(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated March 20, 2018

Ratings:
S&P: "AA"
See "Other Information – Ratings" herein

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters – Tax Exemption" herein, including the alternative minimum tax on corporations.

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

$5,525,000
CITY OF MURPHY, TEXAS
(Collin County)
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: March 15, 2018
Interest to Accrue from Date of Delivery

Due: February 15, as shown on page 2

PAYMENT TERMS. . . Interest on the $5,525,000 City of Murphy, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 (the "Certificates") will accrue from the date of delivery to the initial purchaser of the Certificates (the "Initial Purchaser") and will be payable 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 Certificates 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 Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The Certificates - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Certificates are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Murphy, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of the Net Revenues of the City's waterworks and sewer system (the "System"), as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "The Certificates - Authority for Issuance").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for (i) constructing, renovating, enlarging, equipping and improving water and wastewater facilities and (ii) paying the costs associated with the issuance of the Certificates.

CUSIP PREFIX: 626752

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on page 2

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

DELIVERY. . . It is expected that the Certificates will be available for delivery through DTC on April 19, 2018 ("Date of Delivery").

CUSIP Prefix: 626752 [(1)]

MATURITY SCHEDULE

Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[(1)]
2019	$ 125,000	4.000%	1.500%	UA5
2020	195,000	4.000%	1.700%	UB3
2021	205,000	4.000%	1.850%	UC1
2022	215,000	4.000%	2.000%	UD9
2023	225,000	4.000%	2.150%	UE7
2024	235,000	4.000%	2.300%	UF4
2025	245,000	4.000%	2.400%	UG2
2026	255,000	4.000%	2.500%	UH0
2027	260,000	4.000%	2.650%	UJ6
2028	270,000	4.000%	2.750% [(2)]	UK3
2029	285,000	4.000%	2.850% [(2)]	UL1
2030	290,000	3.000%	3.100%	UM9
2031	300,000	3.000%	3.150%	UN7
2032	315,000	3.000%	3.250%	UP2
2033	325,000	3.125%	3.350%	UQ0
2034	335,000	3.250%	3.450%	UR8
2035	345,000	3.250%	3.500%	US6

$1,100,000 3.500% Term Certificates due February 15, 2038, priced to yield 3.650%, CUSIP Suffix: UV9

(Interest to accrue from the date of delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by 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. None of the City, the Initial Purchaser or the Financial Advisor 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, 2027.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028 in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Certificates – Optional Redemption”).

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15, 2038 (the “Term Certificates”) are subject to mandatory sinking fund redemption as described herein (see “The Certificates – Mandatory Sinking Fund Redemption”).

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

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

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Financial Advisor or the Initial Purchaser. 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.

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR OR THE INITIAL PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY.

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

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.

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The cover page hereof, this page 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 Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY	The City of Murphy, Texas (the "City") is a political subdivision and home-rule municipal corporation of the State, located in Collin County, Texas. The City covers approximately 5.7 square miles (see "Introduction - Description of the City").
THE CERTIFICATES	The $5,525,000 City of Murphy, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 are issued as serial certificates maturing on February 15 in each of the years 2019 through 2035 and as Term Certificates maturing on February 15, 2038 (see "The Certificates – Description of the Certificates").
PAYMENT OF INTEREST	Interest on the Certificates will accrue from the date of delivery to the Initial Purchaser and is payable February 15, 2019, and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates").
AUTHORITY FOR ISSUANCE.........	The Certificates are authorized and issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance adopted by the City Council of the City (the "Ordinance") (see "The Certificates - Authority for Issuance").
SECURITY FOR THE CERTIFICATES............................	The Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, levied within the limits prescribed by law, on all taxable property located within the City, as provided in the Ordinance (see "The Certificates - Security and Source of Payment"). Additionally, the Certificates are payable from a limited pledge (not to exceed $1,000) of the Net Revenues of the System, as provided in the Ordinance.
NON-QUALIFIED TAX-EXEMPT OBLIGATIONS..............................	The City **has not** designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.
REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates - Optional Redemption"). Additionally, the Term Certificates are subject to mandatory sinking fund redemption as more particularly described herein (see "The Certificates – Mandatory Sinking Fund Redemption").
TAX EXEMPTION..........................	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "Tax Matters" herein, including the alternative minimum tax on corporations.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for (i) constructing, renovating, enlarging, equipping and improving water and wastewater facilities and (ii) paying the costs associated with the issuance of the Certificates.
RATINGS	The Certificates and the presently outstanding tax supported debt of the City are rated "AA" by S&P Global Ratings ("S&P"), without regard to credit enhancement (see "Other Information - Ratings").
BOOK-ENTRY-ONLY SYSTEM	The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "The Certificates - Book-Entry-Only System").
PAYMENT RECORD	The City has never defaulted in payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	General Obligation Tax Debt[3]	Per Capita Funded Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2014	19,950	$ 1,638,397,833	$ 82,125	$ 40,220,000	$ 2,016	2.45%	99.71%
2015	20,000	1,800,624,097	90,031	39,555,000	1,978	2.20%	100.02%
2016	20,482	1,975,017,733	96,427	37,670,000	1,839	1.91%	99.73%
2017	20,680	2,192,069,697	106,000	33,795,000	1,634	1.54%	100.00%
2018	20,881	2,353,728,745	112,721	48,395,000 (4)	2,318 (4)	2.06% (4)	87.00% (5)

(1) Source: City staff.
(2) As reported by the Collin County Appraisal District on the City's Annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Projected. Includes the Certificates.
(5) Collections as of January 31, 2018.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Beginning Balance	$ 5,277,982	$ 4,091,334	$ 3,774,268	$ 3,698,948	$ 3,225,792
Total Revenue	14,487,566	13,714,966	11,769,083	11,202,917	10,753,362
Total Expenditures	15,417,757	13,378,318	12,302,017	12,127,597	11,081,132
Net Transfers and Adjustments	850,000	850,000	850,000	1,000,000	850,000
Prior Period Adjustments	-	-	-	-	(49,074)
Ending Balance	$ 5,197,791	$ 5,277,982	$ 4,091,334	$ 3,774,268	$ 3,698,948

For additional information regarding the City, please contact:

Karen L. Montgomery, CPA
Director of Finance
City of Murphy
206 N. Murphy Road
Murphy, Texas 75094
(972) 468-4053

or

Jason L. Hughes
Managing Director
Hilltop Securities Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
(214) 953-8707

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Scott Bradley Mayor	10 years	May-2020	IT, Sr. Manager
Jennifer Berthiaume Mayor Pro-Tem	1 year	May-2019	GIS Analyst
Sarah Fincanon Deputy Mayor Pro-Tem	3 years	May-2020	Science Teacher
Owais Siddiqui Councilmember	4 years	May-2019	Information Technology
Chris George Councilmember	5 months	May-2020	Construction Manager
Betty Spraggins Councilmember	4 years	May-2019	Consultant
Don Reilly Councilmember	1 year	May-2019	CPA/Consultant

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City	Total Length of Governmental Service
Mike Castro, PhD	City Manager	1 year	32 years
Karen L. Montgomery, CPA	Director of Finance	9 months	30 years
Susie Quinn	City Secretary	3 years	33 years
Andy Messer	City Attorney	10 years	26 years

CONSULTANTS AND ADVISORS

Certified Public Accountants .... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

Bond Counsel .... Norton Rose Fulbright US LLP
Dallas, Texas

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

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OFFICIAL STATEMENT

RELATING TO

$5,525,000
CITY OF MURPHY, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $5,525,000 City of Murphy, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 (the "Certificates,"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance which authorized the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1959, and first adopted its Home Rule Charter in February, 2004. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is three years with the terms of four of the Councilmembers expiring in 2019 and every third year thereafter and the terms of the Mayor and the other two Councilmembers expiring in 2020 and every third year thereafter. 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, culture-recreation, public improvements, planning and zoning, and general administrative services. The estimated 2018 population is 20,881, and the City covers approximately 5.7 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated March 15, 2018 (the "Dated Date"). The Certificates mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the date of delivery to the initial purchaser of the Certificates (the "Initial Purchaser") and 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 Certificates will be issued only in fully-registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

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

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates. The Certificates are further secured by a limited pledge (not to exceed $1,000) of the Net Revenues of the System (as defined in the Ordinance).

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. The City's Home Rule Charter authorizes a tax rate up to the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15, 2038 (the "Term Certificates") are subject to mandatory sinking fund redemption in the amounts and at the price of par plus accrued interest to the redemption date on February 15 in the following years:

Term Certificates February 15, 2038	
Year	Amount
2036	$ 355,000
2037	365,000
2038 *	380,000

* Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable Stated Maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Certificate not selected for prior redemption shall be paid on the date of their Stated Maturity. The principal amount of the Term Certificates of the stated maturity required to be redeemed on a mandatory redemption date shall be reduced, at the option of the City, by the principal amount of any Term Certificates of like stated maturity which, at least fifty (50) days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

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

DEFEASANCE . . . The Ordinance provides for the defeasance of Certificates when the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all right of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS. . . The City may amend the Ordinance without the consent of or notice to any registered owners of the Certificates in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates then outstanding no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, 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 Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by the holders of such Certificates for consent to any such amendment, addition, or rescission as provided in the Ordinance.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

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

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

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

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

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

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

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

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates 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 in 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, 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 and principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Certificates. In that event, Certificate certificates 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 Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance, will be given only to DTC.

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

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

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

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

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

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for the interest payable on the Certificates on any interest payment date means the last business day of the month next preceding each interest payment date.

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

REPLACEMENT CERTIFICATES . . . If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the Paying Agent/Registrar a certificate to the effect that such Certificate has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal of or interest on the Certificates or the redemption price of a Certificate when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the obligations under the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

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

Sources of Funds	
Par Amount	$ 5,525,000.00
Reoffering Premium	142,583.30
Total Sources of Funds	$ 5,667,583.30
Uses of Funds	
Deposit to Project Construction Fund	$ 5,545,000.00
Underwriters' Discount	47,665.20
Deposit to Debt Service Fund	3,918.10
Costs of Issuance	71,000.00
Total Uses of Funds	$ 5,667,583.30

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TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Collin Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title I of the Texas Tax Code (referred to herein as the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal or the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal office, or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, whose members are appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

Under Article VIII of the Texas Constitution and State law, the governing body of a county, municipality or junior college district may provide for a freeze on the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (excluding maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

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

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Following the approval by the voters at a November 7, 2017 statewide election (with an effective date of January 1, 2018), the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death and said property was the first responder's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

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

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

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

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

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property, provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit". Section 11.253 of the Texas Tax Code defines "goods-in-transit" as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out board motor, heavy equipment and manufactured housing inventory. Section 11.253 of the Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

A city or a county may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit participating in the TIF that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes; provided, however, that no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

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

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

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

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

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT. . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

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

City Application Of Tax Code . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $50,000; the disabled are also granted an exemption of $50,000.

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

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

The City does not tax nonbusiness personal property; and the Collin County tax office collects taxes.

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

The City does not tax freeport property.

The City does not tax goods-in-transit.

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

The City has adopted a tax abatement policy.

The City has not established a freeze on the taxes on residence homesteads of persons 65 years of age or who are disabled, as may be done on a local option basis.

Tax Abatement Policy . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation, property value enhancement and generation of sales tax revenue. Projects meeting the tax abatement eligibility requirements are considered on a case by case basis, and the length and percentage of the tax abatement will vary based upon the eligibility criteria.

The City is authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the city may make loans or grants of public funds for economic development purposes. The City has entered into a Chapter 380 agreement with a commercial developer of the Murphy MarketPlace. Under such agreement, the City has agreed to rebate a percentage of the 1.0% sales tax generated within the Retail Shopping Center once certain established sales tax revenue thresholds are met on an annual basis. Payments to the developer shall expire 84 months after the commencement date.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2017/18 Market Valuation Established by Collin Central Appraisal District (excluding totally exempt property)		$2,426,381,857
Less Exemptions/Reductions at 100% Market Value:		
Over 65 Residence Homestead Exemptions	$ 36,188,732	
Agricultural Land Use and Productivity Loss	7,249,643	
Disabled Veterans Exemptions	7,565,347	
Disabled Persons Exemptions	3,425,000	
Pollution Control	81,870	
Homestead Cap Adjustment	18,142,520	$ 72,653,112
2017/18 Taxable Assessed Valuation		$2,353,728,745
General Obligation Debt Payable from Ad Valorem Taxes (as of 2/1/18)		
General Obligation Debt	$ 46,565,000	
The Certificates	5,525,000	
Funded Debt Payable from Ad Valorem Taxes		$ 52,090,000
Less: Self-Supporting Debt (1)		14,455,000
Net Funded Debt Payable from Ad Valorem Taxes (as of 1/1/18)		$ 37,635,000
Interest and Sinking Fund (as of 11/1/17)		$ 859,112
Ratio Funded Tax Debt to Taxable Assessed Valuation		1.98%
Ratio Net Funded Tax Debt to Taxable Assessed Valuation		1.60%

2018 Estimated Population - 20,881
Per Capita Taxable Assessed Valuation - $112,721
Per Capita Funded Debt Payable from Ad Valorem Tax - $2,495
Per Capita Net Funded Debt Payable from Ad Valorem Tax - $1,802

