the payment thereof. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

ADDITIONAL BONDS . . . The City may issue Additional Bonds payable from the Net Revenues which, together with the Previously Issued Bonds and the Bonds, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System, subject, however, to complying with certain conditions in the Ordinance. See "SELECTED PROVISIONS OF THE ORDINANCE" for terms and conditions to be satisfied for the issuance of Additional Bonds.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but 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 Bonds, 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 Bonds), or redemption, or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds 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 security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds 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 the 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 Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Bonds 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 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued, printed certificates will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "Transfer, Exchange and Registration" below.

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

PAYMENT . . . Principal of the Bonds at stated maturity or earlier redemption will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "Record Date for Interest Payment" herein), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed bond certificates shall be delivered to the Owners and thereafter, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond 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.

BONDHOLDERS' REMEDIES . . . The Ordinance authorizing the issuance of the Bonds establishes the following Events of Default with respect to the Bonds: (i) defaults in payments to be made to the Bond Fund and Reserve Fund as required by the Ordinance or (ii) defaults in the observance or performance of any other of the convenants, conditions or obligations set forth in the Ordinance. Upon any happening of any Event of Default and except as otherwise provided in the Ordinance, any Owner or an authorized representative, thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained in the Ordinance, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners under the Ordinance or any combination of such remedies. The Ordinance allows, but does not provide for a trustee to enforce the covenants and obligations of the City. **Upon an event of default under the Ordinance, in no event will registered owners have the right to have the maturity of the Bonds accelerated as a remedy.** The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinance would be successful.

The Texas Supreme Court ruled in *Tooke v. City of Mexia,* 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code (“Chapter 1371”), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Bonds.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("*Chapter 9*"). Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the pledged Net Revenues, such provisions are subject to judicial construction. 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 the rights of holders of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

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

Principal Amount of Bonds	$ 7,270,000.00
Cash Premium	517,847.92
TOTAL SOURCES	$ 7,787,847.92
Deposit to Construction Fund	$ 7,680,000.00
Costs of Issuance	107,847.92
TOTAL USES	$ 7,787,847.92

THE SYSTEM

WATERWORKS SYSTEM

The City owns and operates a water treatment plant with a design capacity of 20.4 million gallons per day (MGD). The City obtains untreated surface water from Lewisville Lake under terms of a contract with the City of Dallas which was renewed for a 30-year term beginning in December 2016. Under the terms of the contract, the City takes as much water as needed from Lewisville Lake. Currently, the City pays $1.0225 per 1,000 gallons for untreated water.

The City also has a contract, which was renewed in May 2016, to purchase treated water from Dallas at a two-part rate of $280,458 per MGD per year demand fee and $0.4565 per 1,000 gallons volume rate. The City is connected to three transmission mains developed for service to neighboring cities of The Colony, Irving and Carrollton. The first delivery point provides a maximum of 12.4 MGD treated water to the City. The second delivery point from the City of Dallas was completed in June 2005 with a current capacity of 6 MGD and design capacity of 12 MGD. The third 15 MGD water supply from the City of Dallas was completed August 2012. The three treated water supplies along with the water treatment plant bring the City to a total current system capacity of 53.4 MGD.

The City also has an emergency reciprocal water connection with the City of Dallas to purchase water during system emergencies at a current flat rate of $2.2094.

The City is a supporting member of the Upper Trinity Regional Water District (the "District") and is a participating member and owner of the joint intake structure in Lewisville Lake. The City has not entered into any contracts with the District for the purchase of water, but may do so in the future.

The City intends to follow its capital improvement program which calls for the use of $11,075,446 from reserves and the issuance of $67,500,000 of bonds, inclusive of the current issue, for waterworks system improvements over the next five years.

TABLE 1 - HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year Ended 9/30	Average Day	Peak Day	Total Water Treated and Purchased
2013	15,110,000	24,009,000	5,515,330,000
2014	13,037,000	23,480,000	4,758,351,000
2015	13,050,000	25,474,000	4,741,371,000
2016	14,040,000	25,846,000	5,139,109,000
2017	13,740,000	23,186,000	5,586,583,000

TABLE 2 - TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)

Customer	Water Usage	% of Total Water Usage	Water Revenue	% of Total Water Revenue
Lewisville Independent School District	93,083,200	2.00%	$ 367,938	2.15%
RREF Chapel Hill LLC	62,418,400	1.34%	206,379	1.20%
YES Companies Exp	50,917,000	1.10%	169,570	0.99%
Bigelow Development Corporation	40,029,000	0.86%	130,202	0.76%
Mid America Apts LP	39,975,800	0.86%	130,809	0.76%
Digital Lewisville LLC	39,226,000	0.84%	138,863	0.81%
ICS Oaks of Lewisville LLC	35,287,000	0.76%	116,323	0.68%
LSREF3 Bravo (Dallas) LLC	35,140,900	0.76%	120,657	0.70%
Intergerman Westview Limited Partnership	27,413,600	0.59%	92,839	0.54%
Mar Vista Ridge LP	26,403,200	0.57%	86,202	0.50%
	449,894,100	9.68%	$ 1,559,782	9.09%

TABLE 3 - MONTHLY WATER RATES (EFFECTIVE 11/1/17)

The City rates are reviewed annually with updates implemented October 1 of each year, effective for billings mailed in November.

Residential and Commercial

First 2,000 gallons (Minimum bill varies with tap size):

Current Rates		Old Rates	
3/4" Meter	$ 15.67	3/4" Meter	$ 14.78
1" Meter	22.84	1" Meter	21.55
1 1/2" Meter	43.22	1 1/2" Meter	40.77
2" Meter	71.79	2" Meter	67.73
3" Meter	153.51	3" Meter	144.82
4" Meter	267.83	4" Meter	252.67
6" Meter	594.63	6" Meter	560.97
8" Meter	1,052.12	8" Meter	992.57
10" Meter	1,640.29	10" Meter	1,547.44
Volume charge per 1,000 gallons over minimum	$3.23/1,000 gallons	Volume charge per 1,000 gallons over minimum	$3.05/1,000 gallons

WASTEWATER SYSTEM . . . The City owns and operates a wastewater treatment plant and collection system. The wastewater treatment plant has a permitted flow of 12 MGD with a peak 2 hour flow of 45 MGD. The facility is a biological secondary treatment plant with average daily effluent flows of 8.269 MGD in fiscal year ended September 30, 2017.

TABLE 4 - WASTEWATER USAGE (GALLONS)

Fiscal Year Ended 9/30	Average Day (GPD)	Maximum Day (GPD)
2013	7,178,000	13,682,000
2014	7,676,000	13,407,000
2015	10,298,000	25,728,000
2016	11,119,000	28,901,000
2017	8,401,000	13,932,000

TABLE 5 – TEN LARGEST SEWER CUSTOMERS (BASED ON GALLONS)

Customer	Sewer Gallons	% of Total Sewer Gallons	Sewer Revenue	% of Total Sewer Revenue
RREF Chapel Hill LLC	55,322,000	1.95%	$ 201,303	1.78%
YES Companies Exp	50,917,000	1.79%	185,286	1.63%
Bigelow Development Corporation	40,029,000	1.41%	145,755	1.29%
ICS Oaks of Lewisville LLC	35,287,000	1.24%	128,746	1.14%
LSREF3 Bravo (Dallas), LLC	33,038,000	1.16%	120,290	1.06%
Mid America Apts LP	29,456,000	1.04%	107,251	0.95%
Lewisville Independent School District	28,466,100	1.00%	104,905	0.93%
Intergerman Catalina LP	23,499,900	0.83%	85,748	0.76%
Intergerman Westview LP	23,454,000	0.83%	85,474	0.75%
Alliance We LP/dba Winsor Court Apts	22,550,000	0.79%	81,997	0.72%
	342,019,000	12.04%	$ 1,246,755	11.01%

TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE 11/1/17)

Single Family Dwelling:

Current customers' rates shall be based upon the four month winter average of monthly water consumption billed in the most recent December, January, February and March for such dwelling and charged:

Monthly Minimum Bill (2,000 gallons)	$	9.49
Volume charge per 1,000 (over 2,000 gallons)	$	3.82

Non-Single Family Dwellings:

Rates shall be based upon on hundred percent of each month's water consumption and charged:

Monthly Minimum Bill (2,000 gallons)	$	9.49
Volume charge per 1,000 (over 2,000 gallons)	$	3.82

New Customers:

All new residential customers shall be charged a flat fee of $24.76 per month until the winter average can be established at the new dwelling.

All residential customers transferring their service to a new address in the City shall be charged based on their winter average at the prior service address until a new winter average is established at the new address.

Sewer Only Customers:

In instances where dwellings are not served by the City Waterworks System, the charge for services furnished by the City Sanitary Sewer Systems shall be a flat fee of $24.76 per dwelling unit per month.

Wholesale Sewer Customers:

Wholesale customers shall be charged per thousand gallons of metered usage as follows:

Denton Fresh Water Supply District 1-A:

Wholesale water sales:	
Maximum demand charge	$ 323,994
Monthly demand charge	26,999
Volume per 1,000 gallons	1.97
Sewer wholesale rate (volume per 1,000 gallons)	2.74

Industrial Surcharge:

The factors per 1,000 gallons for the industrial surcharge ordinance are $0.003595 per mgl of BOD and $0.003083 per mgl of TSS for industrial/commercial customers whose sewage strengths exceed the maximum allowance of 240 mgl.

Transported Liquid Waste:

The rate of sewage transported by vehicle from within the corporate limits of the City is $8.95 for the first 2,000 gallons. Points of collection are restricted to portable sanitary units and septic systems approved by the City. A volume charge of $3.60 per 1,000 gallons, in excess of 2,000 gallons, shall be in addition the basic rate charged. The City may refuse any waste if material is non-conforming with pretreatment standards as adopted by the City of Lewisville.

Treated Wastewater Effluent Rates:

Effluent customers shall be charged the posted price for wholesale interruptible raw water offered by the City of Dallas.

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DEBT INFORMATION

TABLE 7 - WATERWORKS AND SEWER SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service			The Bonds [1]			Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2018	$ 5,465,000	$ 1,713,754	$ 7,178,754	$ -	$ -	$ -	$ 7,178,754	
2019	4,370,000	1,554,198	5,924,198	400,000	238,372	638,372	6,562,570	
2020	4,110,000	1,414,041	5,524,041	375,000	267,300	642,300	6,166,341	
2021	4,265,000	1,267,691	5,532,691	390,000	252,000	642,000	6,174,691	
2022	4,100,000	1,115,779	5,215,779	405,000	236,100	641,100	5,856,879	43.10%
2023	3,940,000	945,073	4,885,073	420,000	219,600	639,600	5,524,673	
2024	4,115,000	768,191	4,883,191	440,000	202,400	642,400	5,525,591	
2025	3,540,000	602,816	4,142,816	455,000	184,500	639,500	4,782,316	
2026	2,715,000	471,535	3,186,535	475,000	165,900	640,900	3,827,435	
2027	2,820,000	362,785	3,182,785	495,000	146,500	641,500	3,824,285	78.15%
2028	2,150,000	271,444	2,421,444	515,000	126,300	641,300	3,062,744	
2029	1,920,000	196,023	2,116,023	535,000	105,300	640,300	2,756,323	
2030	1,540,000	133,085	1,673,085	555,000	83,500	638,500	2,311,585	
2031	1,600,000	78,607	1,678,607	580,000	60,800	640,800	2,319,407	
2032	1,020,000	32,460	1,052,460	605,000	37,100	642,100	1,694,560	98.04%
2033	460,000	7,130	467,130	625,000	12,500	637,500	1,104,630	100.00%
	$ 48,130,000	$ 10,934,611	$ 59,064,611	$ 7,270,000	$ 2,338,172	$ 9,608,172	$ 68,672,784	

(1) Average life of the Bonds is 8.040 years. Interest is calculated at an average rate for purposes of illustration only.

TABLE 8 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of July 10, 2018, the City has no authorized but unissued revenue debt. Under State law, the City is not required to obtain voter approval for water and sewer system revenue bonds.

ANTICIPATED ISSUANCE OF REVENUE BONDS . . . The City anticipates the issuance of additional Waterworks and Sewer System revenue bonds in the approximate amount of $10.38 million in the summer or fall of 2019.

PENSION PLAN . . . 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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. In addition, the report is available on TMRS' website at www.TMRS.com.

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

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

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

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

In addition, the City granted on annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

The City elected to increase the annuities (annuity increases) of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. The City has adopted annuity increases at the rate of 70% of the increase (if any) in the Consumer Price Index all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement Eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	75% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

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

Retirees or beneficiaries currently receiving benefits	363
Inactive employees entitled to but not yet receiving benefits	300
Active employees	743
	1,406

Contributions - Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting 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 of Lewisville were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2017, the City made contributions of 16.27% for the months in 2016 and 16.55% for the months in 2017 which were the actuarially 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.

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

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

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. This experience study 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. No additional changes were made for the 2016 valuation. After the Asset Allocation Study analysis and experience investigation study, the TMRS Board of Trustees amended the long-term expected rate of return on pension plan investments from 7% to 6.75% effective January 1, 2016.

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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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, the actuary 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 on 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:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
Domestic equity	17.50%	4.55%
International equities	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%
	100.00%	

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 contributions will remain at the current 7% 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 plan members. 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/15	$ 264,919,721	$ 216,842,185	$ 48,077,536
Changes for the year:			
Service cost	8,246,818	-	8,246,818
Interest	17,846,679	-	17,846,679
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,500,726)	-	(1,500,726)
Changes of assumptions	-	-	-
Contributions-employer	-	7,814,541	(7,814,541)
Contributions-employees	-	3,362,127	(3,362,127)
Net investment income	-	14,660,373	(14,660,373)
Benefit payments, including refunds of employee contributions	(9,295,778)	(9,295,778)	-
Administrative expense	-	(165,505)	165,505
Other changes	-	(8,918)	8,918
Net changes	15,296,993	16,366,840	(1,069,847)
Balance at 12/31/16	$ 280,216,714	$ 233,209,025	$ 47,007,689

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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Primary Government	$ 86,695,366	$ 46,572,813	$ 12,964,179
Component Unit	1,652,098	434,876	247,050

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 $10,623,841 related to the Primary Government. For the same period, the City recognized pension expense of $168,982 related to a component unit, Lewisville Parks and Library Development Corporation (LPLDC).

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

	Primary Government		LPLDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions after measurement date	$ 8,851,647	$ -	$ 140,794	$ -
Differences in expected and actual pension experience	-	3,076,756	-	41,235
Changes in actuarial assumptions used to determine pension liability	-	-	-	-
Differences in projected and actual earnings on pension assets	9,671,712	-	126,479	-
Total	$ 18,523,359	$ 3,076,756	$ 267,273	$ 41,235

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $8,992,441 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 (i.e. recognized in the city's financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31	
2017	$ 2,523,877
2018	2,523,875
2019	2,155,943
2020	(360,314)
2021	(163,181)
Total	$ 6,680,200

Subsequent Event - Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution due to this change. Accordingly, the City does not anticipate an impact that would deter from continuing to fund pension contributions at the annual required contribution rates in the coming years.

The City provides $15,000 in life insurance upon retirement for employees with ten years of service with the City of Lewisville. Prior to October 1, 2013, the City purchased fully paid life insurance policies upon retirement for eligible employees. Beginning October 1, 2013, the City began purchasing life insurance through the City's group life insurance vendor. Premiums are now paid monthly for the coverage at a rate of $1.35 per $1,000 of coverage or $20.25 per month. The City had 74 eligible retirees in fiscal year 2016-17 resulting in an annual expenditure of $15,228.

Lewisville OPEB Liability Trust Fund - The City established an irrevocable trust in 2008 for the systematic funding of post-employment health benefits as a single-employer, defined benefit plan. Plan assets may be used only for the payment or reimbursement of benefits provided to retirees, in accordance with the terms of the plan. The City Manager is the benefit administrator of the plan.

Plan Descriptions and Contribution Information - The City provides comprehensive group medical benefits for employees at retirement who meet the eligibility requirements for postretirement benefits. Eligibility requirements are (1) age 60 and 5 years of service with the City, or (2) 20 years of service with Texas Municipal Retirement System, the City's pension provider. Election must be made at time of retirement to remain in the plan. Continuation of coverage is subject to the payment of required contributions by participating retirees and dependents. The City contributes a fixed amount toward each retiree's monthly premium, based on the tenure with the City. The City's substantive plan places a zero percent (0%) cap on future contribution increases. The employee remains on the plan until age 65 when they are moved to a fully insured Medicare supplement plan. The City contributes a flat $50 per month toward the retiree's fully insured premium.

Management of trust is vested with the City's Investment Committee, which consists of the Director of Finance, Fiscal Services Manage, an assistant City Manager, and three other members designated by the City Manager.

At September 30, 2017, plan membership consisted of the following:

Number of retirees and beneficiaries receiving benefit	44
Active plan members	667

Investments – Investment Policy and Directive - The City has established an investment policy and directive for the OPEB plan assets. The policy may be amended by the City Council by a majority vote at any time. The directive is more detailed and may be amended by the City Manager at any time. The directive's stated objective is to achieve long-term growth of trust assets by maximizing long-term rates of return on investments and minimizing risk of loss to fulfill the City's current and long-term OPEB oblia6tions. An investment strategy is pursued that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the adopted asset allocation table as of September 30, 2017:

Asset Class	Range Allocation	Target Allocation
Growth Assets		
Domestic Equity	19-59%	39%
International Equity	1-41%	21%
Other (ex Real Estate)	0-20%	0%
Income Assets		
Fixed Income	20-60%	40%
Other	0-20%	0%
Real Return Assets	0-20%	0%
Cash Equivalents	0-20%	0%
		100%

Investments – Rate of Return – For the year ended September 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City – The components of the net OPEB liability of the City at September 30, 2017, were as follows:

Total OPEB liability	$ 4,587,050
Plan fiduciary net position	4,125,487
City's net OPEB liability	$ 461,563
Plan fiduciary net position as a percentage of the total OPEB liability	89.94%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of October 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation & Salary Increases	Not applicalbe as the City's future costs are set at fixed amounts
Investment Rate of Return	7.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	None assumed since the benefits provided are not subject to medical inflation

Mortality rates are based on the RP-2014 Total Dataset Mortality Table projected with Scale MP-2016.

The actuarial assumptions used in the October 1, 2016 valuation were based on the results of actual plan experience in recent years, as applicable.

The long-term expected rate of return on OPEB plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of returns by the target asset allocation percentage and by adding expected inflation.

Asset Class	Long-Term Expected Real Rate of Return
Growth Assets	
Domestic Equity	5.2%
International Equity	5.2%
Income Assets	
Fixed Income	3.8%

Discount Rate – The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that City future contributions will be made at rates equal to 60% of the annual benefit payments expected to be paid from the trust. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current discount rate:

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Net OPEB liability (asset)	$ 976,751	$ 461,563	$ 33,042

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates would not be applicable to the City's plan since the contribution amounts are set at a fixed rate and, therefore, not affected by healthcare cost increases.

The Lewisville OPEB Liability Trust Fund does not issue a separate financial report. Additional information can be found in the Required Supplement Information (RSI) and Financial (Fiduciary Statements) sections of the City's Comprehensive Annual Financial Report.

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FINANCIAL INFORMATION

TABLE 9 - CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Revenues:					
Waterworks Sales	$ 17,150,289	$ 16,859,348	$ 15,775,289	$ 15,752,392	$ 16,348,484
Sewer Sales	11,338,944	10,723,279	9,887,970	10,081,552	10,293,223
Tap Fees	13,030	17,545	38,996	46,392	30,825
Industrial Charges	98,818	97,694	145,890	158,819	177,368
Wholesale Water/Sewage Treatment	1,746,682	1,510,323	905,481	901,655	756,337
Reconnect and Sample Fees	219,002	231,982	199,201	223,960	191,714
Capital Recovery Fees	2,428,404	3,637,224	2,968,043	1,438,631	1,874,941
Miscellaneous / Other	48,006	45,150	(12,644)	19,195	203,572
Interest Revenues	464,858	361,953	372,587	173,481	120,530
Total Revenues	$ 33,508,033	$ 33,484,498	$ 30,280,813	$ 28,796,077	$ 29,996,994
Expenses:					
Cost of Sales and Services	$ 11,935,303	$ 10,925,017	$ 10,038,815	$ 8,380,338	$ 7,690,196
Administration	7,378,262	6,791,188	6,517,296	7,957,206	7,563,584
Total Expenses	$ 19,313,565	$ 17,716,205	$ 16,556,111	$ 16,337,544	$ 15,253,780
Net Available for Debt Service	$ 14,194,468	$ 15,768,293	$ 13,724,702	$ 12,458,533	$ 14,743,214
Water Customers	22,870	22,685	22,192	21,797	21,662
Sewer Customers	21,671	21,504	20,758	20,684	20,545

TABLE 10 - COVERAGE AND FUND BALANCES(1)

Average Annual Principal and Interest Requirements, 2018 - 2033	$	4,292,049
Coverage of Average Annual Requirements by 9/30/17 Net Available for Debt Service		3.307x
Maximum Principal and Interest Requirements, 2018	$	7,178,754
Coverage of Maximum Requirements by 9/30/17 Net Available for Debt Service		1.977x
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/17	$	48,130,000
Interest and Sinking Fund, 9/30/17	$	4,029,500
Utility Revenue Reserve Fund, 9/30/17	$	3,517,329

(1) Projected; includes the Bonds being offered herein.

