OFFICIAL STATEMENT

Dated June 12, 2018

Rating:
S&P: "AA" (Insured)
Underlying Rating: "A-"
(See "BOND INSURANCE" and "OTHER INFORMATION" - Rating" herein)

NEW ISSUE - Book-Entry-Only

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

THE CERTIFICATES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$2,545,000
CITY OF TULIA, TEXAS
(Swisher County)
CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: June 1, 2018 **Due: February 15, as shown on the inside cover page**
Interest Accrues from Date of Initial Delivery

PAYMENT TERMS . . . Interest on the $2,545,000 City of Tulia, Texas Certificates of Obligation, Series 2018 (the "Certificates") will accrue from the date of initial delivery, 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 any integral multiple 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 BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City of Tulia, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of net revenues (not to exceed $1,000) of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (the "Ordinance") passed by the City Council on June 12, 2018 (see "THE CERTIFICATES – Authority for Issuance" and "THE CERTIFICATES – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates will be used (i) for the construction of public works, including the purchase of materials, supplies, equipment, machinery, technology, structures, land, and rights-of-way, and other eligible capital costs related to improvements to water metering systems; electric metering systems; advanced metering infrastructure; and street lighting; and (ii) to pay the costs of issuance associated with the sale of the Certificates (see "THE CERTIFICATES - Purpose"), all as more fully described in the Ordinance.

ASSURED GUARANTY MUNICIPAL

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by Assured Guaranty Municipal Corp. ("AGM").

CUSIP PREFIX: 899202
SEE MATURITY SCHEDULE, 9 Digit CUSIP AND REDEMPTION PROVISIONS ON THE INSIDE COVER PAGE

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Underwood Law Firm, P.C., Bond Counsel, Fort Worth, 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 July 12, 2018.

CUSIP PREFIX (1): 899202

MATURITY SCHEDULE

Maturity February 15	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix (1)
2019	$ 120,000	4.000%	1.800%	DN2
2020	130,000	4.000%	2.000%	DP7
2021	135,000	4.000%	2.100%	DQ5

$295,000 4.000% Term Certificates due February 15, 2023 Priced to Yield 2.400% - CUSIP Suffix (1): DS1
$315,000 4.000% Term Certificates due February 15, 2025 Priced to Yield 2.550% - CUSIP Suffix (1): DU6
$345,000 4.000% Term Certificates due February 15, 2027 Priced to Yield 2.750% - CUSIP Suffix (1): DW2
$370,000 4.000% Term Certificates due February 15, 2029 Priced to Yield 3.000% (2) - CUSIP Suffix (1): DY8
$400,000 4.000% Term Certificates due February 15, 2031 Priced to Yield 3.100% (2) - CUSIP Suffix (1): EA9
$435,000 4.000% Term Certificates due February 15, 2033 Priced to Yield 3.200% (2) - CUSIP Suffix (1): EC5

(Interest Accrues from Date of Initial 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 Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Purchaser of the Certificates nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

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

MANDATORY SINKING FUND REDEMPTION . . . The Term Certificates maturing on February 15 in the years 2023, 2025, 2027, 2029, 2031 and 2033 are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein (see “THE CERTIFICATES – Mandatory Sinking Fund Redemption”).

[The remainder of this page intentionally left blank.]

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

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes a official statement of the City with respect to the Certificates that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein 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. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE PURCHASER MAKES 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.

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE PURCHASER MAY 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.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE 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.

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 STATEMENT.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and APPENDIX D – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Tulia (the "City") is a political subdivision and home rule municipal corporation of the State of Texas (the "State"), located in Swisher County, Texas. The City covers approximately 3.5 square miles (see "INTRODUCTION – Description of the City").

THE CERTIFICATES .... The $2,545,000 Certificates of Obligation, Series 2018 are to mature on February 15 in the years 2019 through and including 2021, and as Term Certificates maturing on February 15 in the years 2023, 2025, 2027, 2029, 2031, and 2033 (see "THE CERTIFICATES – Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the date of initial delivery, 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 issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and a Certificate Ordinance (the "Ordinance") passed by the City Council constitute direct obligations of the City, as provided in the Ordinance (see "THE CERTIFICATES – Authority for Issuance").

SECURITY FOR THE CERTIFICATES........................... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of net revenues (not to exceed $1,000) of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates ("THE CERTIFICATES – Security and Source of Payment").

QUALIFIED TAX-EXEMPT OBLIGATIONS............................ The Certificates have been designated as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

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

MANDATORY SINKING FUND REDEMPTION............................. The Term Certificates maturing on February 15 in the years 2023, 2025, 2027, 2029, 2031, and 2033 are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts 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 statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations for taxable years beginning prior to January 1, 2018.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used (i) for the construction of public works, including the purchase of materials, supplies, equipment, machinery, technology, structures, land, and rights-of-way, and other eligible capital costs related to improvements to water metering systems; electric metering systems; advanced metering infrastructure; and street lighting; and (ii) to pay the costs of issuance associated with the sale of the Certificates (see "THE CERTIFICATES"- Purpose), all as more fully described in the Ordinance.

RATING .... The Certificates is expected to assign a rating of "AA" by S&P Global Ratings ("S&P") by virtue of a municipal bond insurance policy to be issued by AGM at the time of delivery of the Certificates (see "BOND INSURANCE"). The Certificates are rated "A-" by S&P without regard to the municipal bond insurance (see "OTHER INFORMATION - Rating").