(1) General obligation debt, in the amounts shown, for which repayment is provided from revenues of the City's Water and Sewer System (the "System"). The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from net revenues of the System; this policy is subject to change in the future.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2018		2017		2016	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 2,116,828,584	87.24%	$ 2,021,044,490	87.82%	$ 1,788,853,681	87.32%
Real, Vacant Platted Lots/Tracts	14,271,412	0.59%	12,404,740	0.54%	13,528,242	0.66%
Real Acreage (Land Only)	7,307,060	0.30%	9,535,209	0.41%	11,752,079	0.57%
Real, Farm and Ranch Improvements	9,154,835	0.38%	10,949,578	0.48%	7,532,627	0.37%
Real, Commercial and Industrial	215,764,271	8.89%	186,194,629	8.09%	166,432,508	8.12%
Real and Intangible Personal, Utilities	13,584,001	0.56%	12,791,981	0.56%	13,352,458	0.65%
Tangible Personal, Business & Other	38,395,385	1.58%	38,703,166	1.68%	39,786,769	1.94%
Real, Inventory	10,945,633 (1)	0.45%	9,476,511 (1)	0.41%	7,300,644 (1)	0.36%
Special Inventory	130,676	0.01%	142,133	0.01%	125,794	0.01%
Total Appraised Value Before Exemptions	$ 2,426,381,857	100.00%	$ 2,301,242,437	100.00%	$ 2,048,664,802	100.00%
Less: Total Exemptions/Reductions	72,653,112		109,172,740		73,647,069	
Taxable Assessed Value	$ 2,353,728,745		$ 2,192,069,697		$ 1,975,017,733	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2015		2014	
Category	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 1,600,863,527	86.33%	$ 1,456,898,956	86.31%
Real, Vacant Platted Lots/Tracts	13,404,477	0.72%	14,145,698	0.84%
Real Acreage (Land Only)	9,857,653	0.53%	9,861,043	0.58%
Real, Farm and Ranch Improvements	8,220,816	0.44%	9,836,230	0.58%
Real, Commercial and Industrial	158,297,830	8.54%	135,160,192	8.01%
Real and Intangible Personal, Utilities	13,049,452	0.70%	11,988,073	0.71%
Tangible Personal, Business & Other	35,229,242	1.90%	26,020,670	1.54%
Real, Inventory	15,185,322 (1)	0.82%	24,035,641 (1)	1.42%
Special Inventory	140,052	0.01%	117,359	0.01%
Total Appraised Value Before Exemptions	$ 1,854,248,371	100.00%	$ 1,688,063,862	100.00%
Less: Total Exemptions/Reductions	53,624,274		49,666,029	
Taxable Assessed Value	$ 1,800,624,097		$ 1,638,397,833	

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

(1) This figure represents new subdivisions where the developer or builder put property into inventory and received a special valuation. These properties were coded in the Residential Single Family category in past years.

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year[(3)]	Ratio Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2014	19,950	$1,638,397,833	$ 82,125	$ 40,220,000	2.45%	$ 2,016
2015	20,000	1,800,624,097	90,031	39,555,000	2.20%	1,978
2016	20,482	1,975,017,733	96,427	37,670,000	1.91%	1,839
2017	20,680	2,192,069,697	106,000	33,795,000	1.54%	1,634
2018	20,881	2,353,728,745	112,721	48,395,000 (4)	2.06% (4)	2,318 (4)

(1) Source: City Staff.
(2) As reported by the Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Projected, includes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
2014	$ 0.570000	$ 0.341521	$ 0.228479	$ 9,325,685	99.71%	99.71%
2015	0.550000	0.336270	0.213730	9,887,932	99.82%	100.02%
2016	0.530000	0.333221	0.196779	10,451,946	99.73%	99.73%
2017	0.510000	0.327749	0.182251	11,179,555	100.00%	100.00%
2018	0.500000	0.317750	0.182250	11,732,193 (1)	87.00% (2)	87.00% (2)

(1) Provided by the City.
(2) Collections through January 31, 2018.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2017/18 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Murphy Marketplace Station LLC	Land/Property Development	$ 52,995,290	2.25%
Wal-Mart Real Estate Business Trust	Land/Property Development	14,677,766	0.62%
Murphy Crossing Shopping Center LP	Land/Property Development	12,347,430	0.52%
Lowe's Home Centers Inc.	Retail	11,048,008	0.47%
NSA Property Holdings LLC	Real Estate	8,864,607	0.38%
Duke Realty BEMC Murphy Development LLC	Land/Property Development	8,845,903	0.38%
Health Care Reit Inc.	Healthcare	8,166,485	0.35%
Wal-Mart Stores Texas LLC	Discount Retail	7,149,539	0.30%
GELO Investments LLC	Land/Property Development	5,920,138	0.25%
ABS TX Investor LP	Land/Property Development	5,297,370	0.23%
		$ 135,312,536	5.75%

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

TABLE 6 - TAX ADEQUACY[1]

2018 Net Principal and Interest Requirements	$	3,786,750
$0.16090 Tax Rate at 100% Collection Produces	$	3,787,150
Average Net Annual Principal and Interest Requirements, 2018-2038	$	2,280,163
$0.09690 Tax Rate at 100% Collection Produces	$	2,280,763
Maximum Net Annual Principal and Interest Requirements, 2020	$	4,494,615
$0.19100 Tax Rate at 100% Collection Produces	$	4,495,622

(1) Includes the Certificates; excludes self-supporting debt.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2017/18 Taxable Assessed Value	2017/18 Tax Rate	Total G.O. Tax Debt 11/1/2017	Estimated % Applicable	City's Overlapping G.O. Tax Debt 11/1/2017	Authorized But Unissued Debt As Of 11/1/2017
City of Murphy	$ 2,353,728,745	$ 0.5000	$ 37,635,000 [1]	100.00%	$ 37,635,000 [1]	$ 8,571,197
Collin County	124,035,906,716	0.1920	352,380,000	1.90%	6,695,220	4,580,000
Collin County CCD	127,699,204,661	0.0800	14,590,000	1.89%	275,751	600,000,000
Plano ISD	51,079,545,709	1.4390	1,031,725,000	3.17%	32,705,683	76,970,000
Wylie ISD	5,265,440,932	1.6400	283,132,271	11.64%	32,956,596	-
Total Direct and Overlapping Tax-supported Debt [1]					$ 110,268,250	
Ratio of Direct and Overlapping Tax-supported Debt to Taxable Assessed Valuation [1]					4.68%	
Per Capita Overlapping Tax-supported Debt [1]					$ 5,281	

(1) Includes the Certificates, less self-supporting debt.

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DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service[1]			The Certificates[2]			Less: Self-Supporting Debt Service	Total Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total			
2018	$ 3,695,000	$ 1,243,102	$ 4,938,102	$ -	$ -	$ -	$ 1,151,352	$ 3,786,750	
2019	3,730,000	1,787,356	5,517,356	125,000	259,969	384,969	1,539,727	4,362,598	
2020	4,015,000	1,427,566	5,442,566	195,000	189,606	384,606	1,332,558	4,494,615	
2021	3,765,000	1,282,306	5,047,306	205,000	181,606	386,606	1,183,398	4,250,514	
2022	3,920,000	1,137,834	5,057,834	215,000	173,206	388,206	1,179,960	4,266,081	38.14%
2023	3,455,000	992,253	4,447,253	225,000	164,406	389,406	1,184,444	3,652,215	
2024	2,830,000	864,281	3,694,281	235,000	155,206	390,206	1,187,210	2,897,277	
2025	2,180,000	762,816	2,942,816	245,000	145,606	390,606	1,187,705	2,145,718	
2026	2,275,000	670,629	2,945,629	255,000	135,606	390,606	1,186,059	2,150,177	
2027	2,380,000	572,901	2,952,901	260,000	125,306	385,306	1,182,186	2,156,021	65.67%
2028	2,475,000	469,745	2,944,745	270,000	114,706	384,706	1,180,796	2,148,655	
2029	2,590,000	361,136	2,951,136	285,000	103,606	388,606	1,187,119	2,152,624	
2030	1,590,000	275,021	1,865,021	290,000	93,556	383,556	586,956	1,661,621	
2031	1,295,000	222,394	1,517,394	300,000	84,706	384,706	586,206	1,315,894	
2032	940,000	185,119	1,125,119	315,000	75,481	390,481	594,781	920,819	85.53%
2033	970,000	154,594	1,124,594	325,000	65,678	390,678	592,478	922,794	
2034	1,000,000	123,094	1,123,094	335,000	55,156	390,156	594,156	919,094	
2035	825,000	94,719	919,719	345,000	44,106	389,106	389,106	919,719	
2036	850,000	69,063	919,063	355,000	32,288	387,288	387,288	919,063	
2037	880,000	42,031	922,031	365,000	19,688	384,688	384,688	922,031	97.53%
2038	905,000	14,141	919,141	380,000	6,650	386,650	386,650	919,141	100.00%
	$ 46,565,000	$ 12,752,101	$ 59,317,101	$ 5,525,000	$ 2,226,141	$ 7,751,141	$ 19,184,824	$ 47,883,419	

(1) "Outstanding Debt" does not include lease/purchase obligations.
(2) Average life of the Certificates - 11.636 years.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION[1]

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/18		$ 3,786,750
Interest and Sinking Fund Balance, Fiscal Year Ending 9/30/17	$ 902,513	
Budgeted 2017/18 Interest and Sinking Fund Tax Levy	4,276,400	
Delinquent	8,000	
Interest Income	13,000	$ 5,199,913
Estimated Balance, 9/30/18		$ 1,413,163

(1) Excludes self-supporting debt.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Net System Revenue Available, Fiscal Year Ending 9/30/17	$ 2,048,475
Less: Requirements for Revenue Bonds	-
Balance Available for Other Purposes	$ 2,048,475
FY 17/18 Requirements for System Tax Bonds	$ 794,579
Percentage of System General Obligation Bonds Self-Supporting	100%
Net CDC Revenue Available, Fiscal Year Ending 9/30/17	$ 516,323 [3]
Less: Requirements for Revenue Bonds	-
Balance Available for Other Purposes	$ 516,323
FY 17/18 Requirements for System Tax Bonds	$ 204,118
Percentage of System General Obligation Bonds Self-Supporting	100%
Net MMDD Revenue Available, Fiscal Year Ending 9/30/17	$ 197,907
Less: Requirements for Revenue Bonds	-
Balance Available for Other Purposes	$ 197,907
FY 17/18 Requirements for System Tax Bonds	$ 152,656
Percentage of System General Obligation Bonds Self-Supporting	100%

(1) Operational expenses and debt service were paid first from available CDC sales tax revenues, which covered 100% of the operational expense and debt service. Other items, such as capital outlay and contractual services were repaid with the remaining available CDC sales tax revenues and then the CDC fund balance
(2) Operational expenses and debt service were paid first from available MMDD sales tax revenues, which covered 100% of the operational expenses and debt service. Other items, such as capital outlay and contractual services, were repaid with the remaining available MMDD sales tax revenues and then with MMDD fund balance.
(3) Includes intergovernmental transfers.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Unissued Balance
Street	11/7/2017	$ 15,510,000	$ 8,685,922	$ 6,824,078
Public Safety	11/7/2017	1,735,000	1,735,000	-
Parks & Recreation	11/7/2017	4,400,000	2,652,881	1,747,119
		$ 21,645,000	$ 13,073,803	$ 8,571,197

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The City does not anticipate the issuance of additional general obligation debt in the next 12 months.

TABLE 12 - OTHER OBLIGATIONS

The City has eight operating leases within the Water and Sewer Fund with Dallas Area Rapid Transit ("DART") for the leasing of right–of-way.

Year Ending 9/30	Annual Payment
2018	$ 19,730
2019	21,210
	$ 40,940

PENSION FUND

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

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

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

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

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

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	87
Active employees	112
	231

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.76% and 14.52% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $1.003.913, and were equal to the required contributions.

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

Actuarial assumptions:

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

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

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

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

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

The target allocation and best estimates of real rates of return for each major assets class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
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%	

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2015	$ 16,036,931	$ 13,028,866	$ 3,008,065
Changes for year:			
Service cost	1,296,399	-	1,296,399
Interest	1,111,877	-	1,111,877
Difference between expected and actual experience	219,473	-	219,473
Changes of assumptions	-	-	-
Contributions-employer	-	931,923	(931,923)
Contributions-employee	-	474,375	(474,375)
Net investmetn income	-	879,201	(879,201)
Benefit payments, including refunds of employee contributions	(425,744)	(425,744)	-
Administrative expense	-	(9,944)	9,944
Other changes	-	(536)	536
Net changes	2,202,005	1,849,275	352,730
Balance at 12/31/2016	$ 18,238,936	$ 14,878,141	$ 3,360,795

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 6,745,191	$ 3,360,795	$ 683,356

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended September 30, 2017, the City recognized pension expense of $1,267,773.

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

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	$ 176,184	$ 117,072
Changes in actuarial assumptions	28,347	-
Difference between projected and actual investment earnings	550,981	-
Contributions subsequent to the measurement date	732,250	-
Total	$ 1,487,762	$ 117,072

$732,250 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended September 30,		
2018	$	202,840
2019		202,838
2020		187,133
2021		42,601
2022		3,028
Thereafter		-
	$	638,440

Other Post-Employment Benefits

SUPPLEMENTAL DEATH BENEFITS PLAN

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were $8,080, $7,731 and $7,117 respectively, which equaled the required contributions.