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TABLE 11 - VALUE OF THE SYSTEM

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Waterworks and Sewer System	$333,606,708	$317,798,079	$284,961,846	$269,503,994	$262,826,367
Building and Land	5,294,746	4,309,184	4,309,184	4,265,104	4,265,104
Machinery and Equipment	5,231,865	4,779,146	4,779,146	4,538,871	4,561,671
Construction in Progress	6,034,397	11,174,230	25,052,147	25,662,714	12,904,268
Total Value	$350,167,716	$338,060,639	$319,102,323	$303,970,683	$284,557,410
Less: Depreciation	108,750,959	101,974,561	95,660,128	89,376,654	83,491,668
Net System Value	$241,416,757	$236,086,078	$223,442,195	$214,594,029	$201,065,742

TABLE 12 - CITY'S EQUITY IN SYSTEM

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Resources:					
Net System Value	$241,416,757	$236,086,078	$223,442,195	$214,594,029	$201,065,742
Cash and Investments	69,429,389	68,201,072	66,539,467	62,517,888	73,960,770
Other Resources	7,441,336	7,179,228	5,698,313	4,615,046	5,179,480
Total Resources	$318,287,482	$311,466,378	$295,679,975	$281,726,963	$280,205,992
Obligations:					
Revenue Bonds Payable	$ 48,130,000	$ 46,880,000	$ 44,890,000	$ 41,650,000	$ 46,050,000
Other Obligations	16,370,280	15,719,145	14,076,634	10,641,789	10,518,959
Total Obligations	$ 64,500,280	$ 62,599,145	$ 58,966,634	$ 52,291,789	$ 56,568,959
City's Equity in System	$253,787,202	$248,867,233	$236,713,341	$229,435,174	$223,637,033
Percentage City's Equity in System	79.74%	79.90%	80.06%	81.44%	79.81%

CAPITAL IMPROVEMENT PROGRAM – REVENUE BOND PROJECTS

Project Name					
Water and Sewer Capital Improvement Projects	**FY 17/18**	**FY 18/19**	**FY 19/20**	**FY 20/21**	**FY 21/22**
	$ 7,680,000	$10,380,000	$12,180,000	$20,180,000	$17,080,000

FINANCIAL POLICIES

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

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

Fund Balances . . . The City Council has adopted a policy that the General Fund will maintain working capital resources at a minimum of 20% of operating expenditure budget and the City Manager is authorized by the governing body to establish other funds' reserve balances as operations dictate.

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

Budgetary Procedures . . . The City operates on an October through September fiscal year. Each year in July, the City Manager submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to the start of the fiscal year. If the Council fails to adopt a budget then the existing budget will continue to be in effect.

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

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State 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 is 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, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National credit Union Share Insurance Fund or its successor or (B) are invested through (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the City adopts or (ii) a depository institution with a main office or branch office in this state that the City selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the City' s account; and (b) the full amount of the principal and accrued interest of the banking deposits is insurance by the United States or an instrumentality of the United States; and (c) the City appoints as the City' s custodian of the banking deposits issued for the City' s account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2256.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; or (ii) where (a) the funds are invested by the City through (I) 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 City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (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 (6) 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 (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' 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, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said ordinance or resolution; (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (10) at least annually, review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 13 - CURRENT INVESTMENTS

As of June 30, 2018, the City's investable funds were invested in the following categories:

Description	Market Value	% of Portfolio	Book Value	% of Portfolio
TexPool	$ 21,682,989	9.26%	$ 21,682,989	9.17%
Governmental Securities	212,588,176	90.74%	214,767,522	90.83%
Total	$234,271,166	100.00%	$236,450,511	100.00%

SELECTED PROVISIONS OF THE ORDINANCE

Selected provisions of the Ordinance are set forth below. Reference is hereby made to the Ordinance as adopted by the City Council for the complete terms and provisions pertaining to the Bonds.

Section 1.01.Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance, the following terms shall have the meanings specified below:

"Additional Parity Bonds" means revenue bonds or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future in accordance with the terms and conditions provided in Section 9.01 of the Ordinance and which are equally and ratably secured by a first lien on and pledge of the Net Revenues.

"Average Annual Debt Service" means that amount which, at the time of computation, is derived by dividing the total amount of Debt Service to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

"Bond Fund" means the "City of Lewisville Interest and Sinking Revenue Bond Fund" described in Section 8.03 of this Ordinance.

"Bonds Similarly Secured" means, collectively, the Previously Issued Bonds, the Bonds and Additional Parity Bonds.

"Business Day" means any day which is not a Saturday, Sunday or legal holiday, or day on which banking institutions in the State of Texas or the city in which the Designated Payment/Transfer Office is located are generally authorized or obligated by law or executive order to close.

"Debt Service" means, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear, or would have borne, interest at the highest rate reached, or that would have been applied to such obligations (using the index or measure for computing interest applicable to such obligations) during the twenty-four (24) month period next preceding the date of computation, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

"Fiscal Year" or "Year" means the twelve month account period used by the City in connection with the operation of the System which may be any twelve consecutive month period established by the City.

"Fund" means any fund established pursuant to this Ordinance or any ordinance authorizing the issuance of Bonds Similarly Secured.

"Gross Revenues" means all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants in aid of construction) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established by the City for the payment and security of the Bonds Similarly Secured and other obligations payable solely from and secured only by a lien on and pledge of the Net Revenues.

"Interest Payment Date" means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being February 15 and August 15 of each year, commencing February 15, 2019.

"Maintenance and Operating Expenses" means all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining "Net Revenues." Depreciation charges shall not be considered Maintenance and Operating Expenses. Maintenance and Operating Expenses shall include payments under contracts for the purchase of water supply, treatment of sewage or other materials, goods, services or facilities for the System to the extent authorized by law and the provisions of such contracts.

"Net Earnings" means Gross Revenues of the System after deducting the Maintenance and Operating Expenses, but not depreciation charges or other expenditures which, under generally accepted accounting principles, should be treated as capital expenditures.

"Net Revenues" means the Gross Revenues, with respect to any period, after deducting Maintenance and Operating Expenses during such period.

"Outstanding" when used in this Ordinance, means, as of the date of determination, all Bonds Similarly Secured theretofore sold, issued and delivered by the City, except:

(i) those Bonds Similarly Secured canceled or delivered by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation in connection with the exchange or transfer of such obligations;

(ii) those Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions hereof; and

(iii) those Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof.

"Previously Issued Bonds" means the City's presently Outstanding and unpaid revenue bonds payable from and secured by a first lien on and pledge of the Net Revenues.

"Prior Ordinances" means the ordinances that authorized the issuance of the Previously Issued Bonds.

"Required Reserve" means the amount required to be accumulated and maintained in the Reserve Fund under the provisions of Section 8.04 of the Ordinance.

"Reserve Fund" means the "City of Lewisville Revenue Bond Reserve Fund," described in Section 8.04 of the Ordinance.

"System" means all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term "System" shall not mean or include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being special revenue obligations of the City which are not Bonds Similarly Secured but which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

"System Fund" means the "City of Lewisville Water and Sewer System Fund," described in Section 8.02 of the Ordinance.

Section 2.01. Pledge. The City hereby covenants and agrees that the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged, equally and ratably, to the payment and security of the Bonds Similarly Secured including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided, and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a first lien on the Net Revenues in accordance with the terms and provisions hereof and be valid and binding without further action by the City and without any filing or recording except for the filing of this Ordinance in the records of the City.

Section 2.02. Bonds Similarly Secured as Special Obligations. The Bonds Similarly Secured are special obligations of the City payable solely from the Net Revenues of the System, and the Owners thereof shall never have the right to demand payment thereof out of any other funds raised or to be raised by taxation.

Section 8.01. Special Funds. The City covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the establishment of the following special Funds is hereby confirmed and such Funds shall be maintained in an official depository bank of the City so long as any of the Bonds Similarly Secured are outstanding and unpaid, to-wit:

(a) "City of Lewisville Water and Sewer System Fund," herein called the "System Fund";

(b) "City of Lewisville Interest and Sinking Revenue Bond Fund," herein called the "Bond Fund"; and

(c) "City of Lewisville Revenue Bond Reserve Fund," herein called the "Reserve Fund."

Section 8.02. System Fund. The City hereby covenants and agrees that Gross Revenues of the System (excluding earnings and income derived from investments held in the Bond Fund and Reserve Fund) shall be deposited as collected to the credit of the System Fund maintained at an official depository of the City, and such revenues of the System shall be kept separate and apart from all other funds of the City. All revenues deposited in the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

(a) To the payment of all necessary and reasonable Maintenance and Operating Expenses or required by statute to be a first charge on and claim against the Gross Revenues thereof.

(b) To the payment of the amounts required to be deposited in the Bond Fund established and maintained for the payment of Debt Service on the Bonds Similarly Secured as the same becomes due and payable.

(c) To the payment of the amounts required to be deposited in the Reserve Fund to accumulate and maintain therein the Required Reserve in accordance with the provisions of this Ordinance or any other ordinance relating to the issuance of Bonds Similarly Secured.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Section 8.03. Bond Fund. For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured as the same becomes due and payable, the City agrees to maintain at a depository bank of the City the Bond Fund as a separate and special account. In addition to the deposits to the Bond Fund for the payment of the Previously Issued Bonds, the City covenants that there shall be deposited into the Bond Fund prior to each principal payment date and Interest Payment Date from the Net Revenues an amount equal to one hundred per centum (100%) of the amount required to fully pay the interest on and the principal of the Bonds then falling due and payable by reason of maturity or redemption, and such deposits to pay principal of and accrued interest on the Bonds shall be made in substantially equal monthly installments on or before the last day of each month, beginning on or before the last day of the month next following the delivery of the Bonds to the initial purchaser thereof. If the Net Revenues in any month are then insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Bond Fund and the Reserve Fund is equal to the amount required to fully pay and discharge all Outstanding Bonds Similarly Secured (principal and interest) or (ii) the Bonds are no longer Outstanding.

Accrued interest received from the Initial Purchaser, as well as any excess proceeds of the Bonds not required to complete the improvements and extensions to be made to the System and any earnings derived from the investment of moneys in the Bond Fund, shall be deposited to the credit of the Bond Fund and taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited in the Bond fund from the Net Revenues.

Section 8.04. Reserve Fund. For purposes of accumulating and maintaining funds as a reserve for the payment of the Bonds Similarly Secured, the City reaffirms its covenant with the owners of the Previously Issued Bonds and agrees with the Owners to maintain the Reserve Fund, and all funds deposited therein (excluding earnings and income derived or received from deposits or investments which may be transferred to the System Fund during such periods as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured when (whether at maturity, upon a mandatory redemption date or any interest payment date) other funds available for such purposes are insufficient, and, in addition, may be used to the extent not required to maintain the "Required Reserve," to pay, or provide for the payment of the final principal amount of a series of Bonds Similarly Secured so that such series of Bonds Similarly Secured is no longer deemed to be "Outstanding" as such term is defined herein.

In accordance with the provisions of the ordinances authorizing the issuance of the Previously Issued Bonds, the total amount ultimately required to be accumulated and maintained in the Reserve Fund is $3,846,114 (the "Old Reserve"). By reason of the issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be $4,099,602 (the "Required Reserve") which amount is hereby found to equal or exceed the Average Annual Debt Service for the Bonds and the Previously Issued Bonds (calculated on a Fiscal Year basis as of the date the Bonds are to be delivered). In addition to the monthly deposits currently being made to accumulate the Old Reserve, the City agrees that beginning on or before the last day of the month next following the month the Bonds are delivered to the initial purchasers and on or before the last day of each following month until the Required Reserve has been fully accumulated, there shall be deposited into the Reserve Fund from the Net Revenues an amount equal to at least 1/60th of the difference between the Required Reserve and the Old Reserve.

As and when Additional Parity Bonds are delivered or incurred, the Required Reserve shall be increased, if required, to an amount equal to not less than the Average Annual Debt Service (calculated on a Fiscal Year basis) for all Bonds Similarly Secured then Outstanding, as determined on the date each series of Additional Parity Bonds are delivered or incurred, as the case may be. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit in the Reserve Fund of all or any part thereof in cash immediately after the delivery of the then proposed Additional Parity Bonds, or, at the option of the City, by the deposit of monthly installments, made on or before the last day of each month following the month of delivery of the then proposed Additional Parity Bonds, of not less than 1/60th of the additional amount to be maintained in said Fund by reason of the issuance of the Additional Parity Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash).

When and so long as the cash and investments in the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve (other than as the result of the issuance of Additional Parity Bonds as provided in the preceding paragraph), the City covenants and agrees to cure the deficiency in the Required Reserve by resuming monthly deposits to said Fund from the Net Revenues; such monthly deposits to be in amounts equal to not less than 1/60th of the then total Required Reserve to be maintained in said Fund and to be made on or before the last day of each month until the total Required Reserve then to be maintained in said Fund has been fully restored. The City further covenants and agrees that, subject only to the payments to be made to the Bond Fund, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of Additional Parity Bonds.

During such time as the Reserve Fund contains the total Required Reserve, the City may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the System Fund.

Section 8.05. Deficiencies in Funds. If on any occasion there shall not be sufficient Net Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Net Revenues, or from any other sources available for such purpose.

Section 8.06. Excess Revenues. Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by this Ordinance, or any ordinance authorizing the issuance of Additional Parity Bonds, the excess Net Revenues may be used by the City for any lawful purpose.

Section 8.07. Security of Funds. All moneys on deposit in the funds referred to in this Article shall be secured in the manner and to the fullest extent required by the laws of the State for the security of public funds, and moneys on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

Section 8.08. Investment of Certain Funds. Money deposited to the credit of any Fund referenced in this Ordinance may, at the option of the City, be placed in time deposits or certificates of deposit secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or may be invested, including investments held in book-entry form, in direct obligations of the United States of America and obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by the full faith and credit or represent its general obligations; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within forty-five (45) days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within thirty (30) days of the date of passage of each ordinance authorizing the issuance of Additional Parity Bonds. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses shall be debited to, the Bond Fund. All interest and income derived from deposits and investments of the Reserve Fund shall, subject to the limitations provided in Section 8.04, be credited to and deposited in the System Fund. All such investments shall be sold promptly, when necessary, to prevent any default in connection with the Bonds.

Money deposited to the credit of any of the Funds referenced in this Ordinance, to the extent not invested, shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds.

Section 9.01. Additional Parity Bonds. Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the City reserves the right to issue, from time to time as needed, Additional Parity Bonds for any lawful purpose. Such Additional Parity Bonds may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(a) The Director of Finance of the City (or other officer of the City then having the primary responsibility for the financial affairs of the City) shall have executed a certificate stating (i) that, to the best of his or her knowledge or belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceedings relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues that would materially affect the security or payment of such obligations and (ii) either (A) payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (B) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(b) The Additional Parity Bonds shall be scheduled to mature or be payable as to principal on February 15 or August 15 (or both) in each year the same are to be outstanding or during the term thereof.

(c) The City has secured a certificate or opinion of a Certified Public Accountant to the effect that, according to the books and records of the City, the Net Earnings for the last completed Fiscal Year, or for twelve consecutive months out of the fifteen months, immediately preceding the month the ordinance authorizing the issuance of such Additional Parity Bonds is adopted, are at least equal to (i) 1.25 times the Average Annual Debt Service for all Outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Bonds then being issued and (ii) 1.10 times the maximum annual Debt Service payment to be paid in a Fiscal Year for the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Bonds then being issued. In making a determination of the Net Earnings, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the System for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

Section 9.02. Refunding Bonds. The City reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured (pursuant to any law then available) upon such terms and conditions as the City Council of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such Bonds Similarly Secured then outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Parity Bonds) in Section 9.01(c) shall be satisfied and the Accountant's certificate or opinion required in Section 9.01(c) shall give effect to the Debt Service of the proposed refunding bonds (and shall not give effect to the Debt Service of the Bonds Similarly Secured being refunded following their cancellation or provision being made for their payment).

Section 9.03. Obligations of Inferior Lien and Pledge. The City hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Net Revenues, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State.

Section 10.01. Payment of Bonds and Additional Parity Bonds. While any of the Bonds are Outstanding, the City's Director of Finance (or other designated financial officer of the City) shall cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the Business Day next preceding the date of payment for the Bonds.

Section 10.02. Rates. For the benefit of the Owners and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the Bonds are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

(a) To pay Maintenance and Operating Expenses, depreciation charges and replacement and betterment costs;

(b) To produce Net Revenues sufficient to pay the principal of and interest on the Bonds Similarly Secured and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Bonds Similarly Secured, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the Net Revenues;

(c) To produce Net Revenues equal to at least 1.10 times the annual Debt Service for the Fiscal Year on the Outstanding Bonds Similarly Secured; and

(d) To pay all other indebtedness payable from the Net Revenues and/or secured by a lien on the properties or the revenues of the System.

Section 10.03. Maintenance and Operation; Insurance. The City shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost. While any Bonds are Outstanding, the City agrees to maintain casualty and other insurance on the System of a kind and in an amount which usually would be carried by municipal corporations owning and operating similar properties. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than operation of the System, but nothing herein shall be construed as preventing the City from doing so.

Section 10.04. Records; Accounts; Accounting Reports. (a) The City hereby covenants and agrees that so long as any of the Bonds are Outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502, Texas Government Code, as amended. The Owners of any of the Bonds or any duly authorized agent or agents of such Owners shall have the right at all reasonable times to inspect such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

(i) A statement of the income and expenses of the System for such Fiscal Year;

(ii) A balance sheet for the System as of the end of such Fiscal Year;

(iii) A statement describing the sources and application of funds of the System for such Fiscal Year; and

(iv) Accountant's comment regarding the manner in which the City has carried out the requirements of this Ordinance and any other ordinance authorizing the issuance of Additional Parity Bonds and his recommendations for any changes or improvements in the operations, records or accounts of the System.

(b) Expenses incurred in making an annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, and, upon request, to the initial purchasers of the Bonds and subsequent Owners of any of said Bonds. The audits herein required shall be made within one hundred twenty (120) days following the close of each Fiscal Year insofar as is possible.

Section 10.05. Sale or Lease of Properties. The City, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair market value thereof, as determined by the City Council of the City, any property not necessary or required in the efficient operations of the System, or any equipment not necessary or useful in the operations thereof or which is obsolete, damaged or worn out or otherwise unsuitable for use in the operation of the System. The proceeds of any sale of properties of the System shall be deposited in the System Fund.

Section 10.06. Further Covenants. The City hereby further covenants and agrees as follows:

(a) It has the lawful power to pledge the Net Revenues to the payment of the Bonds to the extent provided herein and has lawfully exercised said power under the Constitution and laws of the State; that the Bonds, Previously Issued Bonds and Additional Parity Bonds shall be ratably secured under such pledge in such manner that one bond shall have preference over any other bond of said issues.

(b) The Net Revenues of the System have not been in any manner pledged or encumbered to the payment of any debt or obligation of the City or the System, save and except for the Previously Issued Bonds, the Bonds and with respect to revenues from the sale of water, the payments by the City to the Greater Lewisville Water Supply Corporation pursuant to the Water Supply System Sale-Purchase-Financing Agreement, dated as of April 20, 1972, together with all amendments thereto.

(c) No free service of the System shall be allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

(d) To the extent that it legally may and so long as any of the Bonds are Outstanding, no franchise shall be granted for the installation or operation of any waterworks or sewer system other than those owned by the City, and the operation of any such system by anyone other than this City if hereby prohibited.

(e) The City will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

Section 10.07. Amendments. (a) This Ordinance shall constitute a contract with the Owners from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains outstanding, except as permitted in this Section.

(b) The City may, without the consent of or notice to any Owners of Bonds, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners of any Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein.

(c) In addition, the City may, with the written consent of Owners of Bonds owning a majority in aggregate principal amount of the Bonds Similarly Secured then Outstanding and affected thereby, amend, add to or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of outstanding Bonds, no such amendment, addition or rescission shall (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds or Bonds Similarly Secured, as the case may be, required for consent to any such amendment, addition or rescission.