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. 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 on the payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	General Purpose G.O. Tax Debt (3)	Ratio General Purpose G.O. Debt to Taxable Assessed Valuation	Per Capita General Purpose G.O. Tax Debt	% of Total Tax Collections to Tax Levy
2014	4,967	$ 84,726,187	$ 17,058	$ 4,325,000	5.10%	$ 871	97.36%
2015	4,967	85,027,522	17,118	3,841,000	4.52%	773	99.52%
2016	4,967	85,348,497	17,183	3,350,000	3.93%	674	100.52%
2017	4,967	85,669,644	17,248	2,842,000	3.32%	572	99.68%
2018	4,967	87,387,663	17,594	5,014,000 (4)	5.74%	1,009	95.97% (5)

(1) Source: Texas State Data Center.
(2) As reported by Swisher County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt (see Table 1 for detailed information on self-supporting debt).
(4) Projected, includes the Certificates.
(5) Collections as of March 31, 2018.

For additional information regarding the City, please contact:

City of Tulia	or	Specialized Public Finance Inc.
James L. Davis		Vince Viaille
Finance Director		Managing Director
127 SW 2nd Street, Suite 300		4925 Greenville Avenue, Suite 1350
Tulia, Texas 79088		Dallas, Texas 75206
Phone: 806.995.3547		Phone: 214.373.3911

CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

Councilmember	Length of Service	Term Expires	Occupation
Russell Proctor Mayor	2 Years	2020	Contractor
JJ Thomas Councilmember	2 Years	2019	TxDot
Israel "Bibo" Ramirez Councilmember	3 Years	2019	Pantex
Kathy Vestal Councilmember	4 Years	2020	Health and Human Services
Jason Jack Councilmember	2 Years	2020	Tulia ISD Teacher

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Dion Miller	City Manager	3 Years
James Davis	Finance Director	23 Years
Kristina Solomon	City Secretary	5 ½ Years

CONSULTANTS AND ADVISORS

Auditors .... Eide Bailly LLP
Plainview, Texas

Bond Counsel .... Underwood Law Firm, P.C.
Fort Worth, Texas

Financial Advisor.. Specialized Public Finance Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$2,545,000
CITY OF TULIA, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2018

INTRODUCTION

This Official Statement and the Appendices hereto, provides certain information regarding the issuance of $2,545,000 City of Tulia, Texas, 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 (defined 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.

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 1909 and first adopted its Home Rule Charter in 1972. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and four Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the terms of the other two Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 5,017. The City covers approximately 3.5 square miles. For additional information regarding the City, see APPENDIX A – "General Information Regarding the City."

THE CERTIFICATES

PURPOSE . . . Proceeds from the sale of the Certificates will be used (i) for the construction of public works, including the purchase of materials, supplies, equipment, machinery, technology, structures, land, and rights-of-way, and other eligible capital costs related to improvements to water metering systems; electric metering systems; advanced metering infrastructure; and street lighting; and (ii) to pay the costs of issuance associated with the sale of the Certificates, all as more fully described in the Ordinance.

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated June 1, 2018 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will accrue from the date of initial delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2019, until maturity or prior redemption. The definitive 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, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and a Certificate Ordinance (the "Ordinance") passed by the City Council on June 12, 2018, and constitute direct obligations of the City, as provided in the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of net revenues (not to exceed $1,000) of the City's Waterworks and Sewer System, as provided in the Ordinance, as adopted by the City Council of the City.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, 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, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all of 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 in the years 2023, 2025, 2027, 2029, 2031, and 2033 (the "Term Certificates") are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts as follows:

Term Certificates Maturing February 15, 2023		Term Certificates Maturing February 15, 2025		Term Certificates Maturing February 15, 2027	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2022	$ 145,000	February 15, 2024	$ 155,000	February 15, 2026	$ 170,000
February 15, 2023 *	150,000	February 15, 2025 *	160,000	February 15, 2027 *	175,000
	$ 295,000		$ 315,000		$ 345,000

Term Certificates Maturing February 15, 2029		Term Certificates Maturing February 15, 2031		Term Certificates Maturing February 15, 2033	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2028	$ 180,000	February 15, 2030	$ 195,000	February 15, 2032	$ 215,000
February 15, 2029 *	190,000	February 15, 2031 *	205,000	February 15, 2033 *	220,000
	$ 370,000		$ 400,000		$ 435,000

---
* Stated 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 respective Certificate Fund. Any Term Certificates not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Term Certificates for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Certificates of like Stated Maturity which, at least 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.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and moneys sufficient to pay the redemption price of 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 satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied or 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 the 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 other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities 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 under applicable State law that may be used to defease obligations such as the Certificates (collectively, the "Defeasance Securities"). The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than the Defeasance Securities described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid 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 rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, 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.

Book-Entry-Only System . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Direct 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.

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

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

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

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

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

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

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

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

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

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 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, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES- Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates is BOKF, NA, 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 bank, trust company, financial institution 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.

Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "THE CERTIFICATES – Book-Entry-Only System" herein. If the date for 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.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates will be printed and delivered to the registered owners thereof, and thereafter 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 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 "THE CERTIFICATES – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within forty-five (45) days of the date fixed for the redemption of such Certificate; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate called for redemption in part.

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

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

REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, as applicable, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates, as applicable, or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. Under Texas law, 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.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in a 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 covenants in the Certificates or 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, in the absence of action by the City Council. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Certificates, the City has not waived sovereign immunity, and therefore, bondholders may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants.

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 owners 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be Cede & Co., as DTC's nominee. See "Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of Certificates.