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS – GOVERNMENTAL ACTIVITIES

	Fiscal Years Ended September 30,				
	2017	2016	2015	2014	2013
Revenues:					
Program Revenues:					
Charges for Services	$ 2,722,772	$ 3,004,941	$ 2,544,247	$ 2,699,927	$ 3,046,940
Operating Grants and Contributions	749,828	1,484,689	716,740	244,810	369,220
Capital Grants and Contributions	3,274,505	1,688,896	2,820,654	1,545,763	1,975,563
General Revenue:					
Property Tax	11,178,829	10,483,060	9,911,637	9,347,644	8,962,153
Sales Tax	2,000,975	2,005,510	1,040,903	1,624,731	1,299,239
Franchise Tax	991,976	1,028,798	1,800,561	970,136	855,550
Investment Earnings	48,857	26,124	11,333	12,353	17,244
Miscellaneous	1,236,276	770,986	56,798	389,249	280,643
Total Revenues	$ 22,204,018	$ 20,493,004	$ 18,902,873	$ 16,834,613	$ 16,806,552
Expenditures:					
General Government	$ 5,522,920	$ 5,265,718	$ 4,051,021	$ 3,517,089	$ 3,635,933
Public Safety	6,478,115	6,267,504	5,905,248	5,524,728	5,290,825
Public Services and Operations	723,266	684,246	701,805	629,618	789,277
Parks and Recreation	2,121,627	1,811,728	1,586,775	1,582,108	1,545,567
Public Works	1,216,617	1,101,172	1,433,314	1,275,322	1,219,764
Sanitation Services	769,519	760,878	756,114	721,110	697,425
Economic & Community Development	156,813	121,369	150,908	109,839	131,050
Interest and Fiscal Charges	933,038	985,676	1,227,861	1,218,083	1,128,746
Total Expenditures	$ 17,921,915	$ 16,998,291	$ 15,813,046	$ 14,577,897	$ 14,438,587
Increase (Decrease) in Net Assets					
Before Transfers	$ 4,282,103	$ 3,494,713	$ 3,089,827	$ 2,256,716	$ 2,367,965
Transfers	850,000	850,000	850,000	850,000	850,000
Increase in Net Assets	5,132,103	4,344,713	3,939,827	3,106,716	3,217,965
Net Assets - October 1	56,085,515	54,209,622	53,799,270	50,692,554 (1)	47,690,165
Prior Period Adjustment	-	(2,468,820)	(3,529,475)	-	(215,585)
Net Assets - September 30	$ 61,217,618	$ 56,085,515	$ 54,209,622	$ 53,799,270	$ 50,692,545

(1) Restated.

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TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
Revenues	2017	2016	2015	2014	2013
Taxes	$ 8,535,854	$ 9,623,737	$ 8,889,463	$ 8,205,653	$ 7,329,358
Licenses and Permits	2,000,975	941,358	521,148	688,687	891,070
Charges for Services	1,765,694	1,738,763	1,646,574	1,633,091	1,595,262
Fines	560,366	303,753	370,286	366,630	441,717
Contributions and Donations	1,587	4,431	6,303	28,000	22,799
Intergovernmental	332,036	309,792	269,892	244,810	286,400
Grants	2,402	1,125	-	-	82,820
Interest	35,524	16,890	5,284	5,617	6,681
Miscellaneous	1,253,128	775,117	60,133	30,429	97,255
Total Revenues	$ 14,487,566	$ 13,714,966	$ 11,769,083	$ 11,202,917	$ 10,753,362
Expenditures					
General Government	4,831,123	4,249,736	3,059,872	2,552,368	2,669,218
Public Safety	6,219,077	5,875,835	5,682,767	5,266,608	4,973,943
Public Works	271,249	231,114	285,308	307,111	240,558
Public Services and Operations	674,530	645,710	668,142	624,004	783,153
Parks and Recreation	1,493,101	1,118,057	1,137,405	1,127,913	1,095,850
Development	153,344	119,053	151,514	109,839	131,050
Sanitation Services	769,519	760,878	756,114	721,110	697,425
Principal	-	-	-	14,303	13,429
Interest and Fiscal Charges	-	-	-	-	399
Capital Outlay	1,005,814	377,935	560,895	1,404,341	476,107
Total Expenditures	$ 15,417,757	$ 13,378,318	$ 12,302,017	$ 12,127,597	$ 11,081,132
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (930,191)	$ 336,648	$ (532,934)	$ (924,680)	$ (327,770)
Other Sources (Uses), Net	850,000	850,000	850,000	1,000,000	850,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (80,191)	$ 1,186,648	$ 317,066	$ 75,320	$ 522,230
Beginning Fund Balance	5,277,982	4,091,334	3,774,268	3,698,948	3,225,792
Prior Period Adjustments	-	-	-	-	(49,074)
Ending Fund Balance	$ 5,197,791	$ 5,277,982	$ 4,091,334	$ 3,774,268	$ 3,698,948

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, as amended, which grants the City the power to impose and levy a 1 ½ % Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Additionally, in 1990, the citizens elected to allow the City to impose an additional ½ of 1% sales tax specifically designed to reduce property taxes. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	1% City Sales Tax Collections	1/2% MDD Tax Collections	1/2% CDC Tax Collections	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita(2)
2014	$ 1,593,938	$ 796,969	$ 796,969	34.18%	$ 0.1946	$ 159.79
2015	1,764,935	882,467	882,467	35.70%	0.1960	176.49
2016	1,976,451	988,226	988,226	37.78%	0.1999	192.79
2017	1,972,374	986,187	986,187	22.15%	0.1130	119.74
2018	503,924 (1)	251,962 (1)	251,962 (1)	4.30%	0.0214	24.13

(1) Partial collections through February 28, 2018.
Based on population estimates provided by City Staff.

The sales tax breakdown for the City is as follows:

Murphy Municipal Development District	0.50%
Murphy Community Development (4B)	0.50%
City Sales & Use Tax	1.00%
State Sales & Use Tax	6.25%
Total	8.25%

As noted in "Table 14 - Municipal Sales Tax History," above, in comparison to the revenues produced by the City through the exercise of its ad valorem taxation powers, the City funds a large portion of its operating budget though the collection of sales taxes. Sales tax revenues typically fluctuate in direct proportion to changes in general and local economic conditions, especially when compared to changes in the ad valorem tax base. In response to such economic changes, sales tax revenues also tend to change more quickly than the value of property against which ad valorem taxes are levied.

FINANCIAL POLICIES

Basis of Accounting. . . The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Fund Accounting. . .The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

General Fund . . . The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Debt Service Fund . . . The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Capital Projects Fund . . . The Capital Projects Fund is used to account for acquisition and construction of major capital facilities other than those financed by proprietary funds.

Budgets . . . Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and debt service funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

The City Council approves, by ordinance, total budget appropriations and is authorized to transfer budget amounts between line items within any department. However, any revisions altering the total appropriations of any fund or department must be approved by the City Council after appropriate public notice and public participation. Management exercises control over budgeted expenditures by fund and department, as presented in the accompanying combined financial statements.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. 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 or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (8) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the 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 (12) through (14) 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; 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 comply with federal Securities and Exchange Commission Rule 2a-7, and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described 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 AAA-m or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. 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 Texas 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 of each pooled fund group, of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment 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 a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS

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

Description	Market Value	Book Value
Checking Account	$ 400,000	$ 400,000
Money Market Account	12,860,860	12,860,860
Total	$ 13,260,860	$ 13,260,860

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

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

The City's current fiscal year end is September 30. Accordingly, the City must provide the information under Tables numbered 1 through 6 and 8 through 15 by March 31 in each year and the audited financial statements (or unaudited financial statements if the audit is not available) by August 31 of each year. If the City changes its fiscal year, it will notify the MSRB of the change.

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

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Availability of Information . . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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 Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

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

Compliance with Prior Undertakings . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the SEC Rule 15c2-12.

OTHER INFORMATION

Ratings

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

Litigation

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

Registration and Qualification of Certificates for Sale

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

LEGAL MATTERS

The issuance of the Certificates is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the City and, based upon an examination of transcripts of proceedings relating to the Certificates, the approving legal opinions of Bond Counsel to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations. Bond Counsel will express no opinion with respect to the sufficiency of the security for or the marketability of the Certificates. In connection with the issuance of the Certificates, Bond Counsel has been engaged by, and only represents, the City. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinances. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and 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.

FINANCIAL ADVISOR

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

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

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of SAMCO Capital Markets, Inc. (the "Purchaser" or "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par plus a net cash premium of $94,918.10. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The initial yields shown on page 2 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

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

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

SCOTT BRADLEY
Mayor
City of Murphy, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION AND POPULATION

The City of Murphy, Texas (the "City") is a residential community located in the Southwest corner of Collin County coterminous to the east boundary of the City of Plano, and is approximately 20 miles north of downtown Dallas on Farm-to-Market Road 544. The City is approximately 5.7 square miles of land area. The estimated 2018 population is 20,881.

ECONOMY

The City's economy is greatly influenced by the industrial, commercial and residential growth of the City of Plano, the City of Richardson and Northern Dallas. Close proximity to these areas has prompted the development of single family residences in the City. Many residents of the City commute to jobs in Plano, Richardson, Dallas and throughout the D/FW Metroplex. Major employers near the City include the following:

Name of Firm	Type of Business	Number of Employees
Wal-Mart	Grocery Store	290
Lowe's	Home Improvement	142
City of Murphy	Municipality	125
McMillen High School	School	110
Murphy Middle School	School	109
Sprouts	Grocery Store	85
Boggess Elementary School	School	78
Chick-Fil-A	Restaurant	75
Hunt Elmentary School	School	74
Tibbals Elementary	School	65

BUILDING PERMIT INFORMATION

	Residential		Commercial		Grand Total	
Fiscal Year Ended	Number of Units	Value	Number of Units	Value	Number of Units	Value
2013	141	$ 43,406,392	18	$24,327,927	159	$ 67,734,319
2014	117	39,451,745	20	15,430,411	137	54,882,156
2015	44	16,758,627	28	39,260,017	72	56,018,644
2016	65	29,924,904	33	52,863,698	98	82,788,602
2017	29	12,592,475	48	28,025,769	77	40,618,244

Source: City Records.

EDUCATIONAL FACILITIES

SECONDARY EDUCATION . . . Most residents reside within the Plano Independent School District (the "District"). The District has developed a progressive, all-around educational program for children that is recognized as one of the most outstanding in the State. This excellence in education has been accompanied by an unprecedented rate of growth in the District. District students' scores remain among the highest of the 50 largest Texas school districts on the state-mandated tests in math, reading and writing. The District has been recognized by the Texas Education Agency as one of eight State districts with students who demonstrate mastery of higher-level cognitive skills. The District has earned a Texas Education Agency Special Acknowledgment for student performance on college admission criteria.

A portion of residents reside in areas served by Wylie Independent School District which offers an outstanding academic program with a focus on character education beginning in elementary school. The curriculum includes a wide range of programs from culinary arts to television production. The district emphasizes technology in the classroom and as a communications tool for parents. The 19 campuses include Wylie High School (grades 9 through 12), Wylie East High School (grades 9 through 12), Achieve Academy (grades K through 12), three junior high schools (grades 7 and 8), three intermediate schools (grades 5 and 6, and ten elementary campuses (grades Pre-K through 4).

EMPLOYMENT RATES

	Average Annual				
	2017	2016	2015	2014	2013
Collin County					
Civilian Labor Force	520,293	506,100	487,091	473,380	458,385
Total Employment	502,181	488,282	469,393	451,840	433,202
Unemployment	18,112	17,818	17,698	21,540	25,183
Unemployment Rate	3.5%	3.5%	3.6%	4.6%	5.5%
State of Texas					
Civilian Labor Force	13,461,675	13,284,623	13,044,089	13,004,345	12,872,204
Total Employment	12,872,693	12,671,801	12,463,031	12,340,567	12,070,808
Unemployment	588,982	612,822	581,058	663,778	801,396
Unemployment Rate	4.4%	4.6%	4.5%	5.1%	6.2%

Source: Texas Employment Commission, Austin, Texas.

APPENDIX B

EXCERPTS FROM THE

CITY OF MURPHY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

The information contained in this Appendix consists of excerpts from the City of Murphy, 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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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Murphy, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Murphy, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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505.266.5904

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, 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, schedule of changes in net pension liability and related ratios and schedule of contributions, on pages 4-14 and 62-63 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 of Murphy, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018, on our consideration of the City of Murphy, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Murphy, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
March 20, 2018

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Management's Discussion and Analysis

As management of the City of Murphy ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Murphy for the fiscal year September 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Murphy exceeded its liabilities at the close of the fiscal year by $90,717,122 (net position). Of this amount, $81,528,756 or 90%, is net investment in capital assets. Net position restricted for a specific purpose is $2,915,162. The remaining, $6,273,204 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The government's total net position increased by $5,098,443 mainly due to increased collections of property and sales taxes.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $7,420,183, a decrease of $498,012 , in comparison with the prior year. The decrease in combined ending fund balances is attributable to the capital outlay expenditures. Approximately 68% of this total amount, or $5,036,099 , is available for spending at the government's discretion (unassigned).

- At the end of the current fiscal year, the unassigned fund balance for the General Fund of $5,036,099 was 33% percent of total general fund expenditures for the fiscal year. The decrease in fund balance of the General Fund in the amount of $80,191 was due to an increase in expenditures in all departments and capital outlay.

- The City's total outstanding long-term debt decreased by $3,619,402 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City of Murphy's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Murphy.

Basic Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of Murphy's basic financial statements. The City of Murphy's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the proprietary fund statements, and 3) component units.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in these financial statements. After the notes, **required supplemental information** is provided to show details about the City's pension plan and individual funds. Budgetary information required by the General Statutes can also be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City of Murphy's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the government-wide financial statements distinguish functions of the City of Murphy that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and permit fees/court fees finance most of these activities. The business-type activities are those that the City charges customers to provide utility services. The final category is the component unit. The City of Murphy has two component units, the Murphy Municipal Development District and the Murphy Community Development Corporation.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Murphy, like other governmental entities in Texas, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Murphy can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

The City of Murphy adopts an annual appropriated budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Murphy has one type of proprietary fund which is the Water & Sewer Fund. 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. 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Murphy's progress in funding its obligation to provide pension benefits to its employees.