Section 11.01. Remedies in Event of Default. (a) In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (i) defaults in payments to be made to the Bond Fund and Reserve Fund as required by this Ordinance or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, each an "Event of Default,", the Owner of any Bond shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

(b) No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive. Notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

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TAX MATTERS

TAX EXEMPTION . . . In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report (the "Report") of Grant Thornton LLP, certified public accountants, regarding the mathematical accuracy of certain computations. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations or Report should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM . . . The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS . . . The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the caption "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations - Collateral Tax Consequences" and "-Tax Legislative Changes" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

TAX LEGISLATIVE CHANGES . . . Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Bonds, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org <http://www.emma.msrb.org/>.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information of the type described in Tables 1 through 13, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles appended to the Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "*SEC*").

The City's current fiscal year end is September 30. Accordingly, the City must provide its required information by the last day of March in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

CERTAIN EVENT NOTICES . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

For these purposes, any event described in the immediately preceding clause (12) 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 of business of the City.

AVAILABILITY OF INFORMATION . . . All information and documentation filings required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at www.emma.msrb.org.

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City entered into certain undertakings under SEC Rule 15c2-12 with respect to obligations issued by the City for the benefit of Lewisville Castle Hills Public Improvement District No. 5, Lewisville Castle Hills Public Improvement District No. 6 and Lewisville Castle Hills Public Improvement District No. 7 (collectively, the "Castle Hills Districts"). In those undertakings, the City undertook to provide financial and operating information relating to the Castle Hills Districts and the developer of the Castle Hills Districts that was provided to the City by the Castle Hills Districts. In 2015, the Castle Hills Districts failed to provide such financial and operating information to the City in time for the City to file such information with the EMMA system within the required time frame. Such information was subsequently filed approximately three months late.

The City and the Castle Hills Districts have engaged Hilltops Securities Inc. to provide continuing disclosure services related to debt issued for the benefit of the Castle Hills Districts.

OTHER INFORMATION

RATINGS

The Bonds and the presently outstanding waterworks and sewer system revenue debt of the City are rated "AAA" by S&P and "AAA" by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either of such rating companies, if in the judgment of any such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas

Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law. See “TAX MATTERS” herein. The form of Bond Counsel’s opinion is attached hereto as Appendix C. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement or Notice of Sale, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

FINANCIAL ADVISOR

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

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

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of SAMCO Capital Markets, Inc. (the “Initial Purchaser”) to purchase the Bonds at the prices shown on page 2 of the Official Statement. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish a certificate, executed by proper officers, acting in their official capacity, 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, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, 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 audited financial statements of the City.

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

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

/s/ RUDY DURHAM
Mayor
City of Lewisville, Texas

ATTEST:

/s/ JULIE WORSTER
City Secretary
City of Lewisville, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

The City of Lewisville was incorporated in 1925. The current charter was adopted in 1963 and amended as recently as 2017. Lewisville is a home-rule city and operates under the Council-Manager form of government. The City Council is comprised of the Mayor and five members and is responsible for enacting ordinances, resolutions and regulations governing the City. In addition, the City Council appoints the members of various boards and commissions, the City Manager, City Attorney, City Judge, and City Secretary. As chief administrative officer, the City Manager is responsible for implementing Council policies, overseeing municipal operation, and appointing and supervising the various department directors.

The City provides the full range of municipal services as authorized by statute or charter. This includes public safety (police and fire), streets, water and sewer utilities, sanitation, health and social services, parks and leisure services, public improvements, community development with planning and zoning, tourism and general administrative services.

The following list includes the major employers in the City:

Employer	Number of Employees	Percentage of Total City Employment
JP Morgan Chase	2,878	4.59%
Lewisville Independent School District (Lewisville employment only)	2,852	4.55%
Vista Ridge Mall (all outlets)	1,500	2.39%
Xerox Corporation	823	1.31%
Medical Center of Lewisville	815	1.30%
City of Lewisville	781	1.25%
Bed Bath & Beyond	700	1.12%
Wal-Mart (all City locations)	685	1.09%
TIAA-CREF	600	0.96%
SYSCO	563	0.90%
	12,197	19.46%

Source: City of Lewisville Economic Development and Budget Departments, Texas Workforce Commission and North Central Texas Council of Governments.

ECONOMIC CONDITIONS AND OUTLOOK

The City of Lewisville continues to experience positive annual population and new residential and commercial growth. Between the years 2000 to 2010, Lewisville's population increased by 22.6% from 77,737 to 95,290 per the official Census data of 2010. The current population estimate from North Central Texas Council of Governments (NCTCOG) is 105,000. Lewisville is located in Denton County which is one of the Top 20 fastest-growing counties in the U.S per the U. S. Census. The City has added a tremendous number of infill development and redevelopment projects that have aided in the rejuvenation of the City. Lewisville's makeup is unique because the community is largely developed with limited vacant land available. Estimates are for residential population to be approximately 140,000 (including extraterritorial jurisdiction) at the time of build-out around 2030. According to Transwestern Commercial Services, the Denton/Lewisville office market enjoyed one of the lowest vacancy rates in the DFW region at 9.4% in the 3rd Quarter in 2017. Industrial vacancy also came in very low at 6%.

Highlights include:

- Majestic Airport Center is a master-planned Industrial park with over 160 acres of land and more than 3 million square feet of Class A warehouse and distribution facilities. Kellogg relocated their southwest regional distribution facility to Majestic Airport Center in 2012, occupying 1 million square feet and creating 300 new jobs. Jafra Cosmetics, Cabin Innovations, Hagemeyer North America Inc., Sonexus Health, Essilor of America and Ranger Air Aviation currently occupy the development, taking advantage of the Foreign Trade Zones and Triple Freeport exemption in place. The most recent occupant, Bed, Bath and Beyond has their Texas E-Commerce facility occupying 780,000 square feet with over $100 million in real and business personal property investment and large projected sales tax generation since its opening in late 2016.

- Ferguson Enterprises relocated to Lewisville into a new 181,000 square foot regional warehouse and distribution facility at 514 Bennett Lane.

- Mortgage Contracting Services moved from Plano and now occupies a 120,000 square feet building that was vacated by Nationstar Mortgage bringing 500 employees to Lewisville.

- Norman Windows Fashion, a California company, expanded its operation to Texas, by purchasing a 400,000 square foot facility in Lewisville. They are the distributer of window blinds and drapes to major retailers such as Lowes and Home Depot.

- Hoya Optical completed its expansion in Lewisville adding 201 employees and investing $14,000,000 in their facility. The total number of employees at this location is now 440.

- Mary Kay Inc. research and manufacturing facility is well under construction. The new 480,000 square foot facility is scheduled to open in 2018. The company is projected to invest over $100 million dollars in land purchase, construction, business personal property and inventory as well as adding 600 jobs to the local economy.

- The hospitality industry is booming in Lewisville as several new hotels are under construction. A new 129-room La Quinta Inn & Suites was recently completed and at least four others are planned to open in 2018 including Home 2 Suites by Hilton, Candlewood Suites, TRU by Hilton, and ALOFT by Marriott.

- The Vista Ridge Mall was purchased by ICA Properties and renamed the Music City Mall. ICA is planning to attract new tenants and shoppers with live music and new retail venues.

- Other notable companies moving to Lewisville this year include:
    - Infinite Packaging & Printing—expansion (39,000 square feet)
    - STEM Academy of Lewisville (43,000 square feet)
    - MC2—trade show booth exhibit manufacturer (7,200 square feet)
    - Infinite Electronics (8,200 square feet)
    - Design Floors (12,000 square feet)

MAJOR INITIATIVES

Tax Increment Reinvestment Zone Number 1 - The City of Lewisville continues to revitalize Old Town Lewisville. The Old Town Tax Increment Reinvestment Zone was created in December 2001, with participation between the City and Denton County. The Zone will expire in 2028.

The Old Town Tax Increment Reinvestment Zone has experienced an incremental increase in taxable value of $145.7 million since inception. Tax increment revenues from the Zone are used to finance infrastructure improvements and public facilities to stimulate revitalization of Old Town. Projects to date include parking improvements, wayfinding, infrastructure needs studies, sidewalk enhancements, beautification projects, the Medical Center of Lewisville Grand Theater (MCL Grand Theater), and the Wayne Ferguson Plaza.

- Several new restaurants have opened in Old Town including Cavalli Pizza, Twisted Root Burger, Prohibition Chicken, PERC Coffeehouse, Domino’s Pizza, and Old Town Wine House.

- The Lewisville Feed Mill is being converted into a restaurant with over $2 million in renovations and improvements. The current building will be renovated but will preserve as much of the historical character as possible. The restaurant is scheduled to open in the spring of 2018.

- The Uptown Village Townhome community has completed 40 units and is in the process of proceeding with phase 3 of the development for a total of 73 units including a pool and clubhouse in this phase.

- South Village, a mixed-use project, including 4,000 square feet of office space/retail space and 63 new residential units is under construction.

- Walters Street Brownstones, with 19 residential units, is under construction.

Tax Increment Reinvestment Zone Number 2 - This zone was created in October 2008, with participation between the City and Denton County. This Zone started with a base value of $9 million and has added $129.5 million in incremental value. The Zone will expire in 2038.

- Tax increment revenues from the Zone are used to finance infrastructure improvements for a 427-acre mixed-use development. The development, also known as Hebron 121 Station, is at the northeast corner of Interstate Highway 35-East (I-35E) and State Highway 121 Tollway (SH 121). The project consists of urban residential, retail, recreation, and entertainment uses.
- The first three phases of the residential development have been completed and consist of 1,210 multi-family units within 4-story structures; the total number of residential units projected for the project at completion will be 1,875.
- Other features present within this zone is the Denton County Transit Authority (DCTA) A-Train Station and a connecting bridge over Timber Creek from the project to the I-35 frontage road.

Lewisville 2025 Plan - The Lewisville 2025 Vision Plan is the City's strategic plan that includes nine Big Moves guiding the development of the City of Lewisville over the next 10 years. The plan serves to set a vision for the future and provide a framework as Lewisville looks to celebrate its centennial in 2025. The plan was developed with more than a year of public input and discussion that garnered hundreds of ideas and suggestions. That input was studied extensively by the Lewisville 2025 Committee, working with City staff and professional consultants. After an extensive public involvement process, the plan was complete and adopted in July 2014. The resulting Lewisville 2025 plan sets a clear shared vision for the kind of community Lewisville hopes to be in 2025. The plan identifies nine Big Moves to make that vision a reality. Some of the major accomplishments this prior year are listed below:

- **Green Centerpiece** (Create and educate the public about unique destinations within the areas of the floodway, public land, and adjacent private lands.)
  - In regards to Lewisville Lake Environmental Learning Area (LLELA), the City continues to work with all stakeholders to plan for new programming and activities in LLELA.
  - The City received approval from Corps of Engineers to create two new nature trails at LLELA:
    - The Stewart Creek Trail, which is an extension of the Bittern Marsh trail, will become the eastern most trail in LLELA, and will extend into portions of the property the public has never been allowed.
    - The Wildflower Loop also will be on the east side of LLELA. It will include an observation platform for visitors to look over the entire prairie. When the roughly one-mile trail opens, it will be a guided-tour only trail.

- **Extending The Green** (Implement the City's adopted Trails Master Plan and to give Lewisville residents access to these systems within a reasonable walking distance of their neighborhoods.)
  - The City was selected by TxDOT to receive Green Ribbon funding for FM 407 (Aspen Drive to Summit Avenue) and SH 121 Business (E. Main Street to FM 544) Median Landscape Project. Improvements include native, low-impact landscape, hardscape and irrigation. The hardscape includes a Lewisville Gateway sign on both roadways.
  - The new I-35E bridge over Lewisville Lake completed the trail connection from Garden Ridge Boulevard to Denton.
  - The City joined the Trust for Public Land "10-minute to a Park" initiative, committing to increase community access to public parks and open spaces.

- **Sustainability** (Provide a framework for all areas of municipal operations and place emphasis on green initiatives while reducing demands on limited resources.)
  - City of Lewisville Fleet Division earned 2017 Outstanding Bronze Fleet Award presented by NCTCOG. The award recognizes efforts of emissions reduction, fuel reductions, promotion of clean fleet policies, and petroleum reduction goals.
  - The City reduced electricity consumption by 151,410 Kwh across all City facilities this past year. This was accomplished by installing more energy efficient mechanical and lighting components.
  - The City adopted an Idling Directive which limits employee's ability to leave City vehicles idling while working. The limitations will promote sustainability, but also save taxpayer money on gas and car maintenance.

- **Old Town** (Identify new and renovated residential, retail and commercial opportunities and to raise the profile of the City's historic Old Town by increasing activities and quality events.)
  - The City opened the Visitor Information Center (VIC) in September, located at 247 W. Main Street. Unique to the Lewisville VIC are three public museum rooms that highlight Lewisville's history—Deep Roots, Arts & Culture, and Fighting Farmers of Lewisville High School. The building also houses the Community Relations and Tourism Department, including the Special Events Division.
  - Five new restaurants opened in 2017 as mentioned earlier.
  - Valley Ridge Boulevard extension opened in October. The 1.6-mile extension provides a direct connection

between I-35E and SH 121 Business and reduces the amount of cut-through commuter and truck traffic in Old Town, making Old Town more pedestrian friendly, and minimizing traffic disruptions during major events.

- **Thriving Neighborhoods** (Create neighborhood-specific reinvestment strategies and to work with neighborhood groups to evaluate, identify and fund needed improvements.)
  - As part of the Property Enhancement Program, the City awarded residents more than $117,000 in reimbursement between July 2016 - September 2017.
  - Construction began on Fire Station #3 and Fire Station #8 in late 2017. Both stations are expected to open in late 2018.
  - LPD continued its premier Neighborhood Police Services program. In fiscal year 2016-17, in addition to regular duties, officers patrolled 61 neighborhoods, initiated 303 calls for service, traveled 2,065 miles, worked 310 additional hours, and patrolled 11 school zones and 14 athletic tournaments. Additionally, a popular program is an additional 48 man hours for Halloween evening patrol. Officers handed out over 3,000 LPD candy suckers to trick-or-treaters.

- **New Neighborhood Choices** (Create and encourage new residential choices such as upscale single-family homes, mixed-use complexes, and high-density housing close to the three DCTA stations.)
  - The Hebron 121 Station began construction on Phase 5 of the iconic complex along I-35E, adding 330 townhome and mansion style units, a fitness center, and another pool. Construction on Phase 6 is expected to begin in 2019.
  - The City issued more than 7,200 building-type permits. More than 250 were for new single-family home construction and more than 300 were for construction in Old Town.

- **Employment Centers** (Support the long-term success of these centers and promote a sense of pride between businesses and community services.)
  - Highlights of newly developed employment centers are detailed earlier in this letter.
  - Two Lewisville locations were submitted through the Dallas Regional Chamber's joint DFW regional bid as potential sites for Amazon's second headquarters building. One Lewisville site is still part of DFW's bid that made Amazon's top 10 list. It is expected there will be 50,000 jobs, paying an average of $100,000, at Amazon's HQ2. Amazon has not said when it will announce the winning location.

- **Identity Focal Point** (Create a strong graphic presence at the major gateways so Lewisville stands apart from other cities along I-35E.)
  - Zoning has been approved for two key parts of the Northern Gateway near Justin Road and McGee Lane. The goal is to create a mixed-use center of activity west of I-35E. Plans call for a mixed-use office complex, hotel, entertainment venue and retail outlets alongside single-family homes and high-density residential neighborhoods. A system of hike and bike trails and sidewalks will connect neighborhoods with other areas of the development.
  - Construction on Tower Bay Lofts, a resort-style luxury apartment development near Lewisville Lake, is expected to start in early 2018 and will provide a focal point in the City's Northern Gateway.

- **Marketing & Communications** (Strengthen the communications program within the City, enhance the message to residents, and better promote the people and businesses in the City.)
  - Construction started in November on eight gateway monument signs located at entry points into the City. Two additional signs are being built by the state as part of its Median Beautification Program.
  - Old Town Visitor Marketing Plan was completed in July 2017 with parts of the plan being implemented in August 2017. The plan is designed to grow the perception and reputation of Old Town as a desirable location to visit, eat, and shop.

Major Roadway Projects -
Substantial completion of the I-35E expansion occurred this year within Lewisville. The full project will widen the interstate from 10 to 16 lanes between I-635 and US Highway 380. The City worked with the State and the contractor to complete aesthetic improvements, utility relocation and signal installations along the corridor. The expansion includes free lanes, managed/tolled lanes, and additional new frontage lanes.

Corporate Drive, a $44 million roadway project, encompasses several segments from Waters Ridge to Trinity Drive. Segment 1 & 7 (Waters Ridge to Railroad Street and Josey to Trinity Drive is complete; Segment 6 from FM544 to Josey is complete with the exception of the Kansas City Southern railroad underpass. Segment 5, Holford's Prairie to Old Denton Road, is in the design stage and construction could begin in early 2019. Finally, Segments 2-4, Railroad Street to Holford's Prairie is in the early stages of design. The largest roadway project in the City's history is being funded with City, Denton County and Regional Toll Revenues (RTR).

Residential Growth - A significant number of new residential subdivisions are either underway or planned in Lewisville including a 156-acre annexation of land into the City for a master planned community. The new residential developments have a higher price point than existing residences and are estimated to be in $250,000 to $400,000 price range. These projects include:

PROJECT	LOCATION	RESIDENCE TYPE	PLANNED UNITS	STATUS/COMPLETED
Highpoint Oak Estates	Southwest corner of Vista Ridge Mall Drive & Denton Tap Road	Single family	85	72 units completed; 13 under construction
The Hills of Vista Ridge	Oakbend & Vista Ridge Mall Drive	Single-family	124	72 units completed; 52 units - Under Construction
Wyndale Meadows	East of FM 544 & south of SH 121	Single-family	105	77 units completed
Willowbrook	2698 Denton Tap Rd.	Single-family	75	Building permits issued for 26 homes
Vista Villas	2100 Vista Dr.	Single-family	46	Public improvements being installed
Archer Way	Moccasin Trail & Archer Way	Single-family	38	In plan review
Highland Terrace	NEC of Highland & Denton Tap	Single-family	32	In plan review
Great Lake Crossing	SWC McGee Ln & Daffodil Ln.	Single-family	30	Plans approved
Crescent Estates	Summit Lane south of College Parkway	Single-family	62	31 units completed; 31 under construction
Fireside Village	College Parkway and Summit Avenue	Single-family	33	Broke ground
Lakewood Hills	Josey Lane and Windhaven Parkway	Single-family	523	Broke ground
Legacy Pointe	N. Kealy	Single-family	97	Under construction- Phase 1--25 lots
South Village	Elm Street & Mill Street	Mixed Use	81	Under construction

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EDUCATION

The Lewisville Independent School District ("LISD") encompasses 13 communities and 127 square miles. LISD presently has 40 elementary schools, one early childhood center, 15 intermediate schools, five high schools, three ninth grade campuses, two ninth and tenth grade campuses, two career centers, one learning centers, a night high school, and a virtual learning academy. All LISD campuses received the "Met Standard" accountability rating by the Texas Education Agency in the areas of student achievement, student progress, closing performance gaps, and postsecondary readiness. Serving more than 53,000 students, LISD has experienced a period of rapid growth adding over 23,000 students within the last twenty years.

School Year	School Enrollment District Wide
2008-09	50,038
2009-10	50,664
2010-11	51,298
2011-12	51,782
2012-13	52,396
2013-14	52,696
2014-15	52,989
2015-16	53,400
2016-17	53,200
2017-18	52,462 (1)

(1) As of October 2017.

BUILDING PERMIT VALUES

Fiscal	Commercial		Residential		Other (2)	
Year	Number	Amount	Number	Amount	Number	Amount
2014	153	$ 49,608,616	229	$ 20,252,230	443	$ 2,421,327
2015	87	125,973,960	801	79,250,114	275	2,988,263
2016	35	73,887,615	379	114,348,948	777	74,378,555
2017	24	88,975,876	277	62,970,702	792	52,369,218
2018 (1)	20	43,183,606	234	64,019,209	423	26,500,232

(1) As of June 30, 2018.
(2) This section represents miscellaneous commercial and residential permits. Beginning in FY 2016, permits for building additions and alterations are included here along with other building permits such as swimming pools and fences.

APPENDIX B

EXCERPTS FROM THE

CITY OF LEWISVILLE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lewisville (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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL
WEAVER AND TIDWELL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
12221 MERIT DRIVE, SUITE 1400, DALLAS, TX 75251
P: 972.490.1970 F: 972.702.8321

The Honorable Mayor,
City Council, and City Manager
City of Lewisville, Texas

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, 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 and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 19-30) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The introductory section 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 it.

The Honorable Mayor,
City Council, and City Manager
City of Lewisville, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 27, 2018

LEWISVILLE

Deep Roots. Broad Wings. Bright Future.