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

The Ordinance further provides that the holders of the Certificates, aggregating in principal amount 51% of the outstanding Certificates, shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied as follows:

SOURCES OF FUNDS:	
Par Amount of Certificates	$ 2,545,000.00
Net Reoffering Premium (includes Gross Bond Insurance Premium)	154,664.16
Total Sources of Funds	2,699,664.16
USES OF FUNDS:	
Deposit to Project Construction Fund	$ 2,641,664.16
Costs of Issuance	58,000.00
Total Uses of Funds	2,699,664.16

BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as APPENDIX D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP. . . AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a division of S&P Inc. ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings . . . On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On January 23, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2017, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM . . . At March 31, 2018:

- The policyholders' surplus of AGM was approximately $2,247 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,133 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately $1,646 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference . . . Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters . . . AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOND INSURANCE RISKS

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy may insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Certificate owner as a voidable preference under applicable bankruptcy law may be covered by the Policy, however, such payments will be made by AGM at such time and in such amounts as would have been due absent such prepayment by the City unless AGM chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest on the Certificates does not obligate acceleration of the obligations of AGM without appropriate consent. AGM may direct and must consent to any remedies that the Paying Agent/Registrar exercises and AGM's consent may be required in connection with amendments to the Ordinance.

In the event AGM is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the Ordinance. In the event AGM becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of AGM and its claims-paying ability. AGM's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the Certificates will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "OTHER INFORMATION – Rating" herein.

The obligations of AGM are general obligations of AGM and in an event of default by AGM, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies.

Neither the City nor the Underwriters have made independent investigation into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of AGM, particularly over the life of the Certificates.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . S&P Global Ratings, a division of S&P Inc., Moody's Investor Services, Inc., and Fitch Ratings (the "Rating Agencies") have downgraded the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including AGM, as the bond insurer of the Certificates.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Swisher County 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 (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, and 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 that would not exceed the lesser of (1) the market value of the property for the most recent tax year that 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 in 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, consisting of members 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 Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is $5,000.

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.

In addition, cities are authorized to refrain from increasing the total ad valorem tax (except for increases attributable to certain improvements) on the residence homestead of the disabled or persons 65 years of age or older and their spouses above the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based upon the disability or age of the owner or (2) the year the city chooses to establish the above-referenced limitation. On the receipt of a petition signed by five percent of the registered voters of the City, the City must call an election to determine by majority vote whether to establish such a tax limitation. Such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

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

Under Article VIII and State law, the governing body of a county, municipality or junior college district may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the later of (1) the year such residence qualified for such exemption or (2) the year the county, municipality or junior college district chooses to establish the above-referenced limitation. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. 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.

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 a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, effective January 1, 2012, surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Cities may limit the total ad valorem tax (except for increases attributable to certain improvements) on the residence homestead of the disabled or persons 65 years of age or older and their spouses to the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based on the disability or age of the owner or (2) the year the City chose to establish the above-referenced limitation. On the receipt of a petition signed by five percent of the registered voters of the City, the City shall call an election to determine by majority vote whether to establish such a tax limitation. Once established, a city may not repeal or rescind the tax limitation. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by a city may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five years of age or older or disabled at the time of the person's death. A proportionate share of the limitation applicable to a person's homestead is transferred to a new residence homestead of such person if the person moves to a different residence within the same city.

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 of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport. Property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal.

In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution and Section 11.253 of the Texas Tax Code provides for an exemption from taxation for "goods-in-transit", which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in- transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property.

A city may utilize tax increment financing, 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 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.

Municipalities are 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 a city. In accordance with a program established pursuant to Chapter 380, a city may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the city.

Effective Tax Rate and Rollback Tax Rate . . . By each August 15 or as soon thereafter as practicable, the City Council adopts a tax rate per $100 taxable value for the current year. Under current law, the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit 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 Council is prohibited from adopting a tax 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. Each year the City must calculate and publicize certain information concerning its proposed tax rate, including its "rollback tax rate." The rollback tax rate is the rate that will produce last year's maintenance and operation levy multiplied by 1.08 plus a rate that will produce the current year's debt service, with such rates adjusted to take into account new exemptions and property additions to the tax roll. If the adopted rate exceeds the rollback tax rate, the qualified voters of the City may petition the City Council to call an election to determine whether to reduce the tax rate adopted for the City to the rollback tax 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 for the purpose of reducing property taxes. 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 pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

Penalties and Interest . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

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

After July, penalty remains at 12%, and interest 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 is to compensate the taxing unit for revenue lost because of the delinquency. In addition, a taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may provide for a fee up to 20% of the amount of delinquent tax, penalty, and interest collected. 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 a freeze to the market value of the residence homestead of persons 65 years of age or older rather than a set exemption amount; the disabled are also granted a freeze on their homestead.

The City has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

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 non-business personal property; and Swisher County Appraisal District collects taxes for the City.

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

The City does tax freeport property.

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.

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2017/2018 Market Valuation Established by the Swisher County Appraisal District (excluding exempt property)		$ 91,030,192
Less Exemptions/Reductions at 100% Market Value:	$ 3,642,529	
2017/2018 Net Taxable Assessed Valuation		$ 87,387,663
Total General Obligation Debt Payable from Ad Valorem Taxes (as of 3/31/18)		$ 2,469,000
The Certificates		2,545,000
		$ 5,014,000
Less: Self Supporting Debt [(1)]		
Waterworks and Sewer System General Obligation Debt	$ 3,824,000	
Power and Light	1,190,000	
Net General Purpose Funded Debt Payable from Taxation		$ -
General Obligation Interest and Sinking Fund (as of 3/31/18)		$ -
Ratio General Obligation Debt to Taxable Assessed Valuation		5.74%
Ratio Net General Purpose Funded Debt to Taxable Assessed Valuation		0.00%

2018 Estimated Population - 4,967
Per Capita Taxable Assessed Valuation - $17,594
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $1,009
Per Capita General Purpose Funded Debt - $0

(1) The City currently pays General Obligation Refunding Bonds, Series 2012 from Power and Light revenue stream, General Obligation Refunding Bonds Series 2013A, General Obligation Refunding Bonds Series 2013B and Combination Tax & Waterworks & Sewer System (Ltd Pledge) Revenue Certificates of Obligation, Series 2013 and the Certificates from Water and Sewer System revenue.