City of Murphy's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 8,553,940	$ 10,407,033	$ 7,185,494	$ 7,070,275	$ 15,739,434	$ 17,477,308
Capital assets	82,567,195	79,132,965	31,826,745	31,716,646	114,393,940	110,849,611
Total assets	91,121,135	89,539,998	39,012,239	38,786,921	130,133,374	128,326,919
Total deferred outflows of resources	1,581,668	1,576,399	167,518	159,106	1,749,186	1,735,505
Long-term liabilities	30,251,590	33,443,080	8,649,433	9,077,345	38,901,023	42,520,425
Other liabilities	1,129,705	1,445,948	1,017,638	317,842	2,147,343	1,763,790
Total liabilities	31,381,295	34,889,028	9,667,071	9,395,187	41,048,366	44,284,215
Total deferred inflows of resources	103,890	141,854	13,182	17,676	117,072	159,530
Net position:						
Net investment in capital assets	55,881,755	48,931,345	25,647,001	25,461,135	81,528,756	74,392,480
Restricted	2,208,595	2,610,809	706,567	674,204	2,915,162	3,285,013
Unrestricted	3,127,268	4,543,361	3,145,936	3,397,825	6,273,204	7,941,186
Total net position	$ 61,217,618	$ 56,085,515	$ 29,499,504	$ 29,533,164	$ 90,717,122	$ 85,618,679

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources exceed liabilities and deferred inflows by $90,717,122 as of September 30, 2017.

Net investment in capital assets:

The City's net position increased by $5,098,443, for the fiscal year ended September 30, 2017. However, a large portion, 90%, reflects the City's net investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Murphy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Murphy's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position represents 3% that are subject to external restrictions on how they may be used, or by enabling legislation. The restricted net positions are comprised of (a) $803,734 for debt service and, (b) $2,111,428 for state imposed and other restrictions.

Unrestricted net position:

Unrestricted net position in the amount of $6,273,204 is available to fund the City programs to citizens and creditors.

City of Murphy's Changes in Net Position

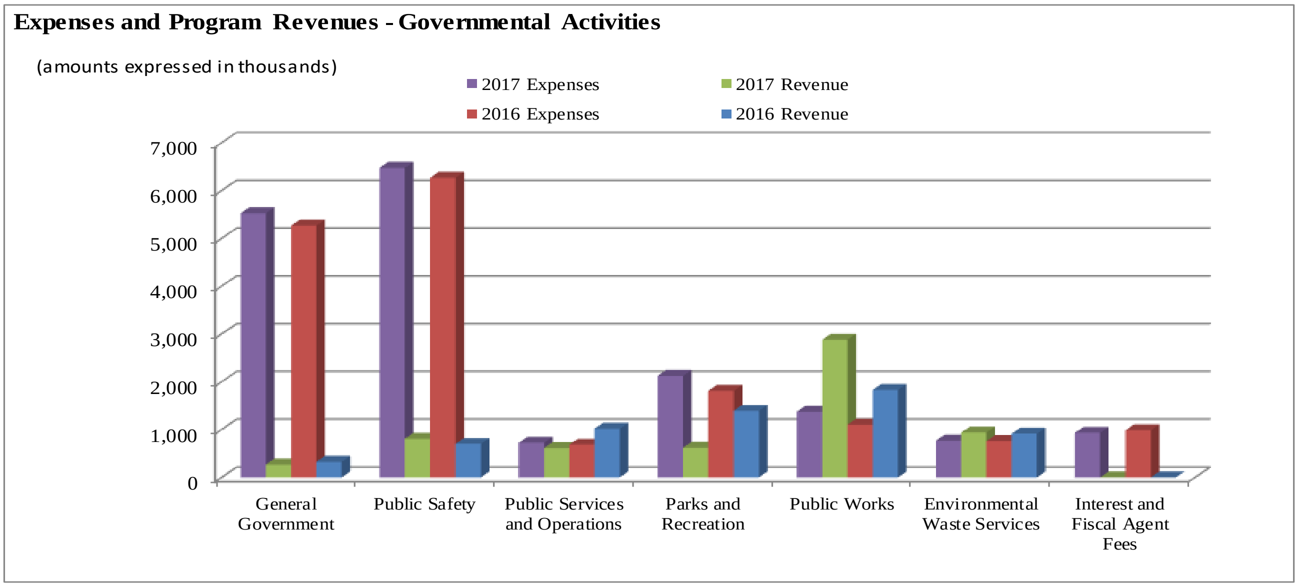
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 2,722,772	$ 3,004,941	$ 9,439,667	$ 8,980,060	$ 12,162,439	$ 11,167,456
Operating grants and contributions	749,828	1,484,689	-	-	749,828	1,484,689
Capital grants and contributions	3,274,505	1,688,896	-	-	3,274,505	1,688,896
General revenues:						
Property taxes	11,178,829	10,483,060	-	-	11,178,829	10,483,060
Franchise taxes	991,976	1,028,798	-	-	991,976	1,028,798
Sales and use tax taxes	2,000,975	2,005,510	-	-	2,000,975	2,005,510
Investment income	48,857	26,124	32,451	19,057	81,308	45,181
Miscellaneous	1,236,276	770,986	11,848	35,352	1,248,124	806,338
Total revenues	22,204,018	20,493,004	9,483,966	9,034,469	31,687,984	29,527,473
Expenses:						
General government	5,522,920	5,265,718	-	-	5,522,920	5,265,718
Public safety	6,478,115	6,267,504	-	-	6,478,115	6,267,504
Public works	1,216,617	1,101,172	-	-	1,216,617	1,101,172
Public services and operations	723,266	684,246	-	-	723,266	684,246
Parks and recreation	2,121,627	1,811,728	-	-	2,121,627	1,811,728
Development	156,813	121,369	-	-	156,813	121,369
Sanitation services	769,519	760,878			769,519	760,878
Interest on long-term debt	933,038	985,676	-	-	933,038	985,676
Water and sewer	-	-	8,667,626	8,172,075	8,667,626	8,172,075
Total expenses	17,921,915	16,998,291	8,667,626	8,172,075	26,589,541	25,170,366
Increases in net position before transfers	4,282,103	3,494,713	816,340	862,394	5,098,443	4,357,107
Transfers	850,000	850,000	(850,000)	(850,000)	-	-
Change in net position	5,132,103	4,344,713	(33,660)	12,394	5,098,443	4,357,107
Net position, beginning	56,085,515	54,209,622	29,533,164	29,262,423	85,618,679	83,472,045
Prior period adjustment	-	(2,468,820)	-	258,347	-	(2,210,473)
Net position, ending	$ 61,217,618	$ 56,085,515	$ 29,499,504	$ 29,533,164	$ 90,717,122	$ 85,618,679

The Governmental Activities have increased net position, excluding prior period adjustments, in the amount of $5,132,103. This is due in large part to property taxes as well as charges for services and grant revenue.

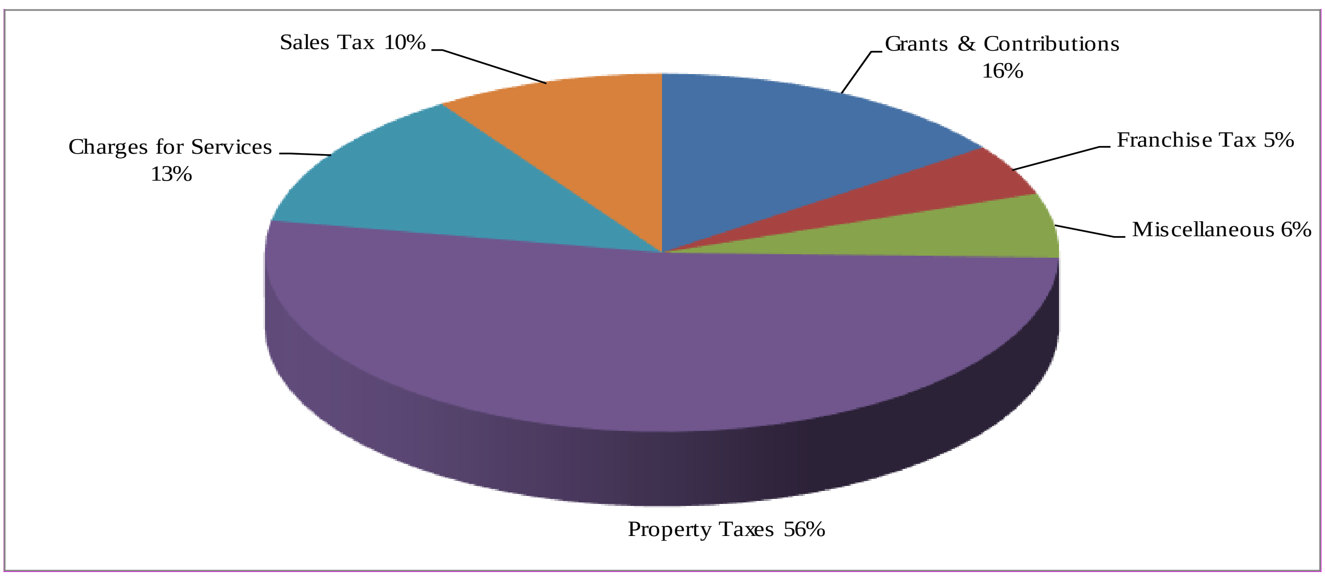
The Business-type Activities have a decrease in net position of $33,660 due in part to an increase in contractual expenses.

Governmental-type Activities – Governmental-type activities increased the City's net position by $5,132,103. A key element of this increase is as follows:

The City received greater revenues from property and sales taxes as well as capital grants and contributions.

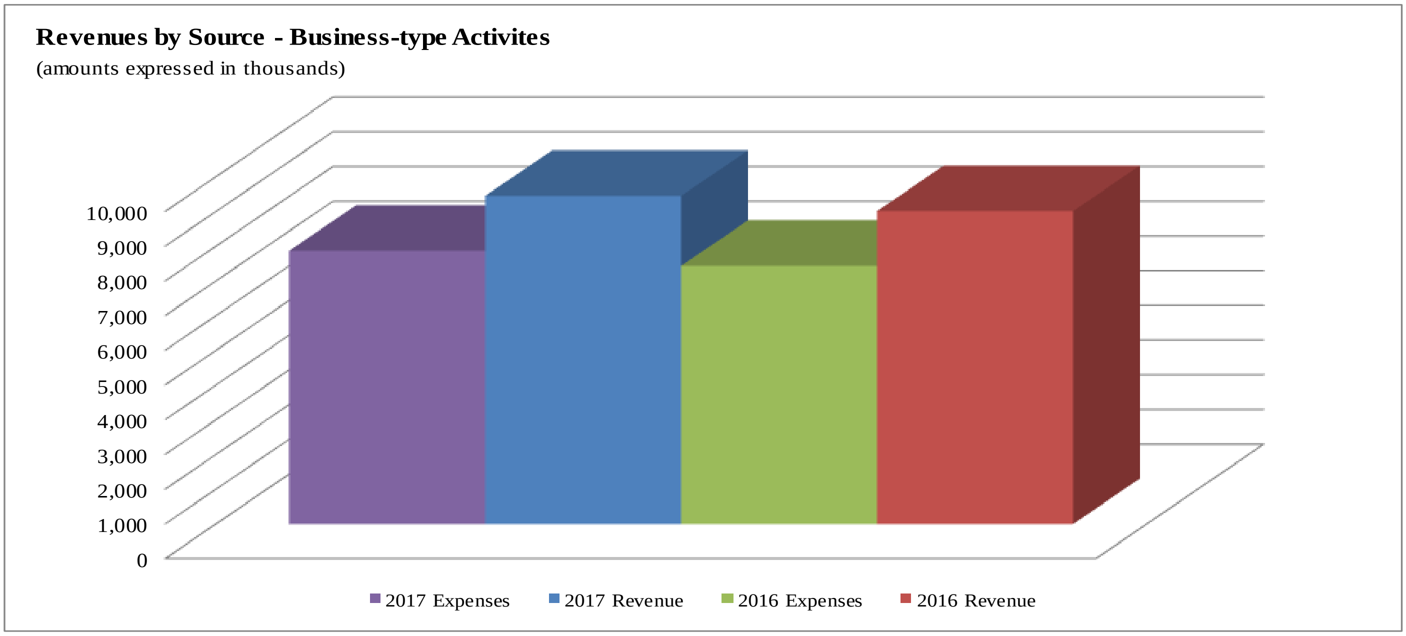


Revenues by Source – Governmental Activities

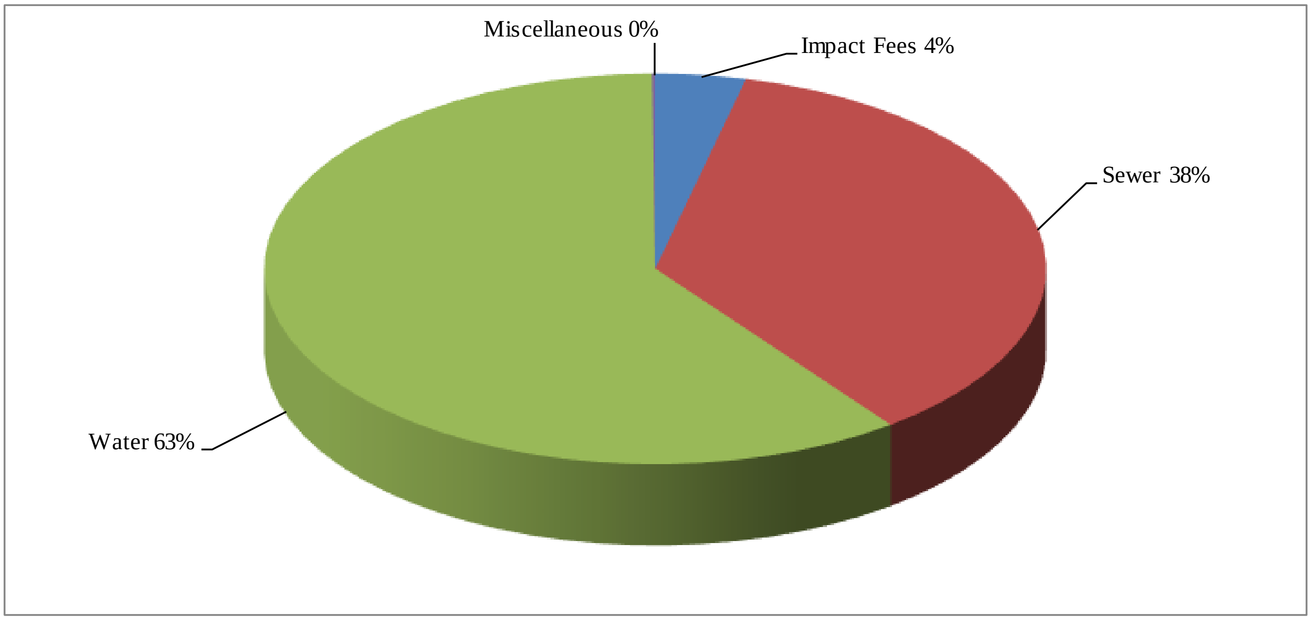


Business-type Activities – Business-type activities decreased the City's net position by $33,660 . Key elements for this decrease are as follows:

In the business-type activities, the City experienced increases in contractual services of $393,372 or 8%. This was mainly due to an increase in water purchase costs of approximately $342,000.