This discussion and analysis of the City of Lewisville's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the accompanying transmittal letter and the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Lewisville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ending September 30, 2017 by $686,211,675 (net position). Of this amount, $55,639,532 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of Lewisville's total net position increased by $33,998,422 for the year ended September 30, 2017.

- As of September 30, 2017, the City of Lewisville's governmental funds reported combined ending fund balances of $131,523,762, an increase of $26,376,129 in comparison with the prior fiscal year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $38,970,279 or approximately 51.2 percent of total general fund expenditures.

- The City's total outstanding bonds increased by $3,870,000 during the current fiscal year. In 2017, the City issued $14,365,000 of General Obligation Bonds and $11,025,000 of Waterworks and Sewer System Revenue Refunding and Improvement Bonds. These proceeds, with a portion of available debt service funds, were used to pay off $5,045,000 of revenue bonds. The addition of $14,365,000 of General Obligation bonds and $5,980,000 of Waterworks and Sewer System Improvement bonds was offset by amortization payments on existing debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Lewisville's finances, in a manner similar to private-sector business. The statement of net position presents information on all of the City of Lewisville's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Lewisville is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, bridges, drainage improvements, alleys, etc.), to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example, uncollected taxes and earned but not used vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, library, community development and public services, information technology services, parks and recreation, municipal court, tourism, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.

- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

- *Component units* – The City includes nine separate legal entities in its report –Lewisville Housing Finance Corporation, Lewisville Industrial Development Authority, Inc., Lewisville Parks and Library Development Corporation, Tax Increment Reinvestment Zone Number 1 (Lewisville Old Town), Tax Increment Reinvestment Zone Number 2, Lewisville Local Government Corporation, Health Benefit Trust, Lewisville Crime Control and Prevention District, and Lewisville Fire Control, Prevention, and Emergency Medical Services District. Although legally separate, these component units are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

<u>Fund Financial Statements</u>

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money. The City's two types of funds – Governmental and Proprietary – utilize different accounting approaches.

Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Lewisville maintains twenty-two governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, General Capital Projects Fund, and Castle Hills PID Capital Projects Fund, all of which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities. Because these services benefit both governmental as well as business type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The City of Lewisville maintains one enterprise fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City of Lewisville maintains three internal service funds to account for funds accumulated to self-insure for health, liability, property and casualty losses, worker compensation claims, life insurance, long-term disability, vehicle, technology, and equipment replacement and fleet maintenance. Individual fund data for each of these non-major business-type funds is provided in the form of combining statements elsewhere in this report.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for its intended purpose.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information and a statistical section that is intended to assist users in assessing the economic condition of the City.

THE CITY AS A WHOLE – Government-Wide Financial Analysis

The City's combined net position was $686,211,675 as of September 30, 2017. Analyzing the net position of governmental and business-type activities separately, the business type activities net position is $253,653,810. This analysis focuses on the net position (Table 1) and changes in general revenues (chart) and significant expenses of the City's governmental and business-type activities.

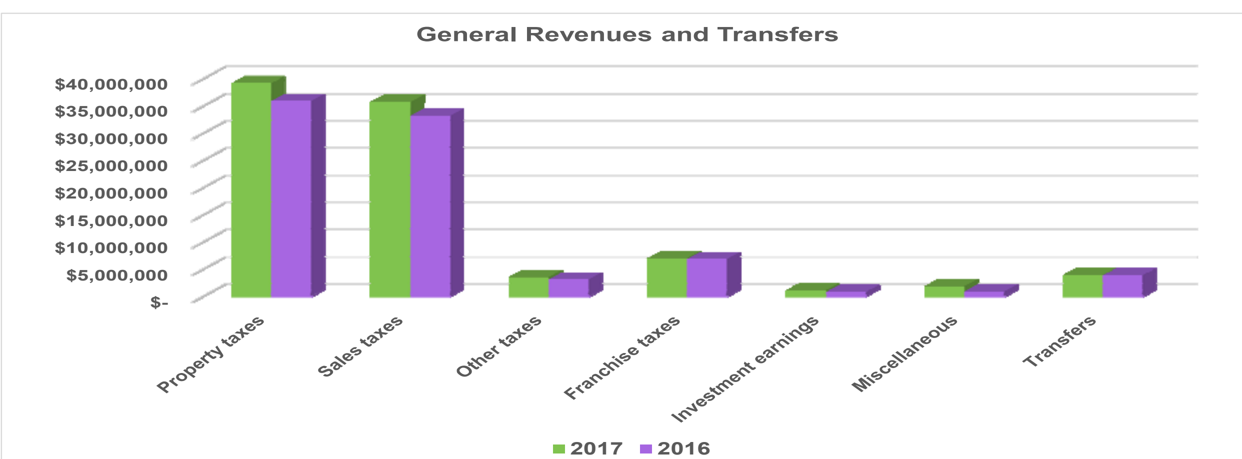
By far the largest portion of the City's net position (80.8 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide 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 the capital assets themselves cannot be used to liquidate these liabilities.

Table 1: Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 223,374,907	$ 200,211,522	$ 74,324,913	$ 72,752,965	$ 297,699,820	$ 272,964,487
Capital assets	392,889,787	382,489,134	241,416,757	236,086,078	634,306,544	618,575,212
Total assets	616,264,694	582,700,656	315,741,670	308,839,043	932,006,364	891,539,699
Deferred outflows	17,858,089	20,513,012	2,392,613	2,397,514	20,250,702	22,910,526
Noncurrent liabiliites	148,740,735	129,003,636	58,892,486	57,631,608	207,633,221	186,635,244
Other liabilities	50,040,610	68,375,173	5,294,804	4,727,013	55,335,414	73,102,186
Total liabilities	198,781,345	197,378,809	64,187,290	62,358,621	262,968,635	259,737,430
Deferred inflows	2,783,573	2,259,018	293,183	240,524	3,076,756	2,499,542
Net assets:						
Net investment in capital assets	331,724,740	313,408,098	222,703,569	216,339,053	554,428,309	529,747,151
Restricted for debt service	30,987,300	33,715,282	7,316,115	6,528,158	38,303,415	40,243,440
Restricted for capital projects	22,731,864	3,821,041	-	-	22,731,864	3,821,041
Restricted for special revenue	15,108,555	16,859,927	-	-	15,108,555	16,859,927
Unrestricted	32,005,406	35,771,493	23,634,126	25,770,201	55,639,532	61,541,694
Total net position	$ 432,557,865	$ 403,575,841	$ 253,653,810	$ 248,637,412	$ 686,211,675	$ 652,213,253

Governmental Activities

The City's general revenues and transfers increased when compared to the prior year by 9.18% or $7,771,520. The primary reasons for this increase were sales tax and property tax revenues. Both major revenue sources were reflective of the strong, stable economic climate the City continues to experience. Sales tax revenue increased $2.52 million (7.6%) from the prior year. Taxable assessed valuation of properties in the City increased by $585.4 million or 7.4% as compared to the prior year while the tax rate remained the same at $0.436086 per $100 assessed valuation. The changes in the City's general revenues are as follows:



Governmental activities increased the City's net position by $28,982,024. The key elements of this increase are as follows:

Table 2: Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for service	$ 18,139,209	$ 16,103,319	$ 30,566,320	$ 29,392,347	$ 48,705,529	$ 45,495,666
Operating grants and contributions	4,291,331	2,459,898	-	-	4,291,331	2,459,898
Capital grants and contributions	26,620,718	27,519,322	5,592,092	11,561,859	32,212,810	39,081,181
General revenues:						
Property taxes	39,199,153	35,885,150	-	-	39,199,153	35,885,150
Other taxes	46,284,751	43,172,134	-	-	46,284,751	43,172,134
Other	3,011,533	1,724,088	513,309	454,928	3,524,842	2,179,016
Total revenues	137,546,695	126,863,911	36,671,721	41,409,134	174,218,416	168,273,045
Expenses:						
General government	19,373,580	16,558,383	-	-	19,373,580	16,558,383
Culture, parks and recreation	12,290,135	11,595,165	-	-	12,290,135	11,595,165
Public safety	51,065,140	48,023,020	-	-	51,065,140	48,023,020
Public and development services	26,561,696	24,054,096	27,727,921	25,719,450	54,289,617	49,773,546
Interest on long-term debt	3,201,522	3,007,969	-	-	3,201,522	3,007,969
Total expenses	112,492,073	103,238,633	27,727,921	25,719,450	140,219,994	128,958,083
Increase in net position before transfers	25,054,622	23,625,278	8,943,800	15,689,684	33,998,422	39,314,962
Transfers	3,927,402	3,869,947	(3,927,402)	(3,869,947)	-	-
Increase in net position	28,982,024	27,495,225	5,016,398	11,819,737	33,998,422	39,314,962
Net position - beginning	403,575,841	376,080,616	248,637,412	236,817,675	652,213,253	612,898,291
Net position - ending	$ 432,557,865	$ 403,575,841	$ 253,653,810	$ 248,637,412	$ 686,211,675	$ 652,213,253

Charges for services and General revenues increased $9.7 million over the previous year and is discussed in more detail below under the General Fund sections. Operating grants increased from 2016 mainly due to $820,446 increase in Federal Grant contributions related to Morningside-Poydras-Decker Asphalt Rehabilitation and Manhole Rehabilitation.

The most significant governmental expense for the City is payroll and personnel-related cost. For the year, these costs were $65,640,341 or 58.4% of total expenses. Payroll costs were closely monitored and along with vacancies, came in $1,040,434 less than originally budgeted.

For activities, public safety incurred expenses of $51,065,140. These expenses were offset by charges for services revenue of $7,529,350, which were collected from a variety of sources, with the largest being from fines and forfeitures. The largest portion of public safety is the cost of personnel which is $43,011,521. Other significant governmental expenses for the City include public and development services which incurred $26,561,696 in expenses, of which $9,717,897 represents personnel charges and the general government activity which incurred $19,373,580 in expenses, of which $7,687,369 represents personnel charges. General government encompasses mayor and council, administration, legal, finance, human resources, information technology services, community relations and tourism departments. The Parks and Recreation Department incurred $12,290,135 in expenses, of which $5,223,554 represents personnel charges.

Business-type Activities

Business-type activities increased the City's net position by $5,016,398. The increase in net revenues is the result of several factors, including the following:

- The City's water and sewer system recorded charges for services of $30,566,320. This revenue source increased $1,173,973 due to a 3.5% rate increase for the fiscal year. Non-cash capital contributions from developers and cash receipts in the form of development impact fees amounted to $5,592,092. This revenue decreased $5,969,767 from 2016 due to a decrease in the amount of dedicated Castle Hills infrastructure. Developer contributions are public improvement infrastructure projects that are completed by the developer and dedicated to the City. The charges for services exceeded expenses by $2.84 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the City had $634.3 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines.

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Improvements	$ 250,058,346	$ 236,270,577	$ 305,277	$ 354,753	$ 250,363,623	$ 236,625,330
Land	60,584,592	56,462,513	2,502,137	2,368,892	63,086,729	58,831,405
Buildings	44,384,217	45,914,692	1,441,845	631,042	45,826,062	46,545,734
Machinery & equipment	19,669,552	19,070,142	874,719	576,680	20,544,271	19,646,822
Construction in progress	18,193,080	24,771,210	6,034,397	11,174,230	24,227,477	35,945,440
Water system	-	-	139,461,941	130,859,221	139,461,941	130,859,221
Sewer system	-	-	90,796,441	90,121,260	90,796,441	90,121,260
Totals	$ 392,889,787	$ 382,489,134	$ 241,416,757	$ 236,086,078	$ 634,306,544	$ 618,575,212

Major capital asset additions for 2016-2017 include:

Valley Ridge Mill - College Steets/Sidwalks	$ 16,353,155
Serendipity Village - Water Line Replacements	3,088,722
Valley Ridge Mill - College Water Systems	2,416,991
Concrete Improvements	2,212,246
Indian Creek Lift Station	2,123,918
Water Line Replacements	2,017,105
I35 Utility Adjustments	1,605,702
Valley Ridge Mill - College Land/ROW	1,018,783
	$ 30,836,622

The City's fiscal year 2016-17 capital improvement program authorizes it to spend $126 million for capital projects. These improvements are in the following categories: water and sewer, street, drainage, park, municipal/technology, facility, and public safety. The aforementioned amount of $126 million is made up of both current year appropriations, as well as carryover amounts appropriated but not yet expended.

To support the capital improvement program, funds are obtained from the issuance of bonds, interest earnings, transfers from operating funds, developer contributions, or a combination of these sources. To illustrate, new Enterprise disk space technology for 2016-17 consists of $72,164 in cash funding with $36,082 coming from General Fund cash and $36,082 coming from Crime Control cash.

Additional information on the City of Lewisville's capital assets can be found in Note 5 of the Notes to Financial Statements included in this report.

Debt

At year end, the City had $139.81 million in general obligation, tax notes, certificates of obligation, and revenue bonds outstanding as compared to $135.94 million at the end of the prior fiscal year, an increase of 2.8 percent as shown in Table 4.

Table 4
Outstanding Debt at Year End
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds, tax notes and certificates of obligation (backed by the City)	$ 90,415	$ 87,185	$ -	$ -	$ 90,415	$ 87,185
General obligation and revenue bonds (backed by fee revenues)	-	-	49,395	48,755	49,395	48,755
Totals	$ 90,415	$ 87,185	$ 49,395	$ 48,755	$ 139,810	$ 135,940

For more detailed information on long-term debt activity, refer to Note 11 in the Notes to Financial Statements.

The City's General Obligation Bonds and Water and Sewer Revenue Bonds carry an AAA rating from Standard and Poor's and Fitch Ratings. Both of these entities are national rating agencies. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to assessed value of all taxable property is 1.12%.

THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2017, the governmental funds of the City reported a combined fund balance of $131.52 million, a $26.4 million increase from the previous year, mainly due to the issuance of general obligation bonds for capital projects and contributions related to Castle Hills.

The City's General Fund balance was $40.3 million which was $2.38 million more than the prior year fund balance. Property and sales tax collections increased along with planned budgeted expenditures. Current year's activity resulted in a positive variance of $8.7 million when compared to the final amended budget of $31.57 million. Significant budgetary variances between the final amended budget and the actual results can be summarized as follows:

- Tax revenue was $3,559,698 more than estimated. The primary reason was sales tax revenue, which was $3,244,395 more than budgeted due to a strong economy and a conservative budgeting policy which sets budget at the prior year's estimate for this revenue.

- Charges for services was $1,254,520 higher than budgeted primarily due to commercial refuse fees of $327,672, which increased due to higher rates; land host fee receipts of $639,776, which increased due to a new contract; and building permits revenue of $318,683 being higher than anticipated due to increased development.

- When combined, Police, Fire, Public Services, Development Services, and General Government departments had lower than expected expenditures resulting in a favorable variance of $1,785,470. This variance is primarily due to salary savings from employee vacancies.

The City's Water and Sewer Fund net position of $253.8 million increased by $4.92 million over the prior year net position balance. The increase is primarily due to operating revenues and dedicated infrastructure continuing to remain well above operating expenses.

The City's Internal Service Funds net position of $15.6 million increased by $1.0 million from the prior year net position balance. Collectively, the Health Benefit Trust Fund and the Self-Insurance

Risk Fund experienced premium revenues in excess of insurance claims and other expenses by $1.01 million. The Maintenance and Replacement Fund experienced a $6,463 decrease in net position mainly due to planned capital replacement costs exceeding one year's lease payments.

General Fund Budgetary Highlights

During fiscal year 2016-17, the City Council amended the budget for the General Fund on two separate occasions; in December for the routine supplement completed each year for prior year encumbrances (purchases) that overlap into the next fiscal year; and in September to appropriate changes the Council reviewed at mid-year including Economic Development incentive funding, legal fees, and consultant fees related to the sales tax audit. Staff reviewed the supplemental appropriations and determined that reserves were sufficient to recommend approval. The net decrease to the General Fund budgetary fund balance for the year was $1,634,360.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The City has experienced major growth in local business and development activity over the past two years.

The economic climate in Lewisville is stable with low unemployment and as a result Lewisville enjoys an above-average income level per household. This, in combination with the City's proximity to two major highways, the Dallas Fort Worth International Airport, and an active economic development program, have made Lewisville a leader in the regional retail market. The City continues to attract new and existing companies due to the strategy of working diligently with businesses on relocation incentives.

These factors are taken into consideration when adopting the General Fund budget for fiscal year 2018. The combined budget appropriation for fiscal year 2017-18 totals $171.6 million for twenty-five operating funds. Another $18.2 million is appropriated in the City's internal service funds.

Ad valorem tax revenue is determined by two major factors: the total assessed value established by the Denton County Central Appraisal District and the tax rate established by the Lewisville City Council. The Lewisville City Council chose to hold the tax rate steady for the current fiscal year at .436086 cents per $100 assessed valuation. This tax rate brings in more tax revenue ($2.673 million) for the 2017-18 fiscal year due to the new tax rate being applied to an increased tax base. Property values increased $809 million or 9.47%. This brings the property tax revenue budgeted for FY 2017-18 to $30.806 million, making it the single largest General Fund revenue source.

The General Fund's second largest revenue source in fiscal year 2017-18 is sales tax receipts. Due to the volatility of the sales tax revenue source, the City has been very conservative in projecting sales tax revenue. This conservative philosophy was formalized in the City's written Revenue Policy adopted by the City Council. Under this policy sales tax revenue budget for subsequent fiscal years is limited to the estimated receipts for the current fiscal year. This practice effectively mitigates, to a large degree, the volatile nature of the sales tax revenue source. The City's budgeted sales tax revenue is $28.053 million.

Budgeted operating expenditures in the General Fund are expected to increase $5.01 million from the 2017-18 fiscal year re-estimated budget. These expenditures are offset by increases in revenue. The only change in fund balance is the $11.002 million in transfers out for planned, one time expenditures.

As for the City's business type activities, the City budgeted a decrease of $2.538 million for the Water and Sewer Fund's net position. This decrease is due to budgeting transfers to capital improvement projects for water and sewer line replacements as well as for economic development agreement liabilities.

Water and sewer rates were reviewed by the City Council for fiscal year 2017-18. There was a 6% increase to both water or sewer rates.

RETIREE HEALTHCARE

The City is committed to providing postemployment retiree health benefits that are fair to both employees and taxpayers and can be sustained over the long term.

Effective fiscal year 2017, Governmental Accounting Standards Board (GASB) Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" created specific reporting requirements for improvement of the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports for the City's OPEB Liability Trust Fund. This Statement replaces Statements No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended," and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The Statement includes specific valuation requirements that provide a rigorous standard measure that can be used to compare the City's OPEB liabilities to other governments from around the nation as well as certain approved actuarial methods that reflect any unfunded actuarial accrued liabilities. This information, combined with the City's history of making those contributions, provides insights regarding the City's commitment to and the effectiveness of its funding strategy.

Information is included as new schedules of Required Supplementary Information (RSI)—Schedule of Changes in Net OPEB Liability and Related Ratios and Schedule of Contributions and Investment Returns.

Another GASB Statement, No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" establishes new accounting and other related financial reporting requirements for governments whose employees are provided with OPEB. This Statement is effective next fiscal year and is not being implemented for this reporting period.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and reflect the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Lewisville, 151 West Church Street, Lewisville, Texas 75057.

BASIC FINANCIAL STATEMENTS

LEWISVILLE

Deep Roots. Broad Wings. Bright Future.