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	$ 61,220,600	67.25%	$ 61,154,091	69.38%	$ 61,287,262	69.79%
Real, Residential, Multi-Family	562,422	0.62%	562,420	0.64%	566,900	0.65%
Real, Vacant Lots/Tracts	736,750	0.81%	727,774	0.83%	717,806	0.82%
Real, Acreage (Land Only)	683,100	0.75%	683,100	0.77%	686,960	0.78%
Real, Farm and Ranch Improvements	19,180	0.02%	19,180	0.02%	29,310	0.03%
Real, Commercial and Industrial	13,625,680	14.97%	11,672,860	13.24%	11,631,380	13.24%
Real and Intangible Personal, Utilities, Other	4,080,080	4.48%	4,565,160	5.18%	4,439,040	5.05%
Tangible Personal, Commercial and Industrial	9,539,110	10.48%	8,099,280	9.19%	7,875,480	8.97%
Tangible Personal, Other	139,250	0.15%	141,320	0.16%	141,330	0.16%
Special Inventory Tax	424,020	0.47%	521,770	0.59%	445,960	0.51%
Total Appraised Value Before Exemptions	$ 91,030,192	100.00%	$ 88,146,955	100.00%	$ 87,821,428	100.00%
Less: Total Exemptions/Reductions	3,642,529		2,477,311		2,472,931	
Taxable Assessed Value	$ 87,387,663		$ 85,669,644		$ 85,348,497	

	Taxable Appraised Value Fiscal Year Ended September 30,			
	2015		2014	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 60,353,636	68.94%	$ 60,286,041	69.11%
Real, Residential, Multi-Family	560,640	0.64%	569,120	0.65%
Real, Vacant Lots/Tracts	719,107	0.82%	716,083	0.82%
Real, Acreage (Land Only)	688,790	0.79%	638,724	0.73%
Real, Farm and Ranch Improvements	25,750	0.03%	27,082	0.03%
Real, Commercial and Industrial	11,687,054	13.35%	11,716,000	13.43%
Real and Intangible Personal, Utilities, Other	4,299,530	4.91%	4,344,120	4.98%
Tangible Personal, Commercial and Industrial	8,201,150	9.37%	8,265,340	9.47%
Tangible Personal, Other	141,210	0.16%	150,660	0.17%
Special Inventory Tax	872,860	1.00%	524,570	0.60%
Total Appraised Value Before Exemptions	$ 87,549,727	100.00%	$ 87,237,740	100.00%
Less: Total Exemptions/Reductions	-		2,511,553	
Taxable Assessed Value	$ 87,549,727		$ 84,726,187	

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

[The remainder of this page intentionally left blank.]

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	General Purpose G.O. Tax Debt [(3)]	Ratio General Purpose G.O. Debt to Taxable Assessed Valuation	Per Capita General Purpose G.O. Tax Debt
2014	4,967	$ 84,726,187	$ 17,058	$ 4,325,000	5.10%	$ 871
2015	4,967	85,027,522	17,118	3,841,000	4.52%	773
2016	4,967	85,348,497	17,183	3,350,000	3.93%	674
2017	4,967	85,669,644	17,248	2,842,000	3.32%	572
2018	4,967	87,387,663	17,594	5,014,000 [(4)]	5.74%	1,009

(1) Source: Texas State Data Center.
(2) As reported by Swisher County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt (see Table 1 for detailed information on 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	$ 0.39372	$ 0.39372	$ -	$ 333,682	95.60%	97.36%
2015	0.42382	0.42382	-	360,341	94.90%	99.52%
2016	0.43506	0.43506	-	371,315	98.10%	100.52%
2017	0.46678	0.46678	-	399,885	95.02%	99.68%
2018	0.49354	0.49354	-	407,905	92.44% [(1)]	95.97% [(1)]

(1) Collections as of March 31, 2018.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	2017/2018 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Villa Hilario	$ 1,755,950	2.01%
BNSF Railway	1,505,920	1.72%
Atmos Energy West Texas Division	1,296,830	1.48%
Attebury Grain LLC	1,032,190	1.18%
Venue Canova LTD	955,080	1.09%
Tulia Cotton Warehouse LLC	897,120	1.03%
Eastwood Family Properties LLC	853,650	0.98%
RIP Griffin Companies	842,680	0.96%
Wells Fargo & Company	710,650	0.81%
Richard Chapman	666,520	0.76%
	$ 10,516,590	12.03%

Source: The Municipal Advisory Council of Texas.

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 (however, see "THE CERTIFICATES - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY [(1)]

Average Annual Principal and Interest Requirements, 2018 - 2033	$	281,135
$0.3352 Tax Rate at 96.00% Collection Produces	$	281,207
Maximum Principal and Interest Requirements, 2023	$	678,827
$0.8092 Tax Rate at 96.00% Collection Produces	$	678,855

____

(1) Includes self-supporting debt (see Table 1 for detailed information on 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 debt ("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	Total G.O. Funded Tax Debt As of 3/31/2018	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 3/31/2018
City of Tulia	$ - [(1)]	100.00%	$ - [(1)]
Mackenzie Municipal Water Authority	204,000	42.56%	86,822
Swisher County	3,994,000	31.74%	1,267,696
Tulia Independent School District	-	61.33%	-
Total Direct and Overlapping G.O. Debt			$ 1,354,518
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation			1.55%
Per Capita Overlapping G.O. Debt			$ 273

____

(1) Projected, includes the Certificates and excludes self-supporting debt.

[The remainder of this page intentionally left blank.]

DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Principal	Outstanding Debt Interest	Outstanding Debt Total	The Certificates (1) Principal	The Certificates (1) Interest	The Certificates (1) Total	Less: System-Supported Debt Service	Total General Purpose Debt Service
2018	$ 373,000	$ 74,750	$ 447,750	$ -	$ -	$ -	$ 447,750	$ -
2019	383,000	65,530	448,530	120,000	108,732	228,732	677,262	-
2020	390,000	55,169	445,169	130,000	94,400	224,400	669,569	-
2021	404,000	43,580	447,580	135,000	89,100	224,100	671,680	-
2022	416,000	31,608	447,608	145,000	83,500	228,500	676,108	-
2023	432,000	19,227	451,227	150,000	77,600	227,600	678,827	-
2024	444,000	6,459	450,459	155,000	71,500	226,500	676,959	-
2025	-	-	-	160,000	65,200	225,200	225,200	-
2026	-	-	-	170,000	58,600	228,600	228,600	-
2027	-	-	-	175,000	51,700	226,700	226,700	-
2028	-	-	-	180,000	44,600	224,600	224,600	-
2029	-	-	-	190,000	37,200	227,200	227,200	-
2030	-	-	-	195,000	29,500	224,500	224,500	-
2031	-	-	-	205,000	21,500	226,500	226,500	-
2032	-	-	-	215,000	13,100	228,100	228,100	-
2033	-	-	-	220,000	4,400	224,400	224,400	-
	$2,842,000	$296,324	$3,138,324	$2,545,000	$850,632	$3,395,632	$ 4,498,155	$ -

(1) Interest on the Certificates has been calculated at the rates set forth on the inside cover.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2018		$ 447,750
Interest and Sinking Fund, 9/30/2017 @ 96% Collection	$ -	
Less: Self-Supporting Debt	447,750	447,750
Estimated Balance, 9/30/2018		$ -

[The remainder of this page intentionally left blank.]

TABLE 10 - COMPUTATION OF SELF SUPPORTING DEBT

Net Waterworks and Sewer System Revenue Available, 9/30/17	$	98,553
Less: Requirement for Waterworks and Sewer System Revenue Bonds		-
Balance Available for Other Purposes		98,553
Requirements for Waterworks and Sewer System Tax Bonds, 9/30/18	$	232,100
Percentage of Waterworks and Sewer System General Obligation Bonds Self-Supporting		42.46%
Net Power and Light System Revenue Available, 9/30/17	$	593,579
Less: Requirement for Power and Light System Revenue Bonds		-
Balance Available for Other Purposes		593,579
Requirements for Power and Light System Tax Bonds, 9/30/18	$	215,650
Percentage of Power and Light System General Obligation Bonds Self-Supporting		100.00%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . . The City has no authorized but unissued general obligation debt.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing additional general obligation debt within the next twelve months. In addition, the City may incur non-voted debts payable from or secured by its collection of ad valorem taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, and leases for various purposes.

TABLE 12 - OTHER OBLIGATIONS . . . The City has the following obligations as of September 30, 2017:

Commitments under operating (non-capitalized) lease agreements for facilities provide for minimum future rental payments are as follows:

Fiscal Year Ended 9/30	Payment
2018	$ 8,400
2019	9,100
2020	9,600
2021	9,600
2022	9,600
2023-2024	22,400
	$ 68,700

EMPLOYEE RETIREMENT BENEFITS . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense.

(For more detailed information concerning the retirement plans, see APPENDIX B, "Excerpts from the City's Annual Financial Report" – Note # 14.)

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET POSITION

	Fiscal Year Ended September 30,				
REVENUES:	2017	2016	2015	2014	2013
Program Revenues					
Charges for Services	$ 42,460	$ 53,023	$ 34,455	$ 71,386	$ 605,886
Operating Grants and Contributions	109,636	111,878	116,480	176,189	130,995
General Revenues					
Ad Valorem Taxes	408,002	372,159	358,833	343,636	326,456
Sales Taxes	240,150	229,520	213,629	207,181	217,178
Other Taxes and Fees	517,143	478,893	510,930	492,197	410,813
Gain/(Loss) on Sale of Assets	6,281	4,351	7,780	3,400	10
Interest	4,646	714	586	667	677
Miscellaneous	58,054	100,719	31,357	57,834	76,574
Total Revenues	$ 1,386,372	$ 1,351,257	$ 1,274,050	$ 1,352,490	$ 1,768,589
EXPENSES:					
Legislative	$ 109,581	$ 116,774	$ 133,806	$ 124,795	$ 146,751
Municipal Court	39,288	34,513	34,754	36,241	35,355
Administrative	335,549	325,497	273,666	286,996	259,593
Financial Administrative	141,054	128,126	118,407	117,327	109,857
Building	29,250	32,645	36,837	34,123	32,037
Police	1,058,739	1,056,253	946,310	1,088,583	1,007,378
Code Enforcement	1,926	2,311	2,485	737	1,346
Fire Protection	137,671	104,800	60,269	76,773	70,904
Highways and Streets	266,702	286,901	280,454	249,387	262,865
Sanitation Collection	-	-	-	-	239,589
Sanitation Disposal	-	-	-	-	164,038
Parks	158,492	202,010	164,858	160,531	176,986
Interest expense	1,381	2,005	-	-	-
Economic Development	-	-	-	-	876
Total Expenses	$ 2,279,633	$ 2,291,835	$ 2,051,846	$ 2,175,493	$ 2,507,575
Excess (Deficiency) of Revenues over Expenditures	$ (893,261)	$ (940,578)	$ (777,796)	$ (823,003)	$ (738,986)
OTHER FINANCING SOURCES:					
Transfers In	$ 733,800	$ 1,265,474	$ 876,275	$ 943,259	$ 689,173
Total Other Financing Sources (Uses)	$ 733,800	$ 1,265,474	$ 876,275	$ 943,259	$ 689,173
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$ (159,461)	$ 324,896	$ 98,479	$ 120,256	$ (49,813)
Net Position at Beginning of Year	$ 1,378,310	$ 1,053,414	$ 1,173,282	$ 1,016,511	$ 1,026,119 (1)
Prior Period Adjustments	-	-	(218,347)	36,515	40,205
Net Position at End of Year	$ 1,218,849	$ 1,378,310	$ 1,053,414	$ 1,173,282	$ 1,016,511

(1) Restated.