Revenues by Source – Business-type Activities



Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Murphy. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $5,036,099. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents 33% of total General Fund expenditures. The decrease in fund balance of the General Fund in the amount of $80,191 was due to an increase in expenditures in all departments and capital outlay.

At September 30, 2017, the governmental funds of the City of Murphy reported a combined fund balance of $7,420,183, a 6% decrease from last year primarily due to capital expenditures. The City restricted $2,307,374 during the year ended September 30, 2017, of which $1,319,879 is for capital improvements.

At September 30, 2017, the debt service fund, a major governmental fund, had a total fund balance of $902,513 which is restricted for the payment of debt. An increase of $42,658 in fund balance during the current year was due to collecting more property tax revenue than the prior year.

At September 30, 2017, the capital projects fund, a major fund, had a decrease in fund balance of $460,479 . The decrease is due to the spending of resources obtained through the issuance of long-term debt and spending those proceeds on capital acquisitions and construction in the current fiscal year.

General Fund Budgetary Highlights: During the fiscal year 2017, the City budget was revised. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were slightly less than the budgeted amounts within the fund. Expenditures were slightly less than budgeted amounts across all departments within the General Fund.

Proprietary Funds – The City of Murphy's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to $3,145,936 and $25,647,001 invested in net capital assets less related debt. Other factors concerning the finances of these funds have already been addressed in the discussion of the City business-type activities.

Capital assets – The City of Murphy's investment in capital assets for its governmental and business-type activities as of September 30, 2017, totals $114,393,940 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, park facilities, machinery and equipment and water infrastructure.

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

- Several ongoing major street infrastructure improvements: N Murphy Rd, Betsy Lane and S. Maxwell Creek Sanitary Sewer Line Project.
- Construction and improvements for food truck court.
- Radio system improvements
- Various equipment purchases

More detailed information about the City's capital assets is presented in Note C to the financial statements.

City of Murphy
Capital Assets
September 30, 2017

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land and improvements	$ 10,655,693	$ 10,533,114	$ -	$ -	$ 10,655,693	$ 10,533,114
Construction in progress	11,846,804	11,535,313	5,246,416	4,560,178	17,093,220	16,095,491
Buildings and improvements	27,630,867	26,139,639	-	-	27,630,867	26,139,639
Machinery and equipment	10,695,305	5,866,984	1,203,869	866,330	11,899,174	6,733,314
Infrastructure	52,691,499	52,715,411	38,342,097	38,342,097	91,033,596	91,057,508
Accumulated depreciation	(30,952,973)	(27,657,496)	(12,965,637)	(12,051,959)	(43,918,610)	(39,709,455)
Total	$ 82,567,195	$ 79,132,965	$ 31,826,745	$ 31,716,646	$ 114,393,940	$ 110,849,611

Long-Term Debt

As of September 30, 2017, total long-term debt for the City was $38,901,023.

City of Murphy
Outstanding Debt
September 30, 2017

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation and certificates of obligation	$ 3,510,000	$ 3,720,000	$ 8,085,000	$ 8,550,000	$ 11,595,000	$ 12,270,000
Refunding bonds	19,795,000	22,120,000	-	-	19,795,000	22,120,000
Tax notes	2,405,000	3,280,000	-	-	2,405,000	3,280,000
TMRS pension liability	2,982,370	2,674,772	378,425	333,293	3,360,795	3,008,065
Compensated absences	321,728	267,200	19,572	17,017	341,300	284,217
Premium on bonds issued	1,237,492	1,381,108	166,436	177,035	1,403,928	1,558,143
	$ 30,251,590	$ 33,443,080	$ 8,649,433	$ 9,077,345	$ 38,901,023	$ 42,520,425

The City of Murphy's long-term debt decreased by $3,619,402 , or 9% during the past fiscal year. This was mainly due to the regular scheduled pay downs of bonds held by the City.

More detailed information about the City's long-term liabilities is presented in Note D to the financial statements.

Texas statutes limit the amount of bonds a governmental entity may issue to 10% of the assessed calculation of taxable property to the most recent ad valorem tax roll. The current debt limitation for the City is $230,134,000, which is significantly in excess of the outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

For the fourth year in a row the City has reduced the property tax rate. The FY2018 tax rate is at $0.5000 per $100 valuation compared to $0.5100 the previous year. The FY2018 budget reflects a 3.05% decrease in the M&O tax rate from $0.327749 to $0.317750 per $100. The tax rate for the debt service fund decreased by $0.00001 to $0.182550.

The FY2018 budget will raise more total property taxes than last year's budget by $567,576 or 5.08% and of that amount, $150,624 is tax revenue to be raised from new property added to the roll this year.

The City continues to see growth in sales tax collection as the retail and commercial areas continue to develop. Sales tax revenues are projected to generate approximately 14% of the new FY2018 General Fund revenues. This number should continue to increase as new businesses open up.

The main source of revenues for the Utility Fund is water and sewer fees for both residential and commercial customers. Revenues from the sale of water are budgeted at $6,472,305 for FY2018, a 7.19% increase from the FY2017 budget due to the end of water conservation measures enacted during drought conditions. Sewer sales are projected at $3,514,228, an increase of 2.5%. Water and sewer rates were adjusted in September 2017 by 12.13% and 10.4% respectively. These increases included the amount the North Texas Municipal Water District planned to increase their rates, and the amount needed to cover the City's operating and capital costs necessary to maintain the water and sewer systems. Comparable increases will be needed annually for the next several years in order for the utility fund to remain financially viable.

Request for Information

This report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the City of Murphy, Finance Department, 206 N. Murphy Road, Murphy, Texas 75094.

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BASIC FINANCIAL STATEMENTS

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

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	$ 6,518,035	$ 3,750,233	$ 10,268,268	$ 2,201,342
Receivables (net of allowance for uncollectible)	927,073	1,483,895	2,410,968	321,474
Internal Balances	957,051	(957,051)	-	-
Restricted assets:				
Cash and cash equivalents	90,666	2,901,926	2,992,592	-
Prepaid items	61,115	6,491	67,606	-
Capital assets not being depreciated:			-	-
Land	10,655,693	-	10,655,693	-
Construction in progress	11,846,804	5,246,416	17,093,220	-
Capital assets net of accumulated depreciation:				
Infrastructure	52,691,499	38,342,097	91,033,596	-
Buildings and improvements	27,630,867	-	27,630,867	-
Machinery and equipment	10,695,305	1,203,869	11,899,174	-
Accumulated depreciation	(30,952,973)	(12,965,637)	(43,918,610)	-
Total assets	91,121,135	39,012,239	130,133,374	2,522,816
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	1,319,616	167,518	1,487,134	-
Deferred charge on refunding	262,052	-	262,052	-
Total Deferred Outflow of Resources	1,581,668	167,518	1,749,186	-
LIABILITIES				
Accounts payable	509,653	489,105	998,758	78,711
Accrued liabilities	324,008	45,418	369,426	3,412
Due to other governments	84,004	-	84,004	-
Other liabilities	84,813	7,935	92,748	9
Unearned revenues	-	33,147	33,147	-
Customer deposits	4,716	401,768	406,484	-
Accrued interest payable	122,511	40,265	162,776	-
Noncurrent liabilities:				
Due within one year				
Compensated absences	32,173	1,957	34,130	-
Note payable	595,000	-	595,000	-
Bond payable	2,762,219	490,599	3,252,818	-
Due in more than one year:				
Compensated absences	289,555	17,615	307,170	-
Net pension liability	2,982,370	378,425	3,360,795	-
Note payable	1,810,000	-	1,810,000	-
Bonds payable	21,780,273	7,760,837	29,541,110	-
Total liabilities	31,381,295	9,667,071	41,048,366	82,132
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	103,890	13,182	117,072	-
Total Deferred Inflows of Resources	103,890	13,182	117,072	-
NET POSITION				
Net investment in capital assets	55,881,755	25,647,001	81,528,756	-
Restricted for:				
Debt service	803,734	-	803,734	-
Use of impact fees	-	706,567	706,567	-
Public works	1,319,879	-	1,319,879	-
Court Use	73,119	-	73,119	-
Animal shelter	7,342	-	7,342	-
PEG fees	4,521	-	4,521	-
Unrestricted	3,127,268	3,145,936	6,273,204	2,440,684
Total net position	$ 61,217,618	$ 29,499,504	$ 90,717,122	$ 2,440,684

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

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

		Program Revenue		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 5,522,920	$ 10,658	$ 257,345	$ -
Public safety	6,478,115	804,307	3,623	-
Public services and operations	723,266	612,060	-	-
Parks and recreation	2,121,627	128,962	488,860	-
Public works	1,216,617	228,462	-	3,274,505
Development	156,813	-	-	-
Sanitation services	769,519	938,323	-	-
Interest on long-term debt	933,038	-	-	-
Total governmental activities	17,921,915	2,722,772	749,828	3,274,505
Business-type activities:				
Water and sewer	8,667,626	9,439,667	-	-
Total business-type activities	8,667,626	9,439,667	-	-
Total primary government	26,589,541	12,162,439	749,828	3,274,505
Component units:				
Governmental Activities:				
Community Development Corporation	832,156	-	-	-
Murphy Development District	787,897	-	-	-
Total component units:	$ 1,620,053	$ -	$ -	$ -

General revenues:
Taxes:
Property
Franchise
Sales
Investment income
Donations
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$(5,254,917)	$ -	$(5,254,917)	$ -
(5,670,185)	-	(5,670,185)	-
(111,206)	-	(111,206)	-
(1,503,805)	-	(1,503,805)	-
2,286,350	-	2,286,350	-
(156,813)	-	(156,813)	
168,804	-	168,804	-
(933,038)	-	(933,038)	-
(11,174,810)	-	(11,174,810)	-
-	772,041	772,041	-
-	772,041	772,041	-
(11,174,810)	772,041	(10,402,769)	-
-	-	-	(832,156)
-	-	-	(787,897)
-	-	-	(1,620,053)
11,178,829	-	11,178,829	-
991,976	-	991,976	-
2,000,975	-	2,000,975	1,965,096
48,857	32,451	81,308	7,631
-	-	-	23,087
1,236,276	11,848	1,248,124	-
850,000	(850,000)	-	-
16,306,913	(805,701)	15,501,212	1,995,814
5,132,103	(33,660)	5,098,443	375,761
56,085,515	29,533,164	85,618,679	2,064,923
$ 61,217,618	$ 29,499,504	$ 90,717,122	$ 2,440,684

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

	General	Debt Service	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and equivalents	$ 4,638,430	$ 901,804	$ 977,801	$ 6,518,035
Receivables (net of allowances for uncollectibles)	560,406	24,441	342,226	927,073
Prepaid items	61,115	-	-	61,115
Due from utility fund	957,051	-	-	957,051
Restricted-cash and cash equivalents	90,666	-	-	90,666
Total assets	6,307,668	926,245	1,320,027	8,553,940
LIABILITIES:				
Accounts payable	509,505	-	148	509,653
Accrued liabilities	324,008	-	-	324,008
Due to other governments	84,004	-	-	84,004
Customer deposits	4,716	-	-	4,716
Unearned revenue	-	-	-	-
Other liabilities	84,813	-	-	84,813
Total liabilities	1,007,046	-	148	1,007,194
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	33,588	23,732	-	57,320
Unavailable revenue - ambulance fees	61,735	-	-	61,735
Unavailable revenue - municipal fines	7,508	-	-	7,508
Total deferred inflows of resources	102,831	23,732	-	126,563
FUND BALANCES				
Nonspendable:				
Prepaid items	61,115	-	-	61,115
Restricted:				
Debt service	-	902,513	-	902,513
Animal shelter	7,342			7,342
Municipal court	73,119	-	-	73,119
PEG fees	4,521			4,521
Capital improvements	-	-	1,319,879	1,319,879
Assigned:				
Police	15,595	-	-	15,595
Unassigned	5,036,099	-	-	5,036,099
Total Fund Balances	5,197,791	902,513	1,319,879	7,420,183
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,307,668	$ 926,245	$ 1,320,027	$ 8,553,940