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

EXHIBIT 1

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash	$ 21,142,909	$ 3,381,202	24,524,111	$ 2,088,439
Investments	155,916,159	22,461,824	178,377,983	13,954,730
Receivables (net of allowance for uncollectibles)				
Accounts	4,968,753	4,865,493	9,834,246	-
Taxes	8,377,604	-	8,377,604	1,260,127
Interest	325,675	63,346	389,021	31,635
Other	497,334	4,983	502,317	-
Internal balances	138,941	(138,941)	-	-
Note receivable from component units	28,925,000	-	28,925,000	-
Inventory of supplies	122,406	-	122,406	-
Prepaid items	2,960,126	25,634	2,985,760	221
Restricted assets				
Cash	-	5,673,908	5,673,908	-
Investments	-	37,912,455	37,912,455	-
Interest receivable	-	75,009	75,009	-
Capital assets				
Non-depreciable	78,777,672	8,536,534	87,314,206	42,694
Depreciable (net of accumulated depreciation)	314,112,115	232,880,223	546,992,338	6,153,931
Total assets	616,264,694	315,741,670	932,006,364	23,531,777
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,079,003	648,340	1,727,343	-
Pension contributions after measurement date	8,044,119	807,528	8,851,647	140,794
Difference in projected and actual earnings on pension assets	8,734,967	936,745	9,671,712	126,479
Total deferred outflows of resources	17,858,089	2,392,613	20,250,702	267,273
LIABILITIES				
Accounts payable	6,066,657	2,694,484	8,761,141	184,987
Incurred but not reported claim reserve	1,608,864	-	1,608,864	-
Accrued liabilities	2,773,172	290,525	3,063,697	60,632
Accrued interest payable	394,452	230,714	625,166	160,446
Contracts and retainable payable	719,705	203,207	922,912	300
Deposits payable	29,050	1,748,041	1,777,091	-
Unearned revenue	37,195,300	-	37,195,300	-
Escrow payable	1,253,410	127,833	1,381,243	-
Noncurrent liabilities				
Due within one year	16,066,345	6,507,672	22,574,017	2,291,908
Due in more than one year	132,674,390	52,384,814	185,059,204	27,117,784
Total liabilities	198,781,345	64,187,290	262,968,635	29,816,057
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension experience	2,783,573	293,183	3,076,756	41,235
Total deferred inflows of resources	2,783,573	293,183	3,076,756	41,235
NET POSITION				
Net investment in capital assets	331,724,740	222,703,569	554,428,309	293,559
Restricted for				
Debt service	30,987,300	7,316,115	38,303,415	-
Capital projects	22,731,864	-	22,731,864	-
Special revenue	15,108,555	-	15,108,555	-
Tax increment reinvestment zone	-	-	-	2,037,474
Unrestricted	32,005,406	23,634,126	55,639,532	(8,389,275)
Total net position	$ 432,557,865	$ 253,653,810	$ 686,211,675	$ (6,058,242)

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

CITY OF LEWISVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 19,373,580	$ 5,602,107	$ 1,500	$ 3,043,308
Culture and recreation	12,290,135	1,879,756	528,906	-
Public safety	51,065,140	7,529,350	1,067,101	-
Public & development services	26,561,696	3,127,996	1,359,099	23,577,410
Interest and fiscal charges	3,201,522	-	1,334,725	-
Total governmental activities	112,492,073	18,139,209	4,291,331	26,620,718
Business-type activities				
Water and sewer	27,727,921	30,566,320	-	5,592,092
Total business-type activities	27,727,921	30,566,320	-	5,592,092
Total primary government	$ 140,219,994	$ 48,705,529	$ 4,291,331	$ 32,212,810
Component Units				
Tax increment reinvestment zone1	715,845	-	-	-
Tax increment reinvestment zone2	1,000,000	-	-	-
LPLDC (4B) fund	4,539,624	208,304	-	-
Total component units	$ 6,255,469	$ 208,304	$ -	$ -

GENERAL REVENUES AND TRANSFERS
Taxes
Property taxes, levied for general purposes
Sales taxes
Other taxes
Franchise taxes
Hotel motel taxes
Penalties and interest
Investment earnings
Gain on sale of assets
Miscellaneous
Transfers
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.

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (10,726,665)	$ -	$ (10,726,665)	$ -
(9,881,473)	-	(9,881,473)	-
(42,468,689)	-	(42,468,689)	-
1,502,809	-	1,502,809	-
(1,866,797)	-	(1,866,797)	-
(63,440,815)	-	(63,440,815)	-
-	8,430,491	8,430,491	-
-	8,430,491	8,430,491	-
(63,440,815)	8,430,491	(55,010,324)	-
-	-	-	(715,845)
-	-	-	(1,000,000)
-	-	-	(4,331,320)
$ -	$ -	$ -	$ (6,047,165)
38,990,482	-	38,990,482	1,338,160
35,730,891	-	35,730,891	7,420,153
958,170	-	958,170	-
6,999,960	-	6,999,960	-
2,595,730	-	2,595,730	-
208,671	-	208,671	-
1,132,897	464,858	1,597,755	106,010
77,614	-	77,614	-
1,801,022	48,451	1,849,473	-
3,927,402	(3,927,402)	-	-
92,422,839	(3,414,093)	89,008,746	8,864,323
28,982,024	5,016,398	33,998,422	2,817,158
403,575,841	248,637,412	652,213,253	(8,875,400)
$ 432,557,865	$ 253,653,810	$ 686,211,675	$ (6,058,242)

CITY OF LEWISVILLE, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2017

EXHIBIT 3

	General	Debt Service Fund	Castle Hills PID Capital Project	General Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 4,627,283	$ 307,526	$ -	$ 12,522,804	$ 1,785,500	$ 19,243,113
Investments	30,876,601	2,054,859	17,787,540	83,676,041	11,352,639	145,747,680
Receivables (net of allowances for uncollectibles)						
Taxes	7,116,624	68,553	-	-	1,192,427	8,377,604
Accounts	2,615,370	-	-	593,146	1,213,525	4,422,041
Unbilled accounts	299,345	-	-	-	-	299,345
Interest	73,007	4,689	4,625	189,559	27,562	299,442
Court	226,728	-	-	-	-	226,728
Other	475,858	21,125	-	-	351	497,334
Due from other funds	512,064	-	-	1,299,077	2,008	1,813,149
Note receivable from component units	-	28,925,000	-	-	-	28,925,000
Prepaid items	263,615	-	-	-	2,493,293	2,756,908
Total assets	$ 47,086,495	$ 31,381,752	$ 17,792,165	$ 98,280,627	$ 18,067,305	$ 212,608,344
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts and contracts payable	2,427,579	-	1,341,415	1,604,823	539,446	5,913,263
Accrued liabilities	2,470,409	-	-	-	269,731	2,740,140
Deposits payable	10,750	-	-	-	18,300	29,050
Unearned revenue	-	-	-	36,473,854	721,446	37,195,300
Money held in escrow	83,775	-	-	1,165,194	4,441	1,253,410
Retainage	-	-	-	719,705	-	719,705
Due to other funds	16,266	-	-	-	1,791,334	1,807,600
Total liabilities	5,008,779	-	1,341,415	39,963,576	3,344,698	49,658,468
Deferred inflows of resources						
Unavailable resources	1,789,586	28,993,553	-	593,146	49,829	31,426,114
Total deferred inflows of resources	1,789,586	28,993,553	-	593,146	49,829	31,426,114
Fund balances						
Nonspendable	263,615	-	-	-	2,493,293	2,756,908
Restricted for						
Debt service	-	2,388,199	-	-	-	2,388,199
Capital projects	-	-	16,450,750	38,618,044	-	55,068,794
Other purposes	-	-	-	-	12,611,477	12,611,477
Committed to						
Capital projects	-	-	-	4,834,894	-	4,834,894
Other purposes	-	-	-	-	836,656	836,656
Assigned to						
Capital projects	-	-	-	14,270,967	-	14,270,967
Other purposes	1,054,236	-	-	-	-	1,054,236
Unassigned	38,970,279	-	-	-	(1,268,648)	37,701,631
Total fund balances	40,288,130	2,388,199	16,450,750	57,723,905	14,672,778	131,523,762
Total liabilities, deferred inflows of resources and fund balances	$ 47,086,495	$ 31,381,752	$ 17,792,165	$ 98,280,627	$ 18,067,305	$ 212,608,344

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

CITY OF LEWISVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017

EXHIBIT 4

Total fund balances, governmental funds	$ 131,523,762
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	387,782,549
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(394,452)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	31,426,114
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund financial statements. Amount is less $112,308 for long-term liability in internal service funds already included below.	(148,628,427)
Deferred inflows and outflows of resources associated with the net pension liability are not reported in governmental funds. This is the net effect of the deferred inflows and outflows of resources.	13,995,513
For debt refunding, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements.	1,079,003
An internal service fund is used by management to charge the costs of certain activities, including insurance and vehicle fleet management, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the government-wide statement of net position, net of amounts charged to enterprise funds of $133,392.	15,773,803
Total net position, governmental activities	$ 432,557,865

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

CITY OF LEWISVILLE, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT 5

	General	Debt Service Fund	Castle Hills PID Capital Project	General Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property and other taxes	$ 64,494,201	$ 10,519,364	$ -	$ -	$ 10,412,822	$ 85,426,387
License and permits	3,042,943	-	-	-	-	3,042,943
Intergovernmental	-	3,589,725	-	3,765,801	2,422,555	9,778,081
Charges for services	10,319,431	-	-	-	1,576	10,321,007
Recreation	1,201,459	-	-	-	547,519	1,748,978
Fines	2,664,995	-	-	-	202,759	2,867,754
Investment earnings	257,082	25,346	10,834	617,112	121,328	1,031,702
Contributions and donations	-	-	22,524,000	140,500	550,576	23,215,076
Miscellaneous	676,002	12,296	-	1,050,355	139,986	1,878,639
Total Revenues	82,656,113	14,146,731	22,534,834	5,573,768	14,399,121	139,310,567
EXPENDITURES						
Current						
General government	11,385,795	-	16,567	-	2,165,605	13,567,967
Culture and recreation	7,888,998	-	-	-	999,284	8,888,282
Public safety	43,451,153	-	-	-	4,761,328	48,212,481
Public & development services	13,137,370	-	-	-	1,811,846	14,949,216
Debt Service						
Principal	-	11,135,000	-	-	-	11,135,000
Interest and fiscal charges	-	3,425,426	-	274,059	-	3,699,485
Capital outlay	247,705	-	9,261,996	21,717,777	581,490	31,808,968
Total expenditures	76,111,021	14,560,426	9,278,563	21,991,836	10,319,553	132,261,399
Excess (deficiency) of revenues over (under) expenditures	6,545,092	(413,695)	13,256,271	(16,418,068)	4,079,568	7,049,168
OTHER FINANCING SOURCES (USES)						
Transfers in	4,417,491	-	-	15,277,746	122,352	19,817,589
Transfers out	(8,580,905)	-	-	(396,576)	(7,112,706)	(16,090,187)
Premium (discount) on issuance of bonds tax notes	-	-	-	1,234,559	-	1,234,559
Issuance of general obligation bonds and tax notes	-	-	-	14,365,000	-	14,365,000
Total other financing sources (uses)	(4,163,414)	-	-	30,480,729	(6,990,354)	19,326,961
NET CHANGE IN FUND BALANCES	2,381,678	(413,695)	13,256,271	14,062,661	(2,910,786)	26,376,129
FUND BALANCES - beginning of year	37,906,452	2,801,894	3,194,479	43,661,244	17,583,564	105,147,633
FUND BALANCES - end of year	$ 40,288,130	$ 2,388,199	$ 16,450,750	$ 57,723,905	$ 14,672,778	$ 131,523,762

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

CITY OF LEWISVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT 6

Net change in fund balances, total governmental funds	$ 26,376,129
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Dispositions of capital assets decrease net position. This amount is the net of capital outlay of $28,902,028, less dispostions of $0.	28,902,028
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the acquisition cost of those assets is recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	1,538,411
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(18,789,053)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount (bond principal payments of $11,135,000, bonds refunded of $0, less bond proceeds of $14,365,000 less $1,234,559 premium paid, plus amortization of premium of $699,300, and less amortization of deferred charge on refunding of $126,693 is the net effect of these differences in the treatment of long-term debt and related items.	(3,891,952)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(489,398)
Current year changes in the long-term liability for net pension benefit obligations do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. The amount represents the difference between current year pension expense ($9,654,638) and contributions ($7,558,877) made after the measurement date.	(2,095,761)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(74,643)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	(3,403,475)
Internal service funds are used by management to charge the costs of certain activities, such as the purchase of equipment and insurance, to individual funds. The change in net position of certain internal service funds is reported with governmental activities. This is the amount of the change in net position allocated to government activities.	909,738
Change in net position, governmental activities	$ 28,982,024

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

CITY OF LEWISVILLE, TEXAS **EXHIBIT 7**
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Property and other taxes	$ 60,934,503	$ 60,934,503	$ 64,494,201	$ 3,559,698
License and permits	2,367,050	2,367,050	3,042,943	675,893
Intergovernmental	5,000	5,000	-	(5,000)
Charges for services	9,064,911	9,064,911	10,319,431	1,254,520
Recreation	1,175,250	1,175,250	1,201,459	26,209
Fines	3,002,178	3,002,178	2,664,995	(337,183)
Investment earnings	102,562	102,562	257,082	154,520
Miscellaneous	430,256	430,256	676,002	245,746
Total revenues	77,081,710	77,081,710	82,656,113	5,574,403
EXPENDITURES				
Current				
General government	2,550,397	3,240,308	2,885,690	354,618
Mayor and council	126,202	126,202	86,746	39,456
Administrative and legal	2,534,377	2,640,438	2,490,225	150,213
Community relations/tourism	848,489	782,489	708,876	73,613
Finance	1,538,984	1,548,308	1,507,426	40,882
Human resources	1,006,891	1,006,891	1,057,486	(50,595)
Information technology services	2,834,244	2,842,972	2,649,346	193,626
Parks and leisure services	7,515,107	7,615,492	7,429,085	186,407
Arts and cultural events	480,369	499,869	459,913	39,956
Police	23,334,613	23,495,660	23,199,377	296,283
Fire	19,034,456	19,597,567	19,268,282	329,285
Emergency management	179,825	-	-	-
Municipal court	1,014,176	1,014,176	983,494	30,682
Public services	6,561,512	6,573,366	6,222,481	350,885
Development services	7,320,173	7,369,288	6,914,889	454,399
Capital outlay	2,356,225	403,549	247,705	155,844
Total expenditures	79,236,040	78,756,575	76,111,021	2,645,554
Excess (deficiency) of revenues over (under) expenditures	(2,154,330)	(1,674,865)	6,545,092	8,219,957
OTHER FINANCING SOURCES (USES)				
Transfers in	3,918,477	3,918,477	4,417,491	499,014
Transfers out	(6,467,080)	(8,580,905)	(8,580,905)	-
Total other financing sources (uses)	(2,548,603)	(4,662,428)	(4,163,414)	499,014
NET CHANGE IN FUND BALANCES	(4,702,933)	(6,337,293)	2,381,678	8,718,971
FUND BALANCES - beginning of year	37,906,452	37,906,452	37,906,452	-
FUND BALANCES - end of year	$ 33,203,519	$ 31,569,159	$ 40,288,130	$ 8,718,971

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

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

EXHIBIT 8

	Enterprise Funds Water and Sewer Utility Fund	Internal Service Funds
ASSETS		
Current assets		
Cash	$ 3,381,202	$ 1,899,796
Investments	22,461,824	10,168,479
Receivables (net of allowance for uncollectibles):		
Accounts	1,456,319	20,639
Unbilled trade accounts	3,409,174	-
Interest receivable	63,346	26,233
Other	4,983	-
Due from other funds	14,258	-
Inventory of supplies, at cost	-	122,406
Prepaid items	25,634	203,218
Restricted assets		
Cash	5,673,908	-
Investments	37,912,455	-
Interest receivable	75,009	-
Total current assets	74,478,112	12,440,771
Noncurrent assets		
Capital assets		
Land	2,502,137	-
Land improvements	106,700	-
Buildings	1,983,821	-
Other improvements	702,088	440,026
Water system	196,646,128	-
Sewer system	136,960,580	-
Machinery and equipment	4,846,417	6,376,701
Motor vehicles	385,448	22,442,568
Construction in progress	6,034,397	-
Less accumulated depreciation	(108,750,959)	(24,152,057)
Total noncurrent assets	241,416,757	5,107,238
Total assets	315,894,869	17,548,009
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	648,340	-
Payments after measurement date	807,528	-
Recognition of current year assets	936,745	-
Total deferred outflows of resources	2,392,613	-
LIABILITIES		
Current liabilities		
Current liabilities payable from restricted assets		
Accounts payable	228,173	-
Deposits payable	1,748,041	-
Accrued interest payable	230,714	-
Contracts and retainage payable	203,207	-
Escrow payable	127,833	-
Current maturities of bonds payable	6,090,000	-
Accounts payable	2,466,311	153,394
Incurred but not reported claim reserve	-	1,608,864
Accrued liabilities	290,525	33,032
Compensated absences	417,672	61,370
Due to other funds	19,807	-
Total current liabilities	11,822,283	1,856,660
Noncurrent liabilities		
Bonds payable	47,107,670	-
Compensated absences	346,672	50,938
Net pension obligation	4,930,472	-
Total noncurrent liabilities	52,384,814	50,938
Total liabilities	64,207,097	1,907,598
DEFERRED INFLOWS OF RESOURCES		
Recognition of current year liabilities	293,183	-
Total deferred inflows of resources	293,183	-
NET POSITION		
Net investment in capital assets	222,703,569	5,107,238
Restricted for bond requirements	7,316,115	-
Unrestricted	23,767,518	10,533,173
Total net position	$ 253,787,202	$ 15,640,411

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

CITY OF LEWISVILLE, TEXAS **EXHIBIT 9**
RECONCILIATION OF ENTERPRISE FUND STATEMENT OF NET POSITION
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total net position, enterprise fund	$ 253,787,202
Amounts reported for business-type activities in the statement of net position are different because:	
An internal service fund is used by management to charge the costs of certain activities, including insurance and vehicle fleet management, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the government-wide statement of net position. The amount shown as the accumulated amount is allocated to business type activities since the adoption of GASB 34.	(133,392)
Total net position, business-type activities	$ 253,653,810

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

CITY OF LEWISVILLE, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT 10

	Enterprise Funds Water and Sewer Utility Fund	Internal Service Funds
OPERATING REVENUES		
Charges for sales and services	$ 30,566,320	$ 15,545,579
Miscellaneous	48,451	50,131
Total operating revenues	30,614,771	15,595,710
OPERATING EXPENSES		
Cost of sales and services, net of reimbursements	11,935,303	11,918,551
Personal services and administrative	7,378,262	1,367,276
Depreciation	6,828,318	1,917,608
Total operating expenses	26,141,883	15,203,435
Operating income	4,472,888	392,275
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	464,858	101,197
Interest expense	(1,682,467)	-
Gain on disposal of capital assets	-	312,695
Total nonoperating revenues (expenses)	(1,217,609)	413,892
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	3,255,279	806,167
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	-	200,000
Transfers out	(3,927,402)	-
Contributions from developers	3,163,688	-
Contributions - impact fees	2,428,404	-
CHANGE IN NET POSITION	4,919,969	1,006,167
NET POSITION, beginning of year	248,867,233	14,634,244
NET POSITION, end of year	$ 253,787,202	$ 15,640,411

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

CITY OF LEWISVILLE, TEXAS **EXHIBIT 11**
RECONCILIATION OF ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Net change in fund net position, enterprise fund	$ 4,919,969
Amounts reported for business-type activities in the statement of activities are different because:	
Internal services funds are used by management to charge the costs of certain activities, such as the purchase of equipment and insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. The amount shown represents the net revenue (expense) allocated to business-type activities.	96,429
Change in net position, business-type activities	$ 5,016,398

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

CITY OF LEWISVILLE, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT 12

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 30,393,140	$ -
Cash received (paid) from transactions with other funds	19,807	15,582,985
Cash paid to employees for services	(7,348,543)	(615,913)
Cash paid for goods and services	(11,131,204)	(5,066,882)
Cash paid for claims	-	(7,952,811)
Cash received for miscellaneous items	-	4,634
Net cash provided by operating activities	11,933,200	1,952,013
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to (from) other funds	(3,927,402)	200,000
Net cash provided by (used in) noncapital financing activities	(3,927,402)	200,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(8,995,309)	(718,218)
Proceeds from sale of equipment	-	234,948
Proceeds from sale of revenue bonds	11,025,000	-
Principal paid on revenue bond maturities	(5,105,000)	-
Principal refunded on revenue bonds	(5,280,000)	-
Impact fees	2,428,403	-
Interest paid	(1,974,560)	-
Premium on issuance of bonds	664,284	-
Discount on issuance of bonds	22,949	-
Net cash (used in) capital and related financing activities	(7,214,233)	(483,270)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(42,044,696)	(7,081,337)
Proceeds from sale and maturities of investments	38,737,721	5,241,129
Interest received	436,752	230,287
Net cash provided by (used in) investing activities	(2,870,223)	(1,609,921)
NET INCREASE (DECREASE) IN CASH	(2,078,658)	58,822
CASH, beginning of year	11,133,768	1,840,974
CASH, end of year	$ 9,055,110	$ 1,899,796
Classified as		
Unrestricted cash and cash equivalents at end of year	$ 3,381,202	$ 1,899,796
Restricted cash and cash equivalents at end of year	5,673,908	-
TOTAL CASH AT END OF YEAR	$ 9,055,110	$ 1,899,796
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ 4,472,888	$ 392,275
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	6,828,318	1,917,608
Change in assets and liabilities		
(Increase) decrease in receivables	(221,632)	(8,090)
(Increase) decrease in inventory	-	(7,420)
(Increase) decrease in prepaid expenses	(17,271)	1,590
(Increase) decrease in pension related deferred outlfows	289,811	-
Increase (decrease) in accounts and contracts payable	442,356	(360,232)
Increase (decrease) in accrued liabilities	31,385	16,282
Increase (decrease) in deposits payable	101,233	-
Increase (decrease) in compensated absences	29,719	-
Increase (decrease) in net pension obligations	(96,073)	-
Increase (decrease) in due to other funds	19,807	-
Increase (decrease) in pension related deferred inflows	52,659	-
Total adjustments	7,460,312	1,559,738
Net cash provided by operating activities	$ 11,933,200	$ 1,952,013
NON CASH INVESTING AND FINANCING ACTIVITIES		
From developer contributions of capital assets	$ 3,163,688	$ -
Increase (decrease) in fair value of investments	(103,091)	(18,914)