[The remainder of this page intentionally left blank.]

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
REVENUES:	2017	2016	2015	2014	2013
Taxes	$ 1,146,999	$ 1,061,004	$ 1,068,868	$ 1,014,556	$ 1,003,575
Intergovernmental Revenues	109,636	111,878	116,480	176,189	130,995
Charges for Services	10,956	9,609	13,322	21,587	535,079
Investment Earnings	1,045	112	128	180	242
Rents and Royalties	31,457	36,894	30,950	36,886	31,528
Other	23,784	25,688	31,357	57,834	61,410
Total Revenues	$ 1,323,877	$ 1,245,185	$ 1,261,105	$ 1,307,232	$ 1,762,829
EXPENDITURES:					
General Government	$ 616,402	$ 605,509	$ 575,118	$ 567,170	$ 570,260
Public Safety	1,076,097	1,050,836	950,516	952,643	958,746
Street Department	263,572	281,486	279,502	239,450	258,876
Sanitation	-	-	-	-	323,425
Parks	122,060	173,357	132,387	127,183	148,988
Capital Outlay	3,125	489,233	-	-	-
Economic Development	-	-	28,229	233,344	90,894
Total Expenditures	$ 2,081,256	$ 2,600,421	$ 1,965,752	$ 2,119,790	$ 2,351,189
Excess (Deficiency) of Revenues over Expenditures	$ (757,379)	$ (1,355,236)	$ (704,647)	$ (812,558)	$ (588,360)
OTHER FINANCING SOURCES:					
Sale of Property	$ 6,281	$ 4,351	$ 7,780	$ 3,400	$ 10
Transfers In (out)	787,241	1,339,328	726,584	984,798	554,994
Total Other Financing Sources (Uses)	$ 793,522	$ 1,343,679	$ 734,364	$ 988,198	$ 555,004
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$ 36,143	$ (11,557)	$ 29,717	$ 175,640	$ (33,356)
Fund Balance at Beginning of Year	$ 269,965	$ 281,522	$ 251,805	$ 76,165 [(1)]	$ 112,877
Prior Period Adjustments	-	-	-	-	40,203
Fund Balance at End of Year	$ 306,108	$ 269,965	$ 281,522	$ 251,805	$ 119,724

(1) Restated.

[The remainder of this page intentionally left blank.]

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; in addition the City levies a sales and use tax of ½ of 1% for property tax reduction. Proceeds of these sales and use taxes are credited to the General Fund and are not pledged to the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Revenue from this source, for the years shown, has been:

Fiscal Year Ended 9/30	Sales Tax Collections	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2014	$ 309,980	92.90%	$ 0.3659	$ 62
2015	213,629	59.29%	0.2512	43
2016	229,520	61.81%	0.2689	46
2017	240,150	60.05%	0.2803	48
2018	189,825 (1)	46.54%	0.2172	38

(1) Collections as of March 31, 2018.

FINANCIAL POLICIES

Basis of Accounting . . . The City's policy is to adhere to accounting principles as established by the Governmental Accounting Standard Board. For governmental funds this is the modified accrual basis of accounting and for proprietary funds the accrual basis of accounting (see "APPENDIX B – Excerpts from the City of Tulia Comprehensive Annual Report" – Note # 1).

General Fund Balance . . . The City's policy is to maintain an undesignated General Fund Balance of not less than two months General Fund budgeted operating costs.

Debt Service Fund Balance . . . A reasonable debt service fund balance is maintained in order to compensate for unexpected contingencies.

Budgetary Procedures . . . Formal budgetary integration is employed as a management control device during the year. This budget is not on a basis consistent with generally accepted accounting principles (GAAP).

[The remainder of this page intentionally left blank.]

INVESTMENTS

The City invests its investable funds in investments 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.

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas 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) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the Public Funds Investment Act; (8) 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 primary government securities dealer or a financial institution doing business in the State; (9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, 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, (10) commercial paper 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, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent, and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA").

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (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 (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

INVESTMENT POLICIES . . . Under 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, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment.

Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under 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 during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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 City 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 March 31, 2018, the City's investable funds were invested in the following categories:

Description	Market Value
Demand Deposits Accounts	$ 3,399,674

[The remainder of this page intentionally left blank.]

TAX MATTERS

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

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

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Additionally, interest on the Certificates owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income for taxable years beginning before January 1, 2018. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT OR COLLATERAL CONSEQUENCES WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

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 a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of 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 taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Obligation was held) is includable in gross income.

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Issuer expects that the Certificates have been designated, or deemed designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."**

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligation, because the City does not currently have outstanding more than $10,000,000 in aggregate amount of outstanding municipal securities (excluding securities offered in transactions that were exempt from the Rule 15c2-12(d)(2)). Pursuant to the exemption, 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 an "obligated person" with respect to the Certificates, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City that is customarily prepared by the City and publicly available, which currently consists of an annual audited financial statement. The City will update and provide this information within twelve (12) months after the end of each fiscal year ending in and after 2018. The City will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB"s Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such 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's current fiscal year end is September 30. Accordingly, the City must provide updated information by March 31 in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change prior to the next date by which the City otherwise would be required to provide financial information and operating data.

EVENT NOTICES . . . 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 its agreement described above under "Annual Reports".

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

AVAILABILITY OF INFORMATION . . . In connection with its continuing disclosure agreement entered into with respect to the Certificates, the City will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB 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 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 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 Rule except as follows: the FY 2013 CAFR was not filed by the required deadline. A late notice was filed and the FY 2013 CAFR has since been filed.