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

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

Total fund balances - governmental funds	$ 7,420,183
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.	82,567,195
Bonds payable and contractual obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.	(25,710,000)
Premiums and discounts on issuance of debt are not recognized on the balance sheet for governmental funds.	(1,237,492)
For debt refunding, the difference between the acquisition price and the net carrying value amount of the debt has been deferred and amortized in the government-wide financial statements.	262,052
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	(122,511)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(321,728)
Deferred resources related to pensions	1,215,726
Net pension liability	(2,982,370)
Revenue reported as unearned revenue in the governmental fund financial statements are recorded as revenue in the government-wide financial statements.	126,563
Net position of governmental activities	$ 61,217,618

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

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

	General	Debt Service	Capital Projects Fund	Total Governmental Funds
REVENUES				
Property tax	$ 7,184,253	$ 3,994,576	$ -	$ 11,178,829
Franchise taxes	991,976	-	-	991,976
Fines and forfeitures	359,625	-	-	359,625
Sales tax	2,000,975	-	-	2,000,975
Charges for services	1,765,694	-	-	1,765,694
Licenses and permits	560,366	-	-	560,366
Grants	1,587	-	997,312	998,899
Intergovernmental	332,036	488,860	-	820,896
Donations	2,402	-	-	2,402
Investment income	35,524	8,530	4,803	48,857
Miscellaneous	1,253,128	-	744	1,253,872
Total revenues	14,487,566	4,491,966	1,002,859	19,982,391
EXPENDITURES				
Current Operating:				
General government	4,831,123	-	-	4,831,123
Public safety	6,219,077	-	-	6,219,077
Public works	271,249	-	-	271,249
Public services and operations	674,530	-	-	674,530
Parks and recreation	1,493,101	-	-	1,493,101
Development	153,344	-	-	153,344
Sanitation services	769,519	-	-	769,519
Debt service:				
Principal retirement	-	3,410,000	-	3,410,000
Interest and fiscal agent fees	-	1,039,308	-	1,039,308
Bond issuance costs	-	-	13,950	13,950
Capital outlay	1,005,814	-	1,449,388	2,455,202
Total expenditures	15,417,757	4,449,308	1,463,338	21,330,403
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(930,191)	42,658	(460,479)	(1,348,012)
OTHER FINANCING SOURCES (USES)				
Transfers in	850,000	-	-	850,000
Total other financing sources (uses)	850,000	-	-	850,000
NET CHANGE IN FUND BALANCES	(80,191)	42,658	(460,479)	(498,012)
FUND BALANCES, BEGINNING	5,277,982	859,855	1,780,358	7,918,195
FUND BALANCES, ENDING	$ 5,197,791	$ 902,513	$ 1,319,879	$ 7,420,183

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

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

Net change in fund balances - total governmental funds	$(498,012)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2017 capital outlays is to increase net position.	6,729,707
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(3,295,477)
Current year long-term debt principal payments are expenditures in the fund financial statements and are shown as a reduction in long term debt in the government-wide financial statements.	3,410,000
Premiums and discounts are recognized in the fund financial statements as other financing sources or uses but these are amortized over the term of the bonds in the government-wide financial statements.	106,180
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, they are not reported as revenue in the governmental funds.	14,040
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(54,528)
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows or inflow. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows related to the pension liability were amortized.	(226,929)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(1,052,878)
Change in net position of governmental activities	$ 5,132,103

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

CITY OF MURPHY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property tax	$ 7,115,300	$ 7,115,300	$ 7,184,253	$ 68,953
Franchise taxes	1,052,700	965,241	991,976	26,735
Fines and forfeitures	326,500	326,500	359,625	33,125
Sales tax	1,932,000	1,932,000	2,000,975	68,975
Charges for services	1,531,000	1,692,628	1,765,694	73,066
Licenses and permits	590,000	759,418	560,366	(199,052)
Grants	-	-	1,587	1,587
Intergovernmental	323,000	330,000	332,036	2,036
Donations	-	1,400	2,402	1,002
Investment income	12,000	35,000	35,524	524
Miscellaneous	28,100	1,951,810	1,253,128	(698,682)
Total Revenues	12,910,600	15,109,297	14,487,566	(621,731)
EXPENDITURES				
General Government:				
City Administration:				
Personnel services	374,300	364,289	363,700	589
Materials and supplies	5,200	3,854	2,119	1,735
Other services	219,200	196,996	193,692	3,304
Total City Administration	598,700	565,139	559,511	5,628
Human Resources:				
Personnel services	116,600	119,908	119,634	274
Materials and supplies	1,000	1,000	704	296
Other services	64,200	58,690	57,705	985
Total Human Resources	181,800	179,598	178,043	1,555
Information Technology:				
Personnel services	454,700	450,086	419,429	30,657
Materials and supplies	9,600	19,850	19,816	34
Other services	490,500	733,204	693,829	39,375
Capital outlay	270,000	282,500	277,226	5,274
Total Information Technology	1,224,800	1,485,640	1,410,300	75,340
City Council:				
Personnel services	15,900	15,900	13,429	2,471
Materials and supplies	3,600	6,734	5,108	1,626
Other services	334,100	279,237	241,034	38,203
Capital outlay	120,000	144,645	144,645	-
Total City Council	473,600	446,516	404,216	42,300
City Secretary:				
Personnel services	107,800	111,875	110,905	970
Materials and supplies	36,300	41,200	29,424	11,776
Other services	61,800	57,825	43,612	14,213
Total City Secretary	205,900	210,900	183,941	26,959

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

CITY OF MURPHY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget - Positive (Negative)
EXPENDITURES (continued)				
Finance:				
Personnel services	385,100	274,328	273,317	1,011
Materials and supplies	1,700	1,752	1,752	-
Other services	160,800	266,160	265,559	601
Total Finance	547,600	542,240	540,628	1,612
Facilities:				
Personnel Services	226,200	230,500	228,024	2,476
Materials and supplies	66,800	65,600	59,215	6,385
Other services	324,700	1,355,693	1,280,799	74,894
Capital outlay	45,000	45,000	-	45,000
Total Facilities	662,700	1,696,793	1,568,038	128,755
Municipal Court:				
Personnel services	338,700	346,880	347,861	(981)
Materials and supplies	3,600	2,518	2,518	-
Other services	66,300	53,253	57,938	(4,685)
Capital outlay	45,200	50,322	46,322	4,000
Total Municipal Court	453,800	452,973	454,639	(1,666)
Total General Government	4,348,900	5,579,799	5,299,316	280,483
Public Safety:				
Fire Department:				
Personnel services	2,251,500	2,220,138	2,193,957	26,181
Materials and supplies	185,300	174,029	152,926	21,103
Other services	345,400	387,113	354,275	32,838
Capital outlay	400,000	400,000	399,038	962
Total Fire Department	3,182,200	3,181,280	3,100,196	81,084
Police Department:				
Personnel services	3,121,600	3,129,562	3,129,433	129
Materials and supplies	160,600	107,591	107,591	-
Other services	335,600	280,895	280,895	-
Capital outlay	58,000	58,476	58,476	-
Total Police Department	3,675,800	3,576,524	3,576,395	129
Total Public Safety	6,858,000	6,757,804	6,676,591	81,213
Public Works:				
Public works department				
Materials and supplies	76,500	66,186	40,420	25,766
Other services	280,200	277,650	230,829	46,821
Capital outlay	8,000	8,000	6,450	1,550
Total Public Works	364,700	351,836	277,699	74,137
Public Services and Operations:				
Community Services:				
Personnel services	339,900	301,128	301,312	(184)
Materials and supplies	7,900	6,153	6,153	-
Other services	146,700	198,775	198,775	-
Total Community Services	494,500	506,056	506,240	(184)

CITY OF MURPHY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
EXPENDITURES (continued)				
Animal Control:				
Personnel services	128,600	133,116	132,317	799
Materials and supplies	18,300	15,471	11,514	3,957
Other services	35,500	35,217	24,459	10,758
Capital outlay	54,700	54,700	47,159	7,541
Total Animal Control	237,100	238,504	215,449	23,055
Total Public Services and Operations	731,600	744,560	721,689	22,871
Parks and Recreation:				
Parks:				
Personnel services	734,700	758,479	752,909	5,570
Materials and supplies	210,000	184,956	165,159	19,797
Other services	263,900	232,529	203,475	29,054
Capital outlay	24,000	26,498	26,498	-
Total Parks	1,232,600	1,202,462	1,148,041	54,421
Recreation:				
Personnel services	221,700	241,707	237,626	4,081
Materials and supplies	15,300	15,300	9,179	6,121
Other services	149,400	145,393	124,753	20,640
Total Recreation	386,400	402,400	371,558	30,842
Total Parks and Recreation	1,619,000	1,604,862	1,519,599	85,263
Economic Development:				
Personnel services	136,300	130,447	125,660	4,787
Materials and supplies	600	500	399	101
Other services	61,100	35,686	27,285	8,401
Total Economic Development	198,000	166,633	153,344	13,289
Solid Waste Management:				
Other services	775,100	769,520	769,519	1
Total Waste Management	775,100	769,520	769,519	1
Total expenditures	14,895,300	15,975,014	15,417,757	557,257
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(1,984,700)	(865,717)	(930,191)	(64,474)
OTHER FINANCING SOURCES (USES)				
Transfers	850,000	850,000	850,000	-
Total other financing sources (uses)	850,000	850,000	850,000	-
NET CHANGE IN FUND BALANCES	(1,134,700)	(15,717)	(80,191)	(64,474)
FUND BALANCES, BEGINNING	5,277,982	5,277,982	5,277,982	-
FUND BALANCES, ENDING	$ 4,143,282	$ 5,262,265	$ 5,197,791	$(64,474)

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

	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	$ 3,750,233
Receivables, net	1,483,895
Prepaid items	6,491
Restricted cash and investments	2,901,926
Total current assets	8,142,545
Noncurrent assets:	
Capital assets:	
Infrastructure	38,342,097
Vehicles, machinery and equipment	1,203,869
Construction in progress	5,246,416
Less: accumulated depreciation	(12,965,637)
Total noncurrent assets	31,826,745
Total assets	39,969,290
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	167,518
Total deferred outflow of resources	167,518
LIABILITIES	
Current liabilities:	
Accounts payable	489,105
Accrued liabilities	45,418
Other liabilities	7,935
Due to general fund	957,051
Unearned revenues	33,147
Payables from restricted assets:	
Customer deposits	401,768
Accrued interest payable	40,265
Compensated absences - current	1,957
Revenue bonds payable - current	490,599
Total current liabilities	2,467,245
Noncurrent liabilities:	
Compensated absences	17,615
Net pension liability	378,425
Revenue bonds payable	7,760,837
Total noncurrent liabilities	8,156,877
Total liabilities	10,624,122
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	13,182
Total deferred inflow of resources	13,182
NET POSITION	
Net investment in capital assets	25,647,001
Restricted for:	
Impact fees	706,567
Unrestricted	3,145,936
Total net position	$ 29,499,504

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

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

	Water and Sewer
OPERATING REVENUES	
Charges for sales and services:	
Service charges	$ 9,439,667
Miscellaneous	11,848
Total operating revenues	9,451,515
OPERATING EXPENSES	
Personnel services	1,140,685
Supplies and material	114,006
Maintenance and repair	68,834
Contractual services	6,111,966
Depreciation	913,678
Total operating expenses	8,349,169
Operating Income (Loss)	1,102,346
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	32,451
Interest, fiscal charges and paying agent fees	(318,457)
Total nonoperating revenues (expenses)	(286,006)
Income before transfers	816,340
Transfers Out	(850,000)
Change in net position	(33,660)
TOTAL NET POSITION, BEGINNING	29,533,164
TOTAL NET POSITION, ENDING	$ 29,499,504

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

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

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 8,969,052
Cash paid to employees	(1,198,622)
Cash paid for goods and services	(4,587,361)
Net cash provided by (used in) operating activities	3,183,069
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(850,000)
Net cash provided by (used in) non-capital financing activities	(850,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest and fiscal charges	(318,457)
Principal payments on bonds payables	(465,000)
Acquisition or construction of capital assets	(1,023,777)
Net cash provided by (used in) capital and related financing activities	(1,807,234)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	32,451
Net cash provided by (used in) investing activities	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	558,286
CASH AND CASH EQUIVALENTS, BEGINNING	6,093,873
CASH AND CASH EQUIVALENTS, ENDING	6,652,159
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	1,102,346
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	924,277
Change in assets and liabilities	
(Increase) decrease in assets:	
Other assets	(3,571)
Receivables	(510,413)
Deferred outflows	(8,412)
Increase (decrease) in liabilities:	
Accounts payable	349,664
Accrued expenses	49,949
Due to other funds	1,230,282
Customer deposits	27,950
Compensated absences	2,555
Net pension liability	23,934
Accrued interest payable	(998)
Deferred inflows	(4,494)
Total adjustments	2,080,723
Net cash provided by (used in) operating activities	$ 3,183,069

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

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

	Governmental Activities		
	Murphy CDC	Murphy MDD	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 612,564	$ 1,588,778	$ 2,201,342
Receivables, net	161,786	159,688	321,474
Total assets	774,350	1,748,466	2,522,816
LIABILITIES			
Current liabilities:			
Accounts payable	72,002	6,709	78,711
Accrued Liabilities	3,412	-	3,412
Other liabilities	9	-	9
Total liabilities	75,423	6,709	82,132
NET POSITION			
Unrestricted	698,927	1,741,757	2,440,684
Total net position	$ 698,927	$ 1,741,757	$ 2,440,684

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

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	CDC Governmental Activities	MDD	Total
Governmental Activities							
Community Development Corporation	$ 832,156	$ -	$ -	$ -	$(832,156)	$ -	$(832,156)
Municipal Development District	787,897	-	-	-	-	(787,897)	(787,897)
Total component unit	$ 1,620,053	$ -	$ -	$ -	(832,156)	(787,897)	(1,620,053)
			General revenues:				
			Sales taxes		985,944	979,152	1,965,096
			Donations		23,087	-	23,087
			Investment income		979	6,652	7,631
			Total general revenues		1,010,010	985,804	1,995,814
			Change in net position		177,854	197,907	375,761
			Net position - beginning		521,073	1,543,850	2,064,923
			Net position - ending		$ 698,927	$ 1,741,757	$ 2,440,684

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

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support, likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The more significant accounting policies of the City are described below.