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

CITY OF LEWISVILLE, TEXAS **EXHIBIT 13**
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017

	Lewisville OPEB Liability Trust Fund	Castle Hills PID Debt Service Agency Fund
ASSETS		
Cash	$ 18,155	$ -
Investments		
Mutual funds - equity	3,103,714	-
Mutual funds - fixed income	1,400,021	1,317,247
Total investments	4,503,735	1,317,247
Interest receivable	18	196
Total assets	4,521,908	1,317,443
LIABILITIES		
Accounts payable	6,029	-
Due to debt holders	-	1,317,443
Total liabilities	6,029	1,317,443
NET POSITION		
Restricted for post employment benefits other than pensions	4,515,879	
Total net position	$ 4,515,879	

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

CITY OF LEWISVILLE, TEXAS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT 14

	Lewisville OPEB Liability Trust Fund
ADDITIONS	
Employer contributions	$ 200,300
Investment earnings, net of unrealized/realized gain(loss)	515,346
Less investment expense	(35,186)
Total additions	680,460
DEDUCTIONS	
Benefits	284,600
Total deductions	284,600
CHANGE IN NET POSITION	395,860
NET POSITION - beginning	4,120,019
NET POSITION - ending	$ 4,515,879

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

CITY OF LEWISVILLE, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

EXHIBIT 15

	Lewisville Housing Finance Corporation	Lewisville Industrial Development Corporation	Tax Increment Reinvestment Zone 1	Tax Increment Reinvestment Zone 2	Lewisville Park & Library Development Corporation	Total Component Units
ASSETS						
Cash	$ 630	$ 906	$ 223,470	$ 51,273	$ 1,812,160	$ 2,088,439
Investments	4,214	6,049	1,493,203	342,606	12,108,658	13,954,730
Receivables (net of allowance for uncollectibles)						
Taxes	-	-	-	-	1,260,127	1,260,127
Interest	10	14	3,468	784	27,359	31,635
Prepaid items	-	-	-	-	221	221
Capital assets						
Non-depreciable	-	-	42,694	-	-	42,694
Depreciable (net of accumulated depreciation)	-	-	6,153,931	-	-	6,153,931
Total assets	4,854	6,969	7,916,766	394,663	15,208,525	23,531,777
DEFERRED OUTFLOWS OF RESOURCES						
Pension contributions after meaurement date	-	-	-	-	140,794	140,794
Difference in projected and actual earnings on pension assets	-	-	-	-	126,479	126,479
Total deferred outflows of resources	-	-	-	-	267,273	267,273
LIABILITIES						
Accounts payable	-	-	38,490	-	146,497	184,987
Accrued liabilities	-	-	-	-	60,632	60,632
Accrued interest payable	-	-	36,906	-	123,540	160,446
Contracts and retainable payable	-	-	-	-	300	300
Noncurrent liabilities						
Due within one year	-	-	350,000	-	1,941,908	2,291,908
Due in more than one year	-	-	5,555,000	-	21,562,784	27,117,784
Total liabilities	-	-	5,980,396	-	23,835,661	29,816,057
DEFERRED INFLOWS OF RESOURCES						
Difference in projected and actual pension experience	-	-	-	-	41,235	41,235
Total deferred inflows of resources	-	-	-	-	41,235	41,235
NET POSITION (DEFICIT)						
Net investment in capital assets	-	-	293,559	-	-	293,559
Restricted for tax increment reinvestment zone	-	-	1,642,811	394,663	-	2,037,474
Unrestricted	4,854	6,969	-	-	(8,401,098)	(8,389,275)
Total net position (deficit)	$ 4,854	$ 6,969	$ 1,936,370	$ 394,663	$ (8,401,098)	$ (6,058,242)

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

CITY OF LEWISVILLE, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT 16

	Governmental Activities					
	Lewisville Housing Finance Corporation	**Lewisville Industrial Development Authority, Inc.**	**Tax Increment Reinvestment Zone #1**	**Tax Increment Reinvestment Zone #2**	**Lewisville Parks and Library Development Corporation**	**Total Component Units**
EXPENSES						
General government	$ -	$ -	$ 338,153	$ -	$ 82,834	$ 420,987
Culture, parks and recreation	-	-	69,390	1,000,000	3,394,138	4,463,528
Interest on long term debt	-	-	308,302	-	1,062,652	1,370,954
Total expenses	-	-	715,845	1,000,000	4,539,624	6,255,469
PROGRAM REVENUES						
Charges for services						
Culture, parks and recreation	-	-	-	-	208,304	208,304
Total program revenues	-	-	-	-	208,304	208,304
GENERAL REVENUES						
Property taxes	-	-	776,138	562,022	-	1,338,160
Sales taxes	-	-	-	-	7,420,153	7,420,153
Investment earnings	32	48	13,090	1,239	91,601	106,010
Total general revenues	32	48	789,228	563,261	7,511,754	8,864,323
CHANGE IN NET POSITION (DEFICIT)	32	48	73,383	(436,739)	3,180,434	2,817,158
Net position (deficit), beginning	4,822	6,921	1,862,987	831,402	(11,581,532)	(8,875,400)
Net position (deficit), ending	$ 4,854	$ 6,969	$ 1,936,370	$ 394,663	$ (8,401,098)	$ (6,058,242)

LEWISVILLE

Deep Roots. Broad Wings. Bright Future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

The City of Lewisville is a municipal corporation governed by an elected mayor and a five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

Blended Component Units

- The Lewisville Health Benefit Trust was established by the City under the Texas Political Subdivision Employees Uniform Group Benefits Act (Chapter 172 Texas Local Government Code) to account for health insurance of employees, retirees and dependents. The City Council appoints a board, and board members are removable by the City Council. The City Council approves the trust's annual budget. The activities of the Lewisville Health Benefit Trust are accounted for as a blended component unit and included with the internal service funds. The Health Benefit Trust is reported as a blended component unit since it provides services exclusively for the City of Lewisville.

- The Local Government Corporation was established July 2006 to assist in economic development initiatives. Allowable under Chapter 431 of the Texas Transportation Code, this corporation cannot incur any debt without City Council approval. The City Council appoints a board, and board members are removable by the City Council. The existing four person board is comprised of current City Council members. The City Council approves the corporation's annual budget. In the event of dissolution, title to all assets transfer to the City. The activities of the Lewisville Local Government Corporation are accounted for as a blended component unit and included with the non-major governmental funds. The Local Government Corporation is reported as a blended component unit since its governing body is substantially the same as the City's, and a financial benefit relationship exists.

- In November 2011, the City of Lewisville voters approved, in special election, the creation of the Lewisville Crime Control and Prevention District. The District was formed for the purpose of providing crime control and prevention programs derived from one-eighth cent sales tax within the City of Lewisville. Allowable under Chapter 363 of the Texas Local Government Code, the City Council appointed their own membership as the board of directors of the District. The City Council approves the district's annual budget. In the event of dissolution, title to all assets transfer to the City. The activities of the Lewisville Crime Control and Prevention District are accounted for as a blended component unit and included with the non-major governmental funds. The District is reported as a blended component unit since its governing body is the same as the City's, and a financial benefit relationship exists.

- In November 2011, the City of Lewisville voters approved, in special election, the creation of the Lewisville Fire Control, Prevention, and Emergency Medical Services District. The District was formed for the purpose of providing fire safety and emergency medical service programs derived from one-eighth cent sales tax within the City of Lewisville. Allowable under Chapter 344 of the Texas Local Government Code, the City Council appointed their own membership as the board of directors of the District. The City Council approves the district's annual budget. In the event of dissolution, title to all assets transfer to the City. The activities of the Lewisville Fire Control, Prevention, and Emergency Medical Services District are accounted for as a blended component unit and included with the non-major governmental funds. The District is reported as a blended component unit since its governing body is the same as the City's, and a financial benefit relationship exists.

Discretely Presented Component Units

The following entities are accounted for as discretely presented component units since the services provided are not entirely or exclusively for the City.

- The Lewisville Housing Finance Corporation has been established to assist in evaluating housing needs within the City. The City Council appoints a board, and board members are removable by City Council. The City Council approves the Corporation's annual budget. In the event of dissolution, title to all assets transfer to the City. Financial statement information can be obtained by contacting the Lewisville Housing Finance Corporation, P.O. Box 299002, Lewisville, Texas 75029.

- The Lewisville Industrial Development Authority, Inc. has been established to assist in evaluating and considering approval of applications for financial participation by the Authority in commercial development projects. The City Council appoints a board, and board members are removable by City Council. The City Council approves the Authority's annual budget. In the event of dissolution, title to all assets transfer to the City. Financial statement information can be obtained by contacting the Lewisville Industrial Development Authority, P.O. Box 299002, Lewisville, Texas 75029.

- The City of Lewisville, in conjunction with Denton County, created the Tax Increment Reinvestment Zone Number 1, City of Lewisville, Texas, to provide additional financing resources to further enhance the redevelopment of the Old Town area of the City. The City Council appoints a board, and board members are removable by the City Council. The City Council approves the Zone's annual budget. In the event of dissolution, title of all assets transfer to the City. Financial statement information can be obtained by contacting the Lewisville Tax Increment Reinvestment Zone Number 1, P. O. Box 299002, Lewisville, Texas 75029.

- The City of Lewisville, in conjunction with Denton County, created the Tax Increment Reinvestment Zone Number 2, City of Lewisville, Texas, to provide additional financing resources to pay for infrastructure costs to facilitate a mixed-use development project on approximately 427 acres at the intersection of I-35 and SH121. The City Council appoints five members of the board, and an additional two positions are reserved for appointment by other taxing units levying taxes within the Zone. The City Council may remove board members and approves the Zone's annual budget. Financial statement information can be obtained by contacting the Lewisville Tax Increment Reinvestment Zone Number 2, P. O. Box 299002, Lewisville, Texas 75029.

- In September 2002, the City of Lewisville voters approved, in a special election, the creation of the Lewisville Parks and Library Development Corporation. The Corporation was formed for the purpose of funding public parks, recreation projects, and library projects from revenues derived from a one-quarter cent sales tax within the City of Lewisville. The City Council appoints a board, and board members are removable by the City Council. The City Council approves the Corporation's annual budget. In the event of dissolution, title of all assets transfer to the City. Financial statement information can be obtained by contacting the Lewisville Parks and Library Development Corporation, P. O. Box 299002, Lewisville, Texas 75029.

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 non-fiduciary activities of the City 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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 fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

> *General Fund* – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
>
> *Debt Service Fund* – The City's Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation and certificates of obligation debt of governmental funds.
>
> *Castle Hills PID Capital Projects Fund* – The City's Castle Hills PID Capital Projects Fund accounts for the acquisition and construction of major capital facilities financed by the Castle Hills Public Improvement District.
>
> *General Capital Projects Fund* – The General Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The City reports the following non-major governmental funds:

> *Special Revenue Funds* – The City's Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes. They include the Hotel/Motel Tax Fund, Recreation Activity Fund, Public, Education and Government (PEG) Programming Fund, Municipal Court Technology Fund, Municipal Court Security Fund, Juvenile Case Manager Fund, Law Enforcement Officer Standard Education Fund (LEOSE), Waters Ridge Public Improvement District (PID) Fund, Asset Forfeiture-State Fund, Asset

Forfeiture-Dept of Justice Fund, Josey Lane PID Administrative Fund, Asset Forfeiture-Dpt of Treasury Fund, Administrative Benevolent Fund, Community Activities and Training Fund, Grants Fund, Lewisville Crime Control and Prevention District, Lewisville Fire Control, Prevention, and Emergency Medical Services District, and Lewisville Local Government Corporation.

The City reports the following major proprietary fund:

Water and Sewer Utility Enterprise Fund – The City's Enterprise Fund is used to account for operations of the City's sale of treated water and the disposal of sewage and solid waste for its citizens.

Additionally, the government reports the following fund types:

Internal Service Funds – The City's Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments within the City.

- *Maintenance and Replacement Fund* – The City's Maintenance and Replacement Fund provides fleet maintenance services for City departments and accounts for the purchase of vehicles and major equipment operated by the City. Departments pay semi-annual charges to provide funds for future replacement of capital outlay, as well as to reimburse the fund for current fleet repairs and maintenance.

- *Self-Insurance Risk Fund* – The City's Self-Insurance Risk Fund accounts for revenues from premium charges to the departments. Expenses include claim payments, administrative costs, and reinsurance premiums for workers' compensation, unemployment, and liability/property casualty programs.

- *Health Benefit Trust Fund* – The City's Health Benefit Fund accounts for revenues from premium charges to the departments, employee and retirees for insurance coverage. Expenses include claims payments, administrative costs, and reinsurance premiums for health and dental programs.

Agency and Trust Funds – The City's agency fund is custodial in nature and does not involve measurement of results of operations. The City's trust fund is used to account for assets held by the City in a trustee capacity.

- *Castle Hills PID Debt Service Agency Fund* – The City's Castle Hills Public Improvement District Debt Service Agency Fund accounts for bond proceeds and related debt associated with the issuance of bonds held by the City as an agent for the Public Improvement District.

- *Lewisville OPEB Liability Trust Fund* – The City's OPEB Liability Trust Fund accounts for the funding of post-employment healthcare benefits for retirees of the City and their dependents.

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 between the City's water and sewer function and various other functions of the City and charges of the internal service funds to the water and sewer funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund and of the City's Internal Service Funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Cash, Investments, and Deposits

The government's cash is considered to be cash on hand and demand deposits. The City pools idle cash from all funds for the purpose of increasing income through coordinated investment activities. The City follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool.

Investments, except for the investment pools and U.S. Government Money Market Funds, for the City are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. In accordance with GASB 72, *Fair Value Measurement and Application* Money Market Funds are exempt from fair value measurement.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "interfund receivable/payable."

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

F. Property Taxes

Property taxes attach as an enforceable lien on property located in the City as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. The Denton County Tax Assessor/Collector's office bills and collects the City's property taxes. City property tax revenues are deferred when levied and are recognized as revenue when collected.

The statutes of the State of Texas do not prescribe a legal limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population that have adopted a Home Rule charter, limits the ad valorem tax rate to $2.50 per $100 assessed valuation. For the fiscal year ended September 30, 2017, the City had a tax margin of $2.063914 per $100 assessed valuation based upon the maximum rates described above.

G. Inventories of Supplies

Inventories of supplies are valued at weighted average cost and consist of warehouse supplies, postage and gasoline purchased by the City to use in its vehicles. The cost of the inventories is recorded as an expense when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid per the consumption method in the government-wide and fund financial statements. These items consist primarily of software support, training registration, subscriptions, and prepaid insurance.

I. Restricted Assets

Certain proceeds of Enterprise Fund Revenue Bonds and other amounts designated for capital improvements, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

J. Property, Plant, and Equipment

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $15,000 or more and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at acquisition cost at the date of the 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 is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the City during the current fiscal year was $208,570.

The City has established the Maintenance and Replacement Internal Service Fund to account for all City-owned vehicles. Charges for use of the vehicle in the form of lease payments are made by the City departments to the Maintenance and Replacement Internal Service Fund to provide for future acquisitions and replacement.

Property, plant, and equipment of the City, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Water and sewer system	50
Infrastructure	30
Buildings	33
Other improvements	4-50
Machinery and equipment	3-50
Vehicles	2-20
Servers	3

K. Compensated Absences

It is the City's policy to permit employees to accumulate certain earned but unused vacation, comp time, and sick pay benefits. Sick leave can be accrued up to 1,600 hours for employees working a 40 hour week and 2,400 hours for sworn fire personnel working an average of 56 hours a week. The City will compensate only for hours in excess of 360 hours up to a maximum of 1,080 hours upon termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and component unit fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the reporting period in which they are incurred.

In the fund financial statements, governmental funds 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 and discounts received on debt issuances are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS), and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

N. Deferred Outflows/Inflows of Resources

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

- Deferred charge on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

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 an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

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

The City has a final item which arises only at the governmental fund level. Revenues that have been billed but not yet collected or notes receivable from a component unit that are not yet due are reported as unavailable resources. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. Please see Note 13 for a listing of deferred inflows.

O. <u>Fund Equity</u>

In the fund financial statements, governmental funds establish fund balance classifications that are comprised of a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported.

Fund balances classified as non-spendable represent amounts that are not in a spendable form (such as inventory). Fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Manager or his designee. Unassigned fund balance is available for any purpose but is only reported in the General Fund.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

For further details of the various fund balance classifications refer to Note 15.

P. Minimum Fund Balance Policy

The City Council has adopted a policy that the General Fund will maintain working capital resources at a minimum of 20% of operating expenditure budget.

Q. Budgets

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the General, Hotel/Motel Tax Special Revenue, Recreation Activity Special Revenue, Grant Special Revenue, Waters Ridge Public Improvement District (PID) Special Revenue, Municipal Court Security Special Revenue, Municipal Court Technology Special Revenue, Asset Forfeiture-State Special Revenue, Asset Forfeiture-Dept of Justice Special Revenue, Josey Lane PID Administrative Special Revenue, Community Activities and Training Special Revenue, Law Enforcement Officer Standards and Education Special Revenue, Juvenile Case Manager Special Revenue, Lewisville Crime Control and Prevention District, Lewisville Fire Control, Prevention, and Emergency Medical Services District, Public, Education, and Government (PEG) Programming Fund, Debt Service, Water and Sewer Utility Enterprise, Self-Insurance Risk Internal Service, Health Benefits Trust Internal Service, Maintenance and Replacement Internal Service, Lewisville Parks and Library Development Corporation (4B Sales Tax), Lewisville OPEB Liability Trust, Old Town Tax Increment Reinvestment Zone 1 (Old Town), and Tax Increment Reinvestment Zone 2 Funds.

All annual appropriations lapse at fiscal year-end. Long range financial plans are adopted for all capital project funds with all capital project appropriation balances to roll forward.

The legal level of budgetary control is at the fund level. The Hotel/Motel Tax Special Revenue Fund had expenditures in excess of appropriations as a result of amortization of prepaid lease.

R. Deficit Net Position/Fund Balance

The Lewisville Parks and Library Development Corporation has an agreement with the City of Lewisville regarding the construction, maintenance and operation of improvements for public park and library projects that states all capital assets shall be owned and operated by the City. Therefore, all of the Corporation's capital assets are transferred to the City annually and recorded as contribution expense. The cumulative effects of these annual transfers along with results of operations have resulted in a deficit net position balance of $8,401,098 at September 30, 2017.

The Grants Fund has a deficit fund balance of $1,268,648 at September 30, 2017. During fiscal year 2017, the City budgeted funds from FEMA for a Flood Mitigation Assistance grant project. The purpose of the program is to implement and sustain cost-effective measures that minimize or negate the risk of flood damage to residential or non-residential properties insured under the National Flood Insurance Program (NFIP). Funding was transferred to a construction-in-progress fund per City guidelines in order to carry out the purpose of the grant; however, actual grant proceeds were not received or recognized in fiscal year 2017.

2. CASH, INVESTMENTS, AND DEPOSITS

At year end, the government's carrying amount of deposits was $30,198,019 and the bank balance was $30,259,420. All bank balances, including the bank balance of the discretely presented component units, were covered by Federal Depository Insurance or by collateral held by a third-party custodian. The custodian serves contractually as the City's agent.

Additionally, the City has an account under a safekeeping agreement with J.P. Morgan Chase Bank, NA. The U.S. Government Treasury and Agency investments clear via the Federal Reserve System through this account upon purchase, sale, or maturity. All assets in the account are held in the City's name.