OTHER INFORMATION

RATING . . . S&P Global Ratings ("S&P"), is expected to assign its municipal bond rating of "AA" to the Certificates with the understanding that upon delivery of the Certificates, a municipal bond insurance policy insuring the timely payment of the principal and interest on the Certificates will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). S&P has also assigned an underlying rating of "A-" to the Certificates. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view 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 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 - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL MATTERS . . . The City will furnish to the Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon an examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. Bond Counsel was not requested to participate, and did not take part, in the preparation of 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 under the captions "THE CERTIFICATES" (excluding the information under the subcaption "Sources and Uses of Proceeds", "Book-Entry-Only System" and "Remedies" and the last sentence under "Tax Rate Limitation"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Matters" (except for the last two sentences of the first paragraph thereof), "Registration and Qualification of Certificates for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement, and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. Bond Counsel's 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 opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR . . . Specialized Public Finance 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. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASER . . . After requesting competitive bids for the Certificates, the City accepted the bid of SAMCO Capital Markets, Inc. (the "Purchaser" or the "Underwriter") to purchase the Certificates at the interest rates shown on the inside cover of the Official Statement at a price of approximately 106.077% of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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 REGARDING THE OFFICIAL STATEMENT AND NO LITIGATION . . . At the time of payment for and delivery of the Certificates, the Purchaser will be furnished (i) a certificate of the City, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Certificates, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they are made, not misleading; (c) insofar as the description and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and that the City has no reason to believe that they are untrue in any material respect; (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 set forth in the Official Statement; and (e) except as disclosed in the Official Statement, no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale or delivery of the Certificates.

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

The Ordinance authorizing the issuance of the Certificates 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.

Russell Proctor
Mayor
City of Tulia, Texas

ATTEST:

Kristina Solomon
City Secretary
City of Tulia, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THIS PAGE LEFT INTENTIONALLY BLANK

GENERAL INFORMATION

THE CITY

The City of Tulia is located in the Texas Panhandle at the intersection of Interstate 27/U.S Highway 87 and State Highway 86, the City of Tulia is the county seat and principal commercial and agricultural center of Swisher County.

The City's economy is based on cattle feeding, grain elevators, and other varied agribusinesses; varied manufacturing; tourism; and a prison unit. The City's 2010 census population was 4,967, decreasing 2.93% since 2000.

THE COUNTY

Swisher County is a northwest Texas Panhandle county created in 1876 from the Bexar and Young territories. Swisher is traversed by Interstate Highway 27 and State Highway 86, as well as Tule Creek. The county was the ninth largest producing county of wheat in Texas in 2016. The county had the sixth largest inventory of cattle in Texas as of January 1st, 2017.

ECONOMY

Swisher County's economy is based on cattle feeding, grain elevators and other varied agribusiness; varied manufacturing; tourism; and a prison unit. Agricultural income is derived from beef cattle, crops including corn, grain, sorghum, wheat, sugar, beets, cotton, soybeans and vegetables. Approximately 150,000 acres of crops are irrigated.

LABOR MARKET PROFILE

SWISHER COUNTY

	March	Annual Averages			
	2018	2017	2016	2015	2014
Civilian Labor Force	2,745	2,687	2,710	2,730	2,881
Total Employment	2,624	2,578	2,595	2,600	2,705
Unemployment	121	109	115	130	176
Percent Unemployment	4.4%	4.1%	4.2%	4.8%	6.1%

STATE OF TEXAS

	March	Annual Averages			
	2018	2017	2016	2015	2014
Civilian Labor Force	13,834,783	13,538,385	13,317,176	13,074,570	13,024,701
Total Employment	13,265,346	12,960,595	12,702,122	12,493,197	12,360,368
Unemployment	569,437	577,790	615,054	581,373	664,333
Percent Unemployment	4.1%	4.3%	4.6%	4.4%	5.1%

____
Source: Texas Workforce Commission.

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX B

EXCERPTS FROM THE
CITY OF TULIA, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2017

The information contained in this Appendix consists of excerpts from the City of Tulia, 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.

THIS PAGE LEFT INTENTIONALLY BLANK

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Tulia, 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 Tulia, Texas (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Prior Period Net Position

As discussed in Note 22 to the financial statements, it has been determined that accounts receivable and revenue were understated in the prior year, which has resulted in a restatement of beginning net position. Our opinion is not modified with respect to that matter.

What inspires you, inspires us. | eidebailly.com

1401A W. 5th St. | Plainview, TX 79072-7830 | T 806.293.4158 | TF 800.806.4158 | F 806.296.5314 | EOE

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Contributions on pages 3 through 9 and pages 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor fund financial statements 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Eide Bailly LLP

Plainview, Texas
March 23, 2018

Management's Discussion and Analysis

Management's Discussion and Analysis
City of Tulia, Texas

In this section of the Annual Financial and Compliance Report we, the City Management of the City of Tulia, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2017. Please read it in conjunction with the independent auditors' report and the City's Basic Financial Statements.

Background Information

The City of Tulia was incorporated in 1909, under the Statues of the State of Texas. The City operates under a mayor/councilman form of government and provides the services of administration, building maintenance, financial administration, legislative, municipal court, code enforcement, fire protection, police, sanitation (collection and disposal), streets, parks and recreation, water and sewer, electric, and a revolving loan fund.

Financial Highlights:

The City's assets exceeded its liabilities by $4,253,181 (net position) for the fiscal year reported.

Total net position are comprised of the following:

1. Net investment in capital assets of $1,723,897; includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
2. Net position restricted for debt service totaled $372,190.
3. Unrestricted net position of $2,157,084 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
4. Net position restricted for tourism totaled $10.

The City's governmental funds reported total ending fund balances of $306,118 this year. $306,108 is unreserved.

The City's net position decreased by $319,471 during the fiscal year. Governmental activities decreased by $159,461, and business-type activities decreased by $160,010.