A. <u>Reporting Entity</u>

The City of Murphy, Texas ("City") is a municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1959, and first adopted its Home Rule Charter in February, 2004. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. The City provides the following services as authorized by its charter: public safety, public works, water and sanitary sewer utilities, culture-recreation, planning and zoning, and general administrative services.

Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

Discretely Presented Component Units: The City has two component units, the Murphy Community Development Corporation ("CDC") and the Murphy Municipal Development District ("MDD"). The CDC was incorporated July 29, 2003, and the MDD was incorporated April 16, 2012. The CDC is governed by a seven member board and the MDD is governed by a five member board, both appointed and serving at the pleasure of the City Council. The funding for the CDC and MDD occurs by the City transferring ½ of one (1) percent of sales tax revenue collected by the City respectively to each corporation. Adding the creation of the CDC and MDD to the resources currently available will significantly increase the City's ability to assist community development and financing development projects beneficial to the City. All of the CDC and MDD funding can be used for direct assistance to prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. Separate financial statements are not issued for the CDC or the MDD.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-wide Statements: The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

Fund Financial Statements: The fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service, and capital projects fund. The City does not have any non-major funds.

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 the proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund 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 proprietary funds include the cost of sales and service administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

2. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are both measureable 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 government 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 the obligation has matured and is due and payable shortly after year-end.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fine and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measureable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

The City reports the following major governmental funds:

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

The ***Debt Service Fund*** accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt paid from taxes levied by the City.

The ***Capital Projects Fund*** accounts for the acquisition and construction of major capital facilities being financed from obligation or certificate of obligation bond proceeds.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperation items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the City's water and sewer services are charges to customers for sales and services. Operating expenses for proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. The revenues and expenses not meeting this definition are reported as nonoperation revenues and expenses.

The City reports the following major enterprise fund:

The ***Water and Sewer Fund*** accounts for the operations of the water and sanitary sewer utilities which are self-supporting activities rendering services on a user-charge basis. Water and sewer impact fees are also accumulated in this fund.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Obligations of the United States or its agencies and instruments;
- Obligations of State of Texas or its agencies and instrumentalities; and
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities.

b. *Receivable and Payable Balances*

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation.

Trade and property tax receivables are shown net of an allowance for uncollectible.

c. *Property Taxes*

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities with a population greater than 5,000 limits the ad valorem tax rate to $2.50 per $100 assessed valuation. For the fiscal year September 30, 2017, the City had a tax rate of $0.51 per $100 assessed valuation based upon the maximum rates described above.

d. Prepaid Items

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

e. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the business-type funds represent cash and cash equivalents and investments set aside for impact fees, specific capital additions and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

Customer deposits received for water and sewer service are, by law, to be considered restricted assets. These activities are included in the Water and Sewer Fund.

f. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net 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 amount of interest capitalized during the current year was $0.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Infrastructure	30 - 50 years
Buildings and improvements	25 - 40 years
Machinery and vehicles	5-10 years

g. *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 Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

h. *Deferred Outflows/Inflows of Resources*

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunding 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.

- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position 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 only one type of item that qualifies for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. The City also has three items in the fund statements. They are deferred inflows from property taxes, municipal court fines and ambulance fees.

i. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Sick leave accrued hours shall be carried to the next year with a maximum of 720 hours (one thousand eighty (1080) hours for full-time firefighters).

j. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bond issuance costs are expensed during the year they are incurred.

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

k. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

l. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

i. ***Nonspendable fund balance*** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

ii. ***Restricted fund balance*** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

iii. ***Committed fund balance*** – amounts can only be used for specific purposes pursuant to constraints imposed by ordinances of the City Council – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

iv. ***Assigned fund balance*** – amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. The balances can be created with a resolution.

v. ***Unassigned fund balance*** – the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain unrestricted fund balance in its funds sufficient to fund cash flows and to provide financial reserve for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The purpose of the City's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The City's adopted policy is to achieve and maintain an unassigned fund balance in the General Fund equal to 15 percent of total budgeted expenditures for each fiscal year. The City is currently in compliance with this policy.

m. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

n. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal and state agencies including the Texas Parks and Wildlife Department which are accounted for in the General Fund and Capital Projects Fund.

o. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statement in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

p. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities.

q. Use of Estimates

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

r. Program Revenues

Certain revenues such as charges for services and impact fees are included in program revenues.

s. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

II. COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

Violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount
None reported	Not applicable

Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget appears on page 22 and other informational budgets are presented in the supplementary information.

The following procedures are followed in establishing the budgetary data:

1. On or before the 10th day of August, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and revenues and an accompanying budget message.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the current budget shall be in force on a month-to-month basis until a new budget is adopted by the City Council.

4. Budget for the General Fund and Debt Service Fund are legally adopted on a basis consistent with GAAP. The majority of the City's Capital Projects Funds are budgeted on an annual basis.

5. The level of control (the level at which expenditures may not exceed budget) is the department level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter any department must be approved by the City Council.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or appropriated as part of the following year's budget.

The City had several departments that were over budget as well as the General Fund in total. These overages were funded by available fund balance.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits, for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the applicable depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2017, the carrying amount of the City's deposits (cash, money markets, and interest-bearing savings accounts included in temporary investments) was $16,338,296 and the bank balance was $15,130,321. The City's cash deposits at September 30, 2017 and during the year ended September 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. As of September 30, 2017, the amount of deposits covered by collateralized securities was $14,488,440. Cash and investments as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position

Primary Government	
Cash and cash equivalents	$ 10,268,268
Restricted assets-cash and cash equivalents	2,992,592
Total cash and cash equivalents	13,260,860
Governmental - Unrestricted Cash	6,518,035
Business-type - Unrestricted Cash	3,750,233
	10,268,268
Governmental - Restricted Cash	
Municipal Court (technology, building security, juvenile mgr.)	75,071
Police Seizure funds	15,595
Total	90,666
Business-type - Restricted Cash	
Impact fees	830,234
Capital Improvements	2,071,692
Total	2,901,926
Total Restricted Cash	$ 2,992,592

Investments

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an independent audit or perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Investment Accounting Policy

In fiscal year 2016, the City adopted GASB Statement No. 72 ("GASB 72"), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurement.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At year-end the City does not have any investments subject to the fair value hierarchy.

Disclosure relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the time to the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk.

At this time, the City does not have any investment inherent to interest rate 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 and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledge securities in the collateral pool must equal at least the bank balances less the FDIC insurance at all times.

As of September 30, 2017 the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. Receivables

Receivables as of year-end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Capital Projects	Proprietary	Total
Receivables					
Taxes	$ 369,052	$ 27,027	$ -	$ -	$ 396,079
Ambulance fees	131,266	-	-	-	131,266
Municipal court fees	150,153	-	-	-	150,153
Intergovernmental	-	-	342,226	-	342,226
Fees and Charges	128,412	117	-	1,517,998	1,646,527
Gross Receivables	778,883	27,144	342,226	1,517,998	2,666,251
Less: allowance for uncollectible	(218,477)	(2,703)	-	(34,103)	(255,283)
Net Total Receivables	$ 560,406	$ 24,441	$ 342,226	$ 1,483,895	$ 2,410,968

C. Capital Assets

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

	Beginning Balance	Additions	Decreases	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 10,533,114	$ 122,579	$ -	$ -	$ 10,655,693
Construction in progress	11,535,313	311,491	-	-	11,846,804
Total capital assets, not being depreciated:	22,068,427	434,070	-	-	22,502,497
Capital assets, being depreciated:					
Buildings & improvements	27,630,867	-	-	-	27,630,867
Infrastructure	48,715,408	3,976,091	-	-	52,691,499
Vehicles & equipment	7,866,987	2,828,318	-	-	10,695,305
Total capital assets being depreciated	84,213,262	6,804,409	-	-	91,017,671
Less accumulated depreciation for:					
Buildings & improvements	(8,135,848)	(988,643)	-	-	(9,124,491)
Infrastructure	(15,342,040)	(1,779,558)	-	-	(17,121,598)
Vehicles & equipment	(4,179,608)	(527,276)	-	-	(4,706,884)
Total accumulated depreciation	(27,657,496)	(3,295,477)	-	-	(30,952,973)
Total capital assets being depreciated, net:	56,555,766	3,508,932	-	-	60,064,698
Governmental activities capital assets, net:	$ 78,624,193	$ 3,943,002	$ -	$ -	$ 82,567,195

	Beginning Balance	Additions	Decreases	Adjustments	Ending Balances
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	$ 4,560,178	$ 686,238	$ -	$ -	$ 5,246,416
Total capital assets not being depreciated:	4,560,178	686,238	-	-	5,246,416
Capital assets, being depreciated:					
Buildings and improvements	38,342,097	-	-	-	38,342,097
Vehicles and equipment	866,330	337,540	-	-	1,203,870
Total capital assets being depreciated:	39,208,427	337,540	-	-	39,545,967
Less accumulated depreciation for:					
Buildings and improvements	(11,571,719)	(831,447)	-	-	(12,403,166)
Vehicles and equipment	(480,240)	(82,231)	-	-	(562,471)
Total accumulated depreciation:	(12,051,959)	(913,678)	-	-	(12,965,637)
Total capital assets being depreciated, net:	27,156,468	(576,138)	-	-	26,580,330
Business-type activities capital assets, net:	$ 31,716,646	$ 110,100	$ -	$ -	$ 31,826,746

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

Governmental activities:	
General Government	$ 1,088,919
Public Safety	317,478
Public Works, including depreciation of general infrastructure assets	1,045,368
Public Service	39,040
Culture and Recreation	804,672
Total depreciation expense - governmental activities	3,295,477
Business-type activities: Water Sewer	913,678
Total depreciation expense - business-type activities	$ 913,678

D. <u>Interfund Balances</u>

Due to and from Other Funds

Balances due to and due from other funds at September 30, 2017 consisted of the following:

Due to	Due from	Amount
General Fund	Water Sewer Fund	$ 957,051

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

E. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2017, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one Year
Governmental Activities:					
General obligation bonds & certificates of obligations	$ 3,720,000	$ -	$(210,000)	$ 3,510,000	$ 215,000
Refunding bonds	22,120,000	-	(2,325,000)	19,795,000	2,405,000
Tax notes	3,280,000	-	(875,000)	2,405,000	595,000
Total bonds payable:	29,120,000	-	(3,410,000)	25,710,000	3,215,000
Plus deferred amounts:					
Bond issuance premium	1,381,108	-	(143,616)	1,237,492	142,219
For total bonds payable, net:	30,501,108	-	(3,553,616)	26,947,492	3,357,219
Net pension liability	2,674,772	1,124,892	(817,294)	2,982,370	-
Compensated absences	267,200	337,330	(282,802)	321,728	32,173
Governmental activity Long-term debt:	$ 33,443,080	$ 1,462,222	$(4,653,712)	$ 30,251,590	$ 3,389,392
Business-type Activities:					
Water & Sewer Certificates of obligation	$ 8,550,000	$ -	$(465,000)	$ 8,085,000	$ 480,000
Total bonds payable:	8,550,000	-	(465,000)	8,085,000	480,000
Plus deferred amounts:					
Bond issuance premium	177,035	-	(10,599)	166,436	10,599
For total bonds payable, net:	8,727,035	-	(475,599)	8,251,436	490,599
Net pension liability	333,293	148,836	(103,704)	378,425	-
Compensated absences	17,017	37,729	(35,174)	19,572	1,957
Business-type activity Long-term debt:	$ 9,077,345	$ 186,565	$(614,477)	$ 8,649,433	$ 492,556

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued holiday time and vacation leave which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and the Proprietary Fund based on the assignment of an employee at termination.