The City is authorized to make direct investments in the following:

1. U.S. Treasury securities maturing in less than three years;
2. Short-term obligations of U.S. Government agencies, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
3. Repurchase agreements collateralized by U.S. Treasury or U.S. Government agency securities in accordance with a master repurchase agreement approved by the Investment Committee;
4. Direct or unconditionally guaranteed obligations of the State of Texas; and
5. Common trusts administered by Texas banks with assets consisting of all of the above except certificates of deposit.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

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

The City has recurring fair value measurements as presented in the table below. The City's investment balances and weighted average maturity of such investments (excluding the OPEB Liability Trust) are as follows:

		Fair Value Measurements Using				
	September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments not Subject to Fair Value:						
Investment Pools:						
Texpool	$ 19,028,621	$ -	$ -	$ -	8.80%	34
US Govt Money Markets	16,709,470	-	-	-	7.73%	NA
Investments by Fair Value Level:						
U.S. Government Agency Securities:						
Federal Farm Credit Bank	46,411,067	-	46,411,067	-	21.46%	509
Federal Home Loan Bank	26,411,420	-	26,411,420	-	12.21%	402
Federal Home Loan Mortgage Corp	53,097,380	-	53,097,380	-	24.55%	532
Federal National Mortgage Assoc	53,693,859	-	53,693,859	-	24.82%	645
US Treasury Bonds	938,621	938,621	-	-	0.43%	61
Total Value	**$ 216,290,438**	**$ 938,621**	**$ 179,613,726**	**$ -**		

Investment Pools are measured at amortized cost and are exempt for fair value reporting.

U.S. Government Agency Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

U.S. Treasury Bonds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investments at September 30, 2017 consisted of U.S. Government securities held by the City's agent in the City's name. The carrying amount of these investments at September 30, 2017 was $197,261,817. At September 30, 2017, the City also had $19,028,621 invested with TexPool, an investment pool for state and local governments in Texas. The City's portfolio average yield, including TexPool, was 0.9882% in 2017.

The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard & Poors. As a requirement to maintain the weekly rating portfolio, information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TxPool shares.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investments with TexPool have maturities of less than one year or in U.S. government securities that are not highly sensitive to changes in interest rates. In accordance with its investment policy, the City further manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one and one-half years.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSROs). All investment pools policies require a rating of AA or better from a nationally recognized rating agency. While State law allows investments in commercial paper and corporate bonds that meet rating guidelines issued by NRSROs, the City's policy further restricts investments purchases, aside from those managed by pools, to obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; and other obligations, the principal of and interest on 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 its agencies and instrumentalities. The City's investments in U.S. Government Agency securities (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank) are rated AA+ by Standard & Poors, and AAA and Aaa by Fitch and Moody's, respectively. The investment in Texas Local Government Pools (TexPool) carried a credit rating of AAAm by Standard and Poor's as of September 30, 2017.

Concentration of Credit Risk

In accordance with the City's investment policy, investments are issued or explicitly guaranteed by the U.S. Government or in external investment pools, which are not considered to provide a concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act of Texas and the City's investment policy requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times. The City's investment policy further limits exposure to custodial risk on investments through the use of third party safekeeping agreements, delivery versus payment, and limiting types of investments listed earlier in this note.

3. RECEIVABLES

Receivables as of year end, including the applicable allowances for uncollectable accounts, are as follows:

	General	Debt Service	Castle Hills PID Capital Project	General Capital Projects	Other Governmental Funds	Total Governmental Funds
Receivables						
Property taxes	$ 450,753	$ 169,555	$ -	$ -	$ -	$ 620,308
Franchise taxes	1,785,403	-	-	-	-	1,785,403
Sales taxes	5,040,509	-	-	-	1,192,426	6,232,935
Mixed drink taxes	108,468	-	-	-	-	108,468
Accounts	2,141,888	21,125	-	-	318,858	2,481,871
Unbilled trade accounts	299,345	-	-	-	-	299,345
Interest	73,007	4,689	4,625	189,559	27,562	299,442
Court	1,208,513	-	-	-	-	1,208,513
Intergovernmental	-	-	-	593,146	895,370	1,488,516
Ambulance	2,213,385	-	-	-	-	2,213,385
Gross receivables	13,321,271	195,369	4,625	782,705	2,434,216	16,738,186
Less: allowance	(2,514,339)	(101,002)	-	-	(351)	(2,615,692)
Net total receivables	$ 10,806,932	$ 94,367	$ 4,625	$ 782,705	$ 2,433,865	$ 14,122,494

	Water and Sewer	Internal Service	Total Proprietary Funds	Total All Funds
Receivables				
Property taxes	$ -	$ -	$ -	$ 620,308
Franchise taxes	-	-	-	1,785,403
Sales taxes	-	-	-	6,232,935
Mixed drink taxes	-	-	-	108,468
Accounts	1,603,008	20,639	1,623,647	4,105,518
Unbilled trade accounts	3,409,174	-	3,409,174	3,708,519
Interest	138,355	26,233	164,588	464,030
Court	-	-	-	1,208,513
Intergovernmental	-	-	-	1,488,516
Ambulance	-	-	-	2,213,385
Gross receivables	5,150,537	46,872	5,197,409	21,935,595
Less: allowance	(141,706)	-	(141,706)	(2,757,398)
Net total receivables	$ 5,008,831	$ 46,872	$ 5,055,703	$ 19,178,197

4. INTERFUND TRANSACTIONS

Interfund transactions and balances for the fiscal year 2017 were as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Nonmajor Governmental	$ 311,517	Short-term funding of deficit cash
General Fund	Enterprise	19,807	Franchise Fee and PILOT Adjustment
General Fund	Nonmajor Govermental	180,740	Reclass TIFMAS Expenditures
Capital Projects	Nonmajor Governmental	1,299,077	Reclassify grant funding
Nonmajor Governmental	General Fund	2,008	Reclass Hurricane Harvey Expenses
Enterprise	General Fund	14,258	AR Allowance Adjustment Reclass
		$ 1,827,407	

Interfund Transfers

Transfers In	Transfers Out	Amount	Purpose
General	Water & Sewer Utility	$ 3,927,402	Payments in lieu of taxes, franchise tax, and indirect cost payment
General	General Capital Projects	396,576	Excess funds transfer
General	Nonmajor Governmental	93,513	Indirect cost payment
General Capital Projects	General Fund	8,258,726	Financing of capital improvements
General Capital Projects	Nonmajor Governmental	7,019,020	Financing of capital improvements
Nonmajor Governmental	General Fund	122,179	Matching funds and indirect cost payments
Nonmajor Governmental	Nonmajor Governmental	173	Excess funds consolidation
Internal Service Funds	General Fund	200,000	Indirect cost payment
		$ 20,017,589	

5. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Governmental Funds					
Capital assets, not being depreciated:					
Land	$ 56,462,513	$ 677,531	$ -	$ 3,444,548	$ 60,584,592
Construction in progress	24,771,210	28,072,834	-	(34,650,964)	18,193,080
Total capital assets, not being depreciated	81,233,723	28,750,365	-	(31,206,416)	78,777,672
Capital assets, being depreciated:					
Land improvements	345,533,710	860,879	(5,716,507)	26,749,423	367,427,505
Buildings	77,537,773	-	-	785,175	78,322,948
Other improvements	31,068,896	28,800	-	708,706	31,806,402
Machinery and equipment	39,396,865	800,395	(2,233,498)	2,963,112	40,926,874
Total capital assets being depreciated	493,537,244	1,690,074	(7,950,005)	31,206,416	518,483,729
Accumulated depreciation:					
Land improvements	(123,241,701)	(12,014,268)	5,716,507	-	(129,539,462)
Buildings	(31,623,081)	(2,315,650)	-	-	(33,938,731)
Other improvements	(17,219,544)	(2,644,613)	-	-	(19,864,157)
Machinery and equipment	(26,555,478)	(1,814,522)	2,233,498	-	(26,136,502)
Total accumulated depreciation	(198,639,804)	(18,789,053)	7,950,005	-	(209,478,852)
Total capital assets being depreciated, net	294,897,440	(17,098,979)	-	31,206,416	309,004,877
Total governmental funds capital assets, net	376,131,163	11,651,386	-	-	387,782,549
Internal service funds					
Capital assets, being depreciated:					
Other improvements	310,936	129,090	-	-	440,026
Machinery and equipment	29,557,905	589,127	(1,327,763)	-	28,819,269
Total internal service assets being depreciated	29,868,841	718,217	(1,327,763)	-	29,259,295
Accumulated depreciation:					
Other improvements	(181,721)	(30,247)	-	-	(211,968)
Machinery and equipment	(23,329,149)	(1,887,361)	1,276,421	-	(23,940,089)
Total accumulated depreciation	(23,510,870)	(1,917,608)	1,276,421	-	(24,152,057)
Total internal services funds capital assets, net	6,357,971	(1,199,391)	(51,342)	-	5,107,238
Governmental activities capital assets, net	$ 382,489,134	$ 10,451,995	$ (51,342)	$ -	$ 392,889,787

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 2,368,892	$ -	$ -	$ 133,245	$ 2,502,137
Construction in progress	11,174,230	10,844,298	-	(15,984,131)	6,034,397
Total capital assets, not being depreciated	13,543,122	10,844,298	-	(15,850,886)	8,536,534
Capital assets, being depreciated:					
Land improvements	106,700	-	-	-	106,700
Buildings	1,131,504	-	-	852,317	1,983,821
Other improvements	702,088	-	-	-	702,088
Water system	184,231,678	528,746	-	11,885,704	196,646,128
Sewer system	133,566,401	309,039	-	3,085,140	136,960,580
Machinery and equipment	4,779,146	476,914	(51,920)	27,725	5,231,865
Total capital assets being depreciated	324,517,517	1,314,699	(51,920)	15,850,886	341,631,182
Accumulated depreciation:					
Land improvements	(87,868)	(2,379)	-	-	(90,247)
Buildings	(500,462)	(41,514)	-	-	(541,976)
Other improvements	(366,167)	(47,097)	-	-	(413,264)
Water system	(53,372,457)	(3,811,731)	-	-	(57,184,188)
Sewer system	(43,445,140)	(2,718,998)	-	-	(46,164,138)
Machinery and equipment	(4,202,467)	(206,599)	51,920	-	(4,357,146)
Total accumulated depreciation	(101,974,561)	(6,828,318)	51,920	-	(108,750,959)
Business-type activities capital assets, net					
Total capital assets being depreciated, net	222,542,956	(5,513,619)	-	15,850,886	232,880,223
Total capital assets, net	$ 236,086,078	$ 5,330,679	$ -	$ -	$ 241,416,757

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 4,939,444
Finance	81,412
Community relations/tourism	114,352
Human resources	13,030
Municipal court	12,477
Information technology	332,752
Police	707,390
Fire	435,077
Public services	8,431,384
Parks and recreation	3,459,740
Development services	261,995
Internal service funds	1,917,608
Total depreciation expense - governmental activities	$ 20,706,661
Business-type activities:	
Water and sewer	$ 6,828,318

Outstanding commitments at September 30, 2017 under authorized construction contracts were approximately $11.7 million. These outstanding commitments are to be financed by available cash and investment balances, which include proceeds from previous bond issuances.

6. EMPLOYEE RETIREMENT PLAN

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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. In addition, the report is available on TMRS' website at www.TMRS.com.

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

Benefits Provided

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

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

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

In addition, the City granted on annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount, which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

The City elected to increase the annuities (annuity increases) of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. The City has adopted annuity increases at the rate of 70% of the increase (if any) in the Consumer Price Index—all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	75% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

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

Retirees or beneficiaries currently receiving benefits	363
Inactive employees entitled to but not yet receiving benefits	300
Active employees	743
	1,406

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting 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 of Lewisville were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2017, the City made contributions of 16.27% for the months in 2016 and 16.55% for the months in 2017 which were the actuarially 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.

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. This experience study 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. No additional changes were made for the 2016 valuation. After the Asset Allocation Study analysis and experience investigation study, the TMRS Board of Trustees amended the long-term expected rate of return on pension plan investments from 7% to 6.75% effective January 1, 2016.

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and 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, the actuary 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 on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 264,919,721	$ 216,842,185	$ 48,077,536
Changes for the year			
Service cost	8,246,818	-	8,246,818
Interest	17,846,679	-	17,846,679
Change in benefit terms	-	-	-
Difference between expected			-
and actual experience	(1,500,726)	-	(1,500,726)
Changes in assumptions	-	-	-
Contributions-employer	-	7,814,541	(7,814,541)
Contributions-employee	-	3,362,127	(3,362,127)
Net investment income	-	14,660,373	(14,660,373)
Benefit payments, including refunds			
of employee contributions	(9,295,778)	(9,295,778)	-
Administrative expense	-	(165,505)	165,505
Other changes	-	(8,918)	8,918
Net changes	15,296,993	16,366,840	(1,069,847)
Balance at 12/31/2016	$ 280,216,714	$ 233,209,025	$ 47,007,689

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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Primary Government	$86,695,366	$46,572,813	$12,964,179
Component Unit	$1,652,098	$434,876	$247,050

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 $10,623,841 related to the Primary Government. For the same period, the City recognized pension expense of $168,982 related to a component unit, Lewisville Parks and Library Development Corporation (LPLDC).

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

	Primary Government		LPLDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions after measurement date	$ 8,851,647	$ -	$ 140,794	$ -
Difference in expected and actual pension experience	-	3,076,756	-	41,235
Changes in actuarial assumptions used to determine pension liability	-	-	-	-
Difference in projected and actual earnings on pension assets	9,671,712	-	126,479	-
Total	$ 18,523,359	$ 3,076,756	$ 267,273	$ 41,235

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $8,992,441 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 (i.e. recognized in the city's financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31	
2017	$ 2,523,877
2018	2,523,875
2019	2,155,943
2020	(360,314)
2021	(163,181)
Total	$ 6,680,200

7. COMMITMENTS AND CONTINGENCIES

Water Contract

The City purchases all of its raw water from the City of Dallas. The raw water rate for this contract during the fiscal year was $0.9120 per 1,000 gallons. The City of Dallas reserves the right and power during the term of this contract to set reasonable revised rates from time to time.

Legal

The City is a party to various lawsuits. Although the outcome of these lawsuits is presently not determinable, it is the opinion of the City's attorney that the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

Grant Audit

The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agreement. In the opinion of City management, such disallowances, if any, will not be significant to the City's financial position.

8. OTHER POST EMPLOYMENT BENEFITS

The City provides $15,000 in life insurance upon retirement for employees with ten years of service with the City of Lewisville. Prior to October 1, 2013, the City purchased fully paid life insurance policies upon retirement for eligible employees. Beginning October 1, 2013, the City began purchasing life insurance through the City's group life insurance vendor. Premiums are now paid monthly for the coverage at a rate of $1.35 per $1,000 of coverage or $20.25 per month. The City had 74 eligible retirees in fiscal year 2016-17 resulting in an annual expenditure of $15,228.

Lewisville OPEB Liability Trust Fund

Plan Description—Plan Administration, Benefits Provided, Contributions, and Membership
The City established an irrevocable trust in 2008 for the systematic funding of postemployment health benefits (OPEB) as a single-employer, defined benefit plan. Plan assets may be used only for the payment or reimbursement of benefits provided to retirees, in accordance with the terms of the plan. The City Manager is the benefit administrator of the plan.

The City provides comprehensive group medical benefits for employees at retirement who meet the eligibility requirements for postretirement benefits. Eligibility requirements are (1) age 60 and 5 years of service with the City, or (2) 20 years of service with Texas Municipal Retirement System, the City's pension provider. Election must be made at time of retirement to remain in the plan. Continuation of coverage is subject to the payment of required contributions by participating retirees and dependents. The City contributes a fixed amount toward each retiree's monthly premium, based on the tenure with the City. The City's substantive plan places a zero percent (0%) cap on future contribution increases. The employee remains on the plan until age 65 when they are moved to a fully insured Medicare supplement plan. The City contributes a flat $50 per month toward the retiree's fully insured premium.

Management of the trust is vested with the City's Investment Committee, which consists of the Director of Finance, Fiscal Services Manager, an Assistant City Manager, and three other members designated by the City Manager.

At September 30, 2017, plan membership consisted of the following:

Inactive plan members (retirees) and beneficiaries currently receiving benefit payments	44
Active plan members	667

Investments—Investment Policy and Directive
The City has established an investment policy and directive for the OPEB plan assets. The policy may be amended by the City Council by a majority vote at any time. The directive is more detailed and may be amended by the City Manager at any time. The directive's stated objective is to achieve long-term growth of trust assets by maximizing long-term rates of return on investments and minimizing risk of loss to fulfill the City's current and long-term OPEB obligations. An investment strategy is pursued that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the adopted asset allocation table as of September 30, 2017:

Asset Class	Range Allocation	Target Allocation
Growth Assets		
Domestic Equity	19-59%	39%
International Equity	1-41%	21%
Other (ex. Real Estate)	0-20%	0%
Income Assets		
Fixed Income	20-60%	40%
Other	0-20%	0%
Real Return Assets	0-20%	0%
Cash Equivalents	0-20%	0%
		100%

Investments—Rate of Return
For the year ended September 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City
The components of the net OPEB liability of the City at September 30, 2017, were as follows:

Total OPEB liability	$ 4,587,050
Plan fiduciary net position	4,125,487
City's net OPEB liability	$ 461,563
Plan fiduciary net position as a percentage of the total OPEB liability	89.94%

Actuarial Assumptions
The total OPEB liability was determined by an actuarial valuation as of October 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation & Salary Increases	Not applicable as the City's future costs are set at a fixed amounts
Investment Rate of Return	7.0 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	None assumed since the benefits provided are not subject to medical inflation

Mortality rates were based on the RP-2014 Total Dataset Mortality Table projected with Scale MP-2016.

The actuarial assumptions used in the October 1, 2016 valuation were based on the results of actual plan experience in recent years, as applicable.

The long-term expected rate of return on OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of returns by the target asset allocation percentage and by adding expected inflation.

Asset Class	Long-Term Expected Real Rate of Return
Growth Assets	
Domestic Equity	5.2%
International Equity	5.2%
Income Assets	
Fixed Income	3.8%

Discount Rate
The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that City future contributions will be made at rates equal to 60% of the annual benefit payments expected to be paid from the trust. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Net OPEB liability (asset)	$976,751	$461,563	$33,042

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates would not be applicable to the City's plan since the contribution amounts are set at a fixed rate and, therefore, not affected by healthcare cost increases.

The Lewisville OPEB Liability Trust Fund does not issue a separate financial report. Additional information can be found in the Required Supplement Information (RSI) and Financial (Fiduciary statements) Sections of this report.

9. COMPONENTS OF RESTRICTED ASSETS

Restricted assets reported in the Enterprise Funds statement of net position at September 30, 2017 are comprised of the following:

Deposits	$ 1,748,041
Money held in escrow	127,833
Revenue bond current debt service accounts	4,029,500
Revenue bond future debt service accounts	3,517,329
Revenue bond construction accounts	34,245,047
Total	$43,661,372

The related liabilities payable from restricted assets at September 30, 2017 are as follows:

Deposits payable	$1,748,041
Escrow payable	127,833
Accrued interest payable	230,714
Accounts, contracts, and retainage payable	431,380
Current maturities of bonds payable	6,090,000
Total	$8,627,968

The ordinance authorizing the Waterworks and Sewer System Revenue Bonds requires that the City establish a sinking fund (recorded in the revenue bond current debt service accounts) in an amount not less than the amount required to fully pay principal and interest payments as they come due. In addition, the ordinance requires that the City establish a reserve fund (recorded in the revenue bond future debt service accounts) to provide for payment of principal and interest in the event that other funds available for such purposes are insufficient. At September 30, 2017, the balances in both the sinking and reserve funds are sufficient to satisfy such bond ordinance requirements.

The ordinance further requires that the proceeds from the sale of the Revenue Bonds be expended for making improvements and extensions to the City's combined waterworks and sanitary sewer system. The proceeds are maintained in the revenue bond and capital projects construction accounts until such time as needed to fund the construction program.

The amount of net position restricted for revenue bond retirements is detailed as follows:

Revenue bond current debt service accounts	$4,029,500
Revenue bond future debt service accounts	3,517,329
	7,546,829
Less:	
Accrued interest payable	230,714
Restricted for revenue bond retirement	$7,316,115

10. DEFERRED COMPENSATION PLAN

The City offers its employees a choice between two deferred compensation plans (the Plan) created in accordance with Internal Revenue Code Section 457. One plan is administered and investments managed by Nationwide Retirement Solutions (NRS) while another plan is administered by AIG Valic. The assets and liabilities amounted to $37,273,791 for Nationwide and $45,754,969 for AIG Valic at September 30, 2017. The plans include numerous types of investments as participants elect how their salary deferrals are invested. Investment options include the following: fixed annuities, variable annuities, and life insurance.

The Plan is available to all City employees and permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the City's management that the City has no liability for those losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. The City provides limited administrative duties.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the deferred compensation plans are not included in the financial statements of the City.