Governmental activities bonds payable at September 30, 2017, includes the following individual issues:

Description	Interest Rate Payable	Original Issue	Amounts Outstanding 10/1/2016	Issued	Retired	Outstanding 09/30/17	Due Within One Year
2009 Series GO	2.5% - 5.0%	$ 7,915,000	$ 5,205,000	$ -	$ 475,000	$ 4,730,000	$ 490,000
2010 Series GO	2.0% - 4.02%	4,800,000	3,720,000	-	210,000	3,510,000	215,000
2010 Tax Note	2.0% - 2.5%	1,075,000	165,000	-	165,000	-	-
2011 Series GO	1.35% - 2.05%	8,725,000	7,835,000	-	675,000	7,160,000	695,000
2011 Tax Note	2.0% - 4.0%	750,000	135,000	-	135,000	-	-
2012 GO Refund	2.0% - 5.0%	11,695,000	9,080,000	-	1,175,000	7,905,000	1,220,000
2012 Tax Note	1.35%	1,500,000	600,000	-	195,000	405,000	200,000
2014 Tax Note	1.74%	1,000,000	580,000	-	140,000	440,000	145,000
2016 Tax Note	1.57%	1,800,000	1,800,000	-	240,000	1,560,000	250,000
Total Debt Payable		$ 39,260,000	$ 29,120,000	$ -	$ 3,410,000	$ 25,710,000	$ 3,215,000

Governmental activities debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2018	$ 3,215,000	$ 905,997	$ 4,120,997
2019	3,130,000	804,573	3,934,573
2020	3,030,000	700,786	3,730,786
2021	3,030,000	591,555	3,621,555
2022	2,850,000	485,643	3,335,643
2023-2027	7,075,000	1,323,194	8,398,194
2028-2031	3,380,000	227,981	3,607,981
Total	$ 25,710,000	$ 5,039,729	$ 30,749,729

A description of the purpose for each bond issuance follows:

$7,915,000, Series 2009, general obligation refunding bonds, issued for the purpose of remodeling and equipping the City’s community center, parks and recreational facilities, street improvements and refunding a portion of the City’s general obligation debt, certificates of obligation, Series 1998.

$4,800,000, Series 2010, general obligation bonds, issued for the purpose of remodeling, renovating and equipping the City’s community center, park and recreational facilities and street improvements.

$1,075,000, Series 2010, tax notes, issued for the purpose of purchasing a new fire truck and ambulance for the Fire Department.

$8,725,000, Series 2011, general obligation refunding bonds, issued for the purpose of refunding a portion of the City’s general debt obligation, certificates of obligation, Series 2001, 2002, 2002A, acquiring, constructing, improving and equipping park and recreational facilities and acquiring, constructing, improving and maintaining streets, thoroughfares, bridges, alleyways and sidewalks within the City.

$750,000, Series 2011, tax notes, issued for the purpose of the development of the community recreational center involving the acquisition of real property and construction, renovation, equipping, improving, operation and maintenance of such center and related infrastructure.

$11,695,000, Series 2012, general obligation refunding bonds, issued for the purpose of refunding a portion of the City's general obligation debt, certificates of obligation, series 2001, 2002, 2002A, 2003, 2004.

$1,500,000, Series 2012, tax notes, issued for the purpose of the development of the City Central Park including design, constructing, renovation, equipping and improving such park and related infrastructure and the professional services rendered in relation to this project.

$1,000,000, Series 2014, tax notes, issued for the purpose of development of city parks, the renovation of the City Recreational and Community Center, providing signage for a municipal complex and the construction of an animal shelter.

$1,800,000, Series 2017, tax notes, issued for the purpose of development and purchase of items for a public safety voice, radio dispatch, emergency alert system, and associated software.

Business-type activities bonds payable at September 30, 2017, includes the following individual issues:

Description	Interest Rate Payable	Original Issue	Outstanding 10/01/16	Issued	Retired	Outstanding 09/30/17	Due Within One Year
2009 Series CO	2.5% - 4.625%	$ 8,000,000	$ 5,890,000	$ -	$ 350,000	$ 5,540,000	$ 365,000
2014 Series CO	2.0%-4.0%	2,910,000	2,660,000	-	115,000	2,545,000	115,000
Total Bonds Payable		$ 10,910,000	$ 8,550,000	$ -	$ 465,000	$ 8,085,000	$ 480,000

Business-type activities debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2018	$ 480,000	$ 314,579	$ 794,579
2019	500,000	298,241	798,241
2020	515,000	280,341	795,341
2021	535,000	261,791	796,791
2022	550,000	241,754	791,754
2023-2027	3,130,000	851,473	3,981,473
2028-2032	1,985,000	218,803	2,203,803
2033-2034	390,000	15,800	405,800
Total	$ 8,085,000	$ 2,482,782	$ 10,567,782

A description of the purpose for each bond issuance follows:

$8,000,000, Series 2009, certificates of obligation, issued for the purpose of water and sewer infrastructure improvements including the purchase of land and right-of-ways.

$2,910,000, Series 2014, certificates of obligation, issued for the purpose of sewer infrastructure improvements including the purchase of land and right-of-ways.

F. <u>Operating Leases</u>

The City has eight operating leases within the Water and Sewer Fund with DART for the leasing of right-of way.

Year Ending September 30:		Annual Payment
2018	$	19,730
2019		21,210
Total	$	40,940

G. <u>Defined Benefit Pension Polices</u>

Plan Descriptions

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

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

Benefits Provided

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

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

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	87
Active employees	112
	231

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.76% and 14.52% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were $1,003,913, and were equal to the required contributions.

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

Actuarial assumptions:

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

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

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

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

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

The target allocation and best estimates of real rates of return for each major assets class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
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 and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 16,036,931	$ 13,028,867	$ 3,008,064
Changes for the year:			
Service cost	1,296,399	-	1,296,399
Interest	1,111,877	-	1,111,877
Difference between expected and actual experience	219,473	-	219,473
Changes of assumptions	-	-	-
Contributions - employer	-	931,923	(931,923)
Contributions - employee	-	474,375	(474,375)
Net investment income	-	879,201	(879,201)
Benefit payments, including refunds of employee contributions	(425,744)	(425,744)	-
Administrative expense	-	(9,944)	9,944
Other changes	-	(537)	537
Net changes	2,202,005	1,849,274	352,731
Balance at 12/31/2016	$ 18,238,936	$ 14,878,141	$ 3,360,795

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 6,745,191	$ 3,360,795	$ 683,356

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2017, the City recognized pension expense of $1,267,773.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 176,184	$ 117,072
Changes in actuarial assumptions	28,347	-
Difference between projected and actual investment earnings	550,981	-
Contributions subsequent to the measurement date	732,250	-
Total	$ 1,487,762	$ 117,072

$732,250 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended September 30,	
2018	$ 202,840
2019	202,838
2020	187,133
2021	42,601
2022	3,028
	$ 638,440

Group-term Life Insurance

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

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

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

The City's contributions to the TMRS SDBF for the fiscal years ended 2017, 2016 and 2015 were $8,080, $7,731, and $7,117, respectively, which equaled the required contributions each year.

H. Health Care Coverage

During the year ended September 30, 2017, employees of the City were covered by a health insurance plan ("Plan"). The City contributed $520 per month per employee and 60% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay additional contributions for dependents. All contributions were paid to Blue Cross Blue Shield. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

I. Insurance Coverage

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding $125,000 and for aggregate loss. According to the latest actuarial option dated October 1, 2012, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

J. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for clams in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settlement claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

K. Litigation

There are no threatened or pending litigations against the City at fiscal year-end.

L. Additional Water and Sewer Information

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

Gallons Pumped	1,404,775,000
Gallons Billed	1,286,948,000

The City of Murphy secures its water supply and sewer services from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas Independent of the City. The District is governed by a 17-member board ("Board"). The Board has full power and discretion to establish its budget and to set the rates for the services it provides by contracts with its member cities and customers. The Board is empowered by statue and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee or rental due to the District. Because of these factors, the District is not included in the City's basic financial statements.

The City purchases all of its water from the North Texas Municipal Water District. The cost for water purchases is calculated based upon the maximum or peak usage of prior years. The City currently pays $2.58 per thousand gallons of water for this fiscal year.

The City is also contracted for wastewater treatment services with the District. The District has been designated by the Texas Water Quality Board as the regional agency to provide and develop a Regional System for Wastewater Treatment in the general area of the East Fork of the Trinity River, which includes the City of Murphy and other cities located in Collin, Dallas, Kaufman and Rockwall Counties, Texas. Relative thereto, the City and other cities have entered into wastewater system contracts with the District, which provide for the establishment, operation, and maintenance of a Regional Wastewater System for the purpose of providing facilities to adequately receive, transport, treat, and dispose of wastewater for the cities. In order to provide said services, the contract provides that (a) the District will acquire, design, construct, and complete the system, repair, replace and/or extend the system to provide service to the cities; (b) in consideration of payments to be made under the contract, each of the cities shall have the right to discharge all of its wastewater from its sewage system into the District's system, subject to certain quality requirements set forth in the contract; (c) the District will issue its bonds, in amounts and at times determined by the District, to provide for the wastewater treatment facilities; (d) each city agrees to pay its proportionate share of the annual requirement sufficient to pay or provide for the payment of an "Operation and Maintenance Component" and a "Bond Service Component"; (e) each city's proportionate share of the annual requirement shall be a percentage obtained by dividing such city's estimated contributing flow to the system by the total estimated contributing flow to the system by all cities during such fiscal year. No city will exercise oversight responsibility of the District and no city is liable for the District's debt. The City of Murphy's payment for the year ended September 30, 2017 was $328,750, net of payments to the City for facilities usage.

M. Construction Commitments

The City has active construction projects as of September 30, 2017. The projects include park infrastructure and improvements, street infrastructure, and water/wastewater infrastructure improvements. At September 31, 2017, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Park Development	$ 642,482	$ -
Street Infrastructure	1,927,919	742,881
Utilities	1,500,615	567,393
Radio Replacement Project	1,656,414	-
Totals	$ 5,727,430	$ 1,310,274

N. Interfund Transactions

Transfers between funds during the fiscal year were as follows:

Transfers Out	Transfers In	Amount
Water Sewer Fund	General Fund	$ 850,000
		$ 850,000

O. Murphy Community Development Corporation

The Murphy Community Development Corporation ("CDC") is financed with the City transferring ¼ of sales tax receipts each month. This has voter approval and is to be used to fund public projects to enhance the quality of life in the community.

1. Deposits and Investments

Cash and investment as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Unrestricted cash	$ 612,564

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 possession of an outside party. The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2017, CDC deposits with financial institutions were covered by FDIC and fully collateralized.

2. Receivables

Receivables for CDC at the end of the current fiscal year were as follows:

Receivables:		
Sales tax	$	161,786

3. Pledged Revenues

In December 2010, the CDC entered into an agreement with the City of Murphy. The City issued tax notes to pay contractual obligations for the development of the Community Recreation Center involving the acquisition of real property, construction, renovation, equipping and improving operations of the Center and related infrastructure. The Board of Directors of the CDC agreed to pay the cost of this project by pledging local sales and use taxes. This pledged revenue will be used to pay the principal and interest on the tax note. The payments to the City began in FY2013 with the final payment being due in FY2017.

In August 2012, the CDC entered into an agreement with the City of Murphy. The City issued tax notes to pay contractual obligations for the development of the City Central Park involving the acquisition of real property, construction, renovation, equipping and improving operations of the Park and related infrastructure. The Board of Directors of the CDC agreed to pay the cost of this project by pledging local sales and use taxes. This pledged revenue will be used to pay the principal and interest on the tax note. The payments to the City begin in FY2015 with the final payment being due in FY2019.

The amount pledged revenue recognized during the fiscal year was $985,944 and the amount of debt service expenditures paid were $338,468.

Debt service requirements are as follows:

Year Ending September 30:		Total Requirements
2018	$	204,118
2019		206,384
Total	$	410,502

P. <u>Murphy Municipal Development District</u>

In November, 2011, the City held a special election for the purpose of submitting to qualified voters to terminate the Murphy Economic Development Corporation (Type A) and the abolition of its sales tax for the promotion and development of new and expanded business enterprises at the rate of one-half of one percent, and concurrently, authorize the creation of the City of Murphy Municipal Development District ("MDD") with the imposition of a sales and use tax at the rate of one-half of one percent for the purpose of financing development projects beneficial to the district.

1. Deposits and Investments

Cash and investments as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:		
Unrestricted cash	$	1,588,778

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 possession of an outside party. The Public Fund Investments Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2017 MDD deposits with financial institutions were covered by FDIC and fully collateralized.

2. Receivables

Receivables for MDD at the end of the current fiscal year were as follows:

Receivables:		
Sales tax	$	159,688

3. Note Receivable

In January, 2011, the EDC Board of Directors authorized a business incentive loan to Boomerjack's for building improvements. This loan was transferred to the MDD upon its creation in April 2012. The loan was issued in the amount of $100,000 to be paid back to the MDD annually beginning in FY2012 at 2% interest. The following is the detail of the note receivable:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one Year
Note Receivable	$ 18,400	$ -	$ -	$ 18,400	$ 18,400

4. Pledged Revenues

In December 2013, the CDC entered into an agreement with the City of Murphy. The City issued tax notes to pay contractual obligations for the development of City park facilities, the renovation of the City Community Recreation Center, providing signage for the municipal complex and the construction of an animal shelter. The Board of Directors of the Murphy Municipal Development District agreed to pay the cost of this project by pledging local sales and use taxes. This pledged revenue will be used to pay the principal and interest on the tax note. The payments to the City began in FY 2015 with the final payment being due in FY 2020.

The amount of pledged revenue recognized during the fiscal year was $979,152 and the amount of debt service expenditures paid were $150,392.
Pledged revenue requirements are as follows:

Year Ending September 30,	Total Requirements
2018	$ 125,000
2019	125,000
2020	125,000
Total	$ 375,000

Q. Subsequent Events

The City approved the issuance of new debt on February 6, 2018. The City of Murphy, Texas Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 in the amount of $5.7 million. The bonds will be used for water and wastewater capital improvement projects.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[CLOSING DATE]

IN REGARD to the authorization and issuance of the "City of Murphy, Texas Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018," dated March 15, 2018, in the principal amount of $5,525,000 (the "Certificates"), we have examined into their issuance by the City of Murphy, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Certificates mature on February 15 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's waterworks and sewer system in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or

other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. For taxable years that began before January 1, 2018, interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company