11. LONG TERM LIABILITIES

General Obligation Bonds and Tax Notes

General Obligation Bonds and Tax Notes are direct obligations and pledge the full faith and credit of the City. Bonds generally are issued as 16-year serial bonds, except for refunding issues, with level debt service requirements each year. General Obligation Bonds and Tax Notes outstanding as of September 30, 2017 are as follows:

Purpose	Interest Rates	Governmental Activities Amount	Business-Type Activities Amount
General Government	1.50% - 5.00%	$ 88,950,000	$ 1,265,000

General Obligation Bonds are authorized by a referendum election prior to issuance. The City's last election that authorized the issuance of these bonds was held on November 3, 2015. The authorized and remaining balances as of September 30, 2017 are as follows:

Purpose	Date Authorized	Amount Authorized	Unissued Balance
Streets	11/3/2015	$ 71,600,000	$ 59,815,000
Parks & Recreation	11/3/2015	39,900,000	37,005,000
Police & Fire	11/3/2015	10,500,000	5,600,000
Aquatic Center	11/3/2015	13,000,000	11,500,000
Total		$ 135,000,000	$ 113,920,000

Certificates of Obligation

Certificates of Obligation are direct obligations of the City, payable from a combination of ad valorem taxes and a limited pledge of surplus revenues of the City's waterworks and sewer system. Certificates of Obligation outstanding as of September 30, 2017 are as follows:

Purpose	Interest Rates	Governmental Activities Amount
Parks and Library Improvements	4.00% - 5.00%	$ 1,465,000

Annual debt service requirements to maturity for Government Activities General Obligation Bonds, Tax Notes and Certificates of Obligation, including interest of $21,775,809 are as follows:

Year Ended September 30	Governmental Activities Bonds Principal	Governmental Activities Bonds Interest	Total
2018	$ 10,510,000	$ 3,768,655	$ 14,278,655
2019	9,515,000	3,090,213	12,605,213
2020	9,375,000	2,700,531	12,075,531
2021	7,915,000	2,338,807	10,253,807
2022	7,610,000	2,017,775	9,627,775
2023-2027	28,955,000	6,137,428	35,092,428
2028-2032	15,235,000	1,696,400	16,931,400
2033	1,300,000	26,000	1,326,000
	$ 90,415,000	$ 21,775,809	$ 112,190,809

During the year, the City issued $14,365,000 of General Obligation Bonds for the purpose of designing and constructing improvements to the City's streets, sidewalks, bridges and other public ways and storm drainage, and including acquiring, constructing and installing related public art; designing, constructing, reconstructing, improving, renovating, expanding public safety facilities, including fire station facilities emergency services facilities and police administrative facilities, including the acquisition of land.

Revenue Bonds

The City also issues bonds where the City pledges income derived from acquired or constructed assets to pay debt service. Revenue Bonds outstanding, at September 30, 2017, are as follows:

Purpose	Interest Rates	Amount
Water supply and waste water treatment	1.50% - 5.00%	$48,130,000
Less-Current maturities payable from restricted assets		5,465,000
		$42,665,000

Annual debt service requirements to maturity, for Business-type Activities Revenue Bonds and General Obligation Bonds, including interest of $10,968,587 are as follows:

Year Ended	Business Type Activities Bonds		
September 30	Principal	Interest	Total
2018	$ 6,090,000	$ 1,739,186	$ 7,829,186
2019	5,010,000	1,562,742	6,572,742
2020	4,110,000	1,414,041	5,524,041
2021	4,265,000	1,267,691	5,532,691
2022	4,100,000	1,115,778	5,215,778
2023-2027	17,130,000	3,150,400	20,280,400
2028-2032	8,230,000	711,619	8,941,619
2033	460,000	7,130	467,130
	$ 49,395,000	$ 10,968,587	$ 60,363,587

There are a number of limitations and restrictions contained in the various bond indentures. As of September 30, 2017, the City was in compliance with all limitations and restrictions.

During the year, the City issued $11,025,000 of Waterworks and Sewer System Revenue Refunding and Improvement Bonds for the purposes of refunding a portion of the City's outstanding Waterworks and Sewer System debt and constructing, acquiring, and installing improvements, additions, and extensions to the system. As a result of the refunding, the City decreased its aggregate debt service payment to maturity by $194,181 and realized an economic gain (difference between the present value of debt service payment on the old debt and the new debt) of $171,332.

In the current year, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At September 30, 2017, $3,820,000 of outstanding general obligation bonds and $9,480,000 of revenue bonds are considered defeased.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Reclassifications	Ending Balance	Due Within One Year
Governmental activities:						
Bonds and notes payable and						
Certificates of obligation	$ 87,185,000	$ 14,365,000	$ (11,135,000)	$ -	$ 90,415,000	$ 10,510,000
Premium	7,456,815	1,234,559	(699,300)	-	7,992,074	-
Compensated absences	8,188,498	6,128,575	(5,625,753)	-	8,691,320	5,556,345
Net pension obligation	42,599,365	-	(957,024)	-	41,642,341	-
Governmental activity long-term liabilities	$ 145,429,678	$ 21,728,134	$ (18,417,077)	$ -	$ 148,740,735	$ 16,066,345
Business type activities:						
Bonds payable	$ 48,755,000	$ 11,025,000	$ (10,385,000)	$ -	49,395,000	$ 6,090,000
Premium	3,197,562	928,792	(264,508)	-	3,861,846	-
Discount	(82,124)	-	22,949	-	(59,175)	-
Compensated absences	734,625	571,709	(541,991)	-	764,343	417,672
Net pension obligation	5,026,545	-	(96,073)	-	4,930,472	-
Business type activity: long-term liabilities	$ 57,631,608	$ 12,525,501	$ (11,264,623)	$ -	$ 58,892,486	$ 6,507,672

In general, the General fund has been used in prior years to liquidate other long-term liabilities for the governmental activities of the City.

Component Unit Bonded Indebtedness

On September 14, 2002 voters approved the imposition of an additional sales and use tax of one-quarter of one (0.25%) percent for parks and library purposes. The tax became effective on January 1, 2003 and collections began in March 2003. The sales tax is collected solely for the benefit of the Lewisville Parks and Library Development Corporation ("LPLDC" a non-profit corporation) established by the City to administer sales tax collections and projects.

Proceeds of Certificates of Obligation issued in 2004 were utilized to finance the construction of park facilities and library improvements for LPLDC. Certificates of Obligation issued in 2007 for the LPLDC and the Tax Increment Reinvestment Zone Number 1 (TIRZ, also known as Old Town) component units were utilized for constructing an athletic complex, an arts activity center, parking lot and related improvements. A portion of the proceeds of the 2016 Tax Notes were issued for LPLDC for construction and acquisition of park and recreation facilities and improvements.

Note Payable to Primary Government / Note Receivable from Component Unit

The Lewisville Park and Library Development Corporation ("LPLDC") has entered into agreements to reimburse the City for annual debt service costs associated with the Series 2004 and Series 2007A Combination Tax and Revenue Certificates of Obligation, a portion of the Series 2016 Tax Notes, as well as costs associated with defeasing said bonds. The Tax Increment Reinvestment Zone ("TIRZ") has entered into agreements to reimburse the City for annual debt service costs associated with the Series 2007B Combination Tax and Revenue Certificates of

Obligation, as well as costs associated with defeasing said bonds. The outstanding obligations as of September 30, 2017, have been recorded as a non-current liability of the LPLDC and TIRZ in the amount of $23,020,000 and $5,905,000 respectively, and as a non-current asset of the governmental activities in the statement of net position.

Annual debt service requirements on the aforementioned debt are as follows:

Year Ended	LPLDC - Note Payable		
September 30	Principal	Interest	Total
2018	$ 1,910,000	$ 946,394	$ 2,856,394
2019	1,995,000	860,669	2,855,669
2020	2,090,000	770,944	2,860,944
2021	2,180,000	680,318	2,860,318
2022	2,270,000	588,943	2,858,943
2023-2027	7,350,000	1,724,941	9,074,941
2028-2032	5,225,000	597,250	5,822,250
	$ 23,020,000	$ 6,169,459	$ 29,189,459

Year Ended	TIRZ - Note Payable		
September 30	Principal	Interest	Total
2018	$ 350,000	$ 286,500	$ 636,500
2019	400,000	267,750	667,750
2020	460,000	246,250	706,250
2021	470,000	223,000	693,000
2022	520,000	198,250	718,250
2023-2027	3,705,000	503,125	4,208,125
	$ 5,905,000	$ 1,724,875	$ 7,629,875

A summary of changes in discretely presented component unit long-term debt follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
LPLDC activities:					
Notes payable:					
Notes payable to Primary Government	$ 24,945,000	$ -	$ (1,925,000)	$ 23,020,000	$1,910,000
Compensated absences	47,603	72,653	(70,440)	49,816	31,908
Net pension obligation	451,626	-	(16,750)	434,876	-
LPLDC activites total:	25,444,229	72,653	(2,012,190)	23,504,692	1,941,908
TIRZ activities:					
Notes payable:					
Notes payable to Primary Government	6,235,000	-	(330,000)	5,905,000	350,000
TIRZ activities total:	6,235,000	-	(330,000)	5,905,000	350,000
Component unit long-term liabilities	$ 31,679,229	$ 72,653	$ (2,342,190)	$ 29,409,692	$2,291,908

Bonded Indebtedness of Which the City Has No Liability

In addition to the outstanding General Obligation Bonds of the City and the Water and Sewer System Revenue Bonds, all of which are included in the financial statements of the City, the City is the Issuer of the following Public Improvement Bond issues:

City of Lewisville, Texas Combination Contract Contract Revenue and Special Assessment Bonds Issuances			Amount
Series 1998	Refunding and Capital Improvement Bonds	District No. 1 Project	$ 19,000,000
Series 2008	Capital Improvement Bonds	District No. 4 Project	20,000,000
Series 2011	Refunding and Utility System Bonds	District No. 3 Project	2,840,000
Series 2011	Utility System Bonds	District No. 4 Project	2,965,000
Series 2011	Road System Bonds	District No. 4 Project	5,355,000
Series 2013	Refunding Bonds	District No. 2 Project	14,300,000
Series 2014	Utility System Bonds	District No. 5 Project	3,255,000
Series 2014	Road System Bonds	District No. 5 Project	4,495,000
Series 2014	Utility System Bonds	District No. 7 Project	1,360,000
Series 2014	Road System Bonds	District No. 7 Project	1,405,000
Series 2014	Utility System Bonds	District No. 4 Project	3,680,000
Series 2014	Utility System Bonds	District No. 6 Project	7,310,000
Series 2014	Road System Bonds	District No. 6 Project	1,200,000
Series 2015	Refunding Bonds	District No. 1 Project	4,580,000
Series 2015	Refunding Bonds	District No. 2 Project	8,490,000
Series 2015	Refunding Bonds	District No. 3 Project	19,535,000
Series 2015	Utility System Bonds	District No. 5 Project	10,950,000
Series 2016	Road System Bonds	District No. 7 Project	3,145,000
Series 2016	Utility System Bonds	District No. 7 Project	1,690,000
Series 2017	Refunding Bonds	District No. 4 Project	13,350,000
Series 2017	Road System Bonds	District No. 6 Project	15,310,000

These issues, are not direct obligations of the City of Lewisville, but rather, are revenue bonds issued for the Castle Hills Public Improvement District located in the City's extraterritorial jurisdiction.

For all issues pertaining to Districts 1-3, the principal and interest payment on the bonds is from ad valorem taxes (contract revenues, billed and collected by the Denton County Fresh Water District). For issues pertaining to District 4, no more than 90% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 10% is payable from special assessment revenues and subject to special mandatory redemption prior to maturity. For the remaining issues pertaining to Districts 5 through 7, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues and subject to special mandatory redemption prior to maturity.

In the event contract revenues were ever insufficient to pay principal and interest, the City would levy and collect special assessments from property owners in the public improvement district.

At September 30, 2017, City of Lewisville, Texas Contract Revenue and Special Assessment Improvement Bonds outstanding aggregated was $131,885,000.

12. RISK MANAGEMENT

The City established a limited risk management program for workers' compensation and healthcare coverage in 1988. Beginning September 1, 1990, liability and property and casualty risk funding was established within the Self-Insurance Risk Internal Service Fund. Life, accidental death and dismemberment and long-term disability coverage are fully insured but accounted for within the fund. Premiums are transferred into the Self-Insurance Risk Internal Service Fund from all other operating funds and are available to pay claims, claim reserves, reinsurance excess coverage premiums, and any other premiums or administrative costs associated with the programs. During FY 2016-17, a total of $1,108,506 was paid in life insurance and long-term disability premiums, reinsurance premiums, and administrative costs for workers' compensation, liability, and property/casualty claims. Workers' compensation liabilities include the reserve for unpaid claims and a calculated reserve for incurred but not reported claims. The workers' compensation reinsurance provided excess coverage of $500,000 per occurrence for all positions. Settled claims have not exceeded this commercial coverage in any of the past several years. In July 1999, the property and casualty and liability insurance coverages were moved to a deductible program. Each line of coverage has a deductible per occurrence ranging from $500-$50,000.

During FY 2001-02, the City established a Health Benefit Trust under Chapter 172 of the Texas Local Government Code. Since the establishment of the Trust, premiums for healthcare have been transferred into the Trust from all other operating funds and are available to pay claims, claim reserves, reinsurance excess coverage premiums, and the administrative costs of the medical/dental plan. For the plan year beginning October 1, 2016, the healthcare reinsurance provided excess coverage (beyond $175,000 per occurrence) and an annual aggregate stop loss of approximately $9,693,157 per plan year limit. The healthcare liabilities include the reserve for unpaid claims and a calculated reserve for incurred but not reported claims. During FY 2016-17, total expenses for claims, reinsurance premiums, and administrative costs for healthcare amounted to $11,080,282.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated annually by an outside actuary who takes into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balances of claims liabilities for the years ended September 30, 2017 and 2016 are as follows:

	2017	2016
Claims payable, beginning of year	$ 1,922,360	$ 1,873,609
Incurred claims	7,639,315	8,927,030
Claims payments	(7,952,811)	(8,878,279)
Claims payable, end of year	$ 1,608,864	$ 1,922,360

13. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue). At the end of the current fiscal year, the various components of unearned revenue and deferred inflows of resources reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Castle Hills PID Capital Project	General Capital Projects Fund	Nonmajor Governmental Funds	Total
Deferred inflows of resources:						
Property taxes	$ 182,244	$ 68,553	$ -	$ -	$ -	$ 250,797
Court fines	226,728	-	-	-	-	226,728
Ambulance	1,327,468	-	-	-	-	1,327,468
Intergovernmental	-	-	-	593,146	3,786	596,932
Notes receivable from component unit	-	28,925,000	-	-	-	28,925,000
Other	53,146	-	-	-	46,043	99,189
Total	$ 1,789,586	$ 28,993,553	$ -	$ 593,146	$ 49,829	$ 31,426,114
Unearned revenue:						
Unearned management fee	-	-	-	-	721,446	721,446
Advance construction payment	-	-	-	36,473,854	-	36,473,854
Total	$ -	$ -	$ -	$ 36,473,854	$ 721,446	$ 37,195,300

14. TAX ABATEMENTS

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code and Chapter 312 of the Texas Tax Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property and/or sales taxes and may include other incentive payments such as fee reductions or construction costs reimbursements. Economic development agreements are considered on a case by case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

Tax Abatement Agreements

Chapter 312 of the Texas Tax Code allows the City to designate tax reinvestment zones and negotiate abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer pays taxes on the lower assessed value during the term of the agreement. Recipients must submit compliance reports annually to continue to qualify for the abatement. Property taxes abated for the fiscal year ending September 30, 2017 totaled $384,278.

Other Economic Agreements

Chapter 380 of the Texas Local Government Code allows the City to provide grants for the purpose of promoting local economic development. These grants are based on a percentage of property and/or sales tax received by the City. For the fiscal year ending September 30, 2017, the City rebated $121,087 in property taxes and $1,300,251 in sales taxes.

15. FUND BALANCE CLASSIFICATIONS

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non Spendable Fund Balance
  This represents the portion of fund balance that is not in a spendable form (such as inventory or prepaid items) or is required to be maintained intact pursuant to legal or contractual requirements.

- Restricted Fund Balance
  This represents the portion of fund balance that is subject to externally enforceable legal restrictions. These restrictions are typically imposed by parties outside the government such as grantors, creditors, or other government entities through laws and regulations.

• Committed Fund Balance

This represents the portion of fund balance that is constrained by limitations that the governing body imposed upon itself at the highest level of decision making (City Council) and remains binding unless removed in the same manner. Any changes must take place before the end of the reporting period.

• Assigned Fund Balance

This portion of fund balance reflects the government's intended use of resources. Such intent would have to be established at either the highest level of decision making or by a body (committee) or official designated for that purpose. Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the General Fund would automatically be assigned here.

• Unassigned Fund Balance

Only the General Fund can have a positive "unassigned" fund balance. This balance represents any residual which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

A schedule of Governmental Fund Balances is provided on the following page.

	GOVERNMENTAL FUNDS					
	General Fund	Debt Service Fund	Castle Hills PID Capital Projects Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCE:						
Non Spendable:						
Prepaid items	$ 263,615	$ -	$ -	$ -	$ 2,493,293	$ 2,756,908
Spendable:						
Restricted for:						
Debt service	-	2,388,199	-	-	-	2,388,199
Capital projects - Streets & Drainage	-	-	-	22,872,870	-	22,872,870
Capital projects - Parks & Recreation	-	-	-	2,877,741	-	2,877,741
Capital projects - Other	-	-	-	1,525,298	-	1,525,298
Hotel/Motel Tax Fund	-	-	-	911,812	5,717,475	6,629,287
Grant Funds	-	-	-	1,299,077	-	1,299,077
Waters Ridge PID Fund	-	-	-	-	269,351	269,351
Municipal Court Security Fund	-	-	-	-	57,197	57,197
Municipal Court Technology Fund	-	-	-	36,671	205,126	241,797
Police Forfeitures Fund (State)	-	-	-	3,748	143,104	146,852
LEOSE Fund	-	-	-	4,922,724	19,305	4,942,029
Police Forfeitures Fund (Federal)	-	-	-	-	346,752	346,752
Juvenile Case Manager Fund	-	-	-	-	169,815	169,815
PEG Programming Fund	-	-	-	-	944,952	944,952
Crime Control & Prenvention District	-	-	-	81,472	2,570,767	2,652,239
Fire Control, Prevention, and Emergency Medical Services District	-	-	-	4,086,631	1,684,531	5,771,162
Josey Lane PID Assessment Fund	-	-	-	-	483,102	483,102
Castle Hills Capital Projects	-	-	16,450,750	-	-	16,450,750
Subtotal - Restricted for:	-	2,388,199	16,450,750	38,618,044	12,611,477	70,068,470
Committed to:						
Capital projects - Streets	-	-	-	3,335,917	-	3,335,917
Capital projects - Parks	-	-	-	1,024,294	-	1,024,294
Capital projects - Landscape & Tree Mitigation	-	-	-	474,683	-	474,683
Recreation Fund	-	-	-	-	377,645	377,645
Employee Benevolent Fund	-	-	-	-	35,063	35,063
Community Activities & Public Safety Training Fund	-	-	-	-	313,687	313,687
Lewisville Local Government Corporation	-	-	-	-	110,261	110,261
Subtotal - Committed to:	-	-	-	4,834,894	836,656	5,671,550
Assigned to:						
Capital projects - Streets & Other	-	-	-	12,865,515	-	12,865,515
Capital projects - Risk Management	-	-	-	837,584	-	837,584
Capital projects - Recreation	-	-	-	567,868	-	567,868
Other	1,054,236	-	-	-	-	1,054,236
Subtotal - Assigned to:	1,054,236	-	-	14,270,967	-	15,325,203
Unassigned:	38,970,279	-	-	-	(1,268,648)	37,701,631
TOTAL FUND BALANCES:	$ 40,288,130	$ 2,388,199	$ 16,450,750	$ 57,723,905	$ 14,672,778	$ 131,523,762

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Form of Bond Opinion]

[Date]

$7,270,000
CITY OF LEWISVILLE, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE
BONDS, SERIES 2018

WE HAVE represented the City of Lewisville, Texas (the "Issuer") as its bond counsel in connection with an issue of bonds (the "Bonds") described as follows:

> CITY OF LEWISVILLE, TEXAS, WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2018, dated September 1, 2018 in the principal amount of $7,270,000.
>
> The Bonds mature, bear interest, are subject to redemption and may be transferred and exchanged as set out in the Bonds and in the bond ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance")

WE HAVE represented the Issuer as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We 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 Bonds. 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. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, which contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. T-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;

(B) The Bonds are payable from and secured by a lien on and pledge of the Net Revenues of the Issuer's waterworks and sewer system, as defined and described in the Ordinance; and

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT under existing law:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes; and

(2) The Bonds are not "private activity bonds" within the meaning of the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's financial advisor and the underwriters of the Bonds with respect to matters solely within the knowledge of the Issuer, the Issuer's financial advisor and the underwriters of the Bonds, respectively, which we have not independently verified. In addition, we have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing covenants of the Ordinance, interest on the Bonds could become includable in gross income from the date of original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit, and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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