Using this Annual Report

Management's Discussion and Analysis introduces the City's basic financial statements. The Basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The City also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements:

The City's annual report includes two *government-wide financial statements*. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *statement of net position.* This City-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deterioration. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City's infrastructure in addition to the financial information provided in this report.

Table 1

City's Net Position (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets								
Current and other assets	$ 773	$ 868	$ 3,060	$ 3,563	$ 3,833	$ 4,431	$ 474	$ 402
Capital assets	781	906	3,857	4,092	4,638	4,998	-	-
Total assets	**1,554**	**1,774**	**6,917**	**7,655**	**8,471**	**9,429**	**474**	**402**
Deferred outflow of resources	**352**	**441**	**248**	**309**	**600**	**750**	**-**	**-**
Liabilities								
Current liabilities	50	146	421	415	471	561	3	-
Long-term liabilities	598	605	3,686	4,306	4,284	4,911	-	-
Total liabilities	**648**	**751**	**4,107**	**4,721**	**4,755**	**5,472**	**3**	**-**
Deferred inflow of resources	**39**	**86**	**24**	**49**	**63**	**135**	**-**	**-**
Net position								
Net investment in capital assets	769	883	955	1,099	1,724	1,982	-	-
Restricted	-	-	372	369	372	369	-	-
Unrestricted	450	495	1,707	1,726	2,157	2,221	471	402
Total net position	**$ 1,219**	**$ 1,378**	**$ 3,034**	**$ 3,194**	**$ 4,253**	**$ 4,572**	**$ 471**	**$ 402**

The largest portion of the City's net position (71.3%) reflects the net position of the business-type activities. In addition 40.5% of net position represents the City's investment in capital assets (e.g., land, buildings, equipment, furnishings, infrastructure, and water rights); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position $2,157,084 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the government as a whole.

The second government-wide statement is the *statement of activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *statement of activities* is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Table 2
Changes in City's Net Position (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues:								
Program revenues								
Charges for services	$ 42	$ 53	$ 5,402	$ 5,043	$ 5,444	$ 5,096	$ -	$ -
Operating grants	110	112	-	288	110	400	-	-
General revenues					-	-	-	-
Property taxes	408	372	-	-	408	372	-	-
Sales taxes	240	230	-	-	240	230	120	115
Other taxes	450	479	-	-	450	479	-	-
Other revenues	135	106	107	89	242	195	3	1
Total revenues	**1,385**	**1,352**	**5,509**	**5,420**	**6,894**	**6,772**	**123**	**116**
Expenses:								
Administration	335	325	-	-	335	325	44	87
Building maintenance	29	33	-	-	29	33	-	-
Financial administration	141	128	-	-	141	128	-	-
Legislative	109	117	-	-	109	117	-	-
Municipal court	39	35	-	-	39	35	-	-
Code enforcement	2	2	-	-	2	2	-	-
Fire protection	138	105	-	-	138	105	-	-
Police	1,059	1,056	-	-	1,059	1,056	-	-
Street department	267	287	-	-	267	287	-	-
Parks and recreation	158	202	-	-	158	202	-	-
Debt service - interest	1	2	-	-	1	2	-	-
Water and sewer	-	-	1,670	1,132	1,670	1,132	-	-
Electric	-	-	2,915	2,697	2,915	2,697	-	-
Revolving loan	-	-	-	-	-	-	-	-
Sanitation	-	-	360	328	360	328	-	-
Total expenses	**2,278**	**2,292**	**4,945**	**4,157**	**7,223**	**6,449**	**44**	**87**
Change in net position before other items	(893)	(940)	564	1,263	(329)	323	79	29
Transfers (net)	734	1,265	(724)	(1,242)	10	23	(10)	(23)
Change in net position after other items	(159)	325	(160)	21	(319)	346	69	6
Net position, beg. of year - as restated	1,378	1,053	3,194	3,173	4,572	4,226	402	396
Net position, end of year	**$ 1,219**	**$ 1,378**	**$ 3,034**	**$ 3,194**	**$ 4,253**	**$ 4,572**	**$ 471**	**$ 402**

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and parks and recreation. Business-type activities include water, sewer and electric utilities and sanitation.

Fund Financial Statements:

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's individual funds rather than the City as a whole.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The city has three proprietary funds, the Water and Sewer Fund, the Electric Fund, and the Sanitation Fund. Proprietary funds essentially encompass the same functions reported as business-type activities in the government-wide statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $306,118, an increase of $36,143 in comparison with the prior year. 99.9% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is restricted for special purposes in the hotel/motel special revenue fund. The general fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Both unassigned and total fund balance represents 14.7% of total general fund expenditures. A general rule of thumb is for governments to maintain an unassigned fund balance of approximately 25 to 30% of total general fund expenditures.

Budgetary Highlights

Budgets reflect the same pattern as seen in the revenue and expenditures of the City. To enhance the process of developing a budget, the City utilizes goals and objectives defined by the mayor and city aldermen, community input, long-term plans and input from various staff groups. City priorities are well defined through this process.

The General Fund is the only major budgetary fund.

The following table examines the summary budget performance of the General Fund for the fiscal year ending September 30, 2017. Detail budget performance is examined through the Budgetary Comparison Schedule on page 48.

Table 3
CITY OF TULIA, TEXAS
FUNDS EXPENDITURE BUDGET PERFORMANCE

	Final Amended Budget	Actual Amounts Budgetary Basis	Variance
General Fund	$ 2,348,599	$ 2,081,256	$ 267,343

Capital Asset and Debt Administration

Capital assets: The City's investment in capital assets as of September 30, 2017, amounts to $3,618,944 (net of accumulated depreciation of $15,085,977). Capital additions totaling $135,659 were made during the year, with $3,125 in governmental activities and $132,534 in business-type activities.

Table 4
City's Capital Assets
(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 189	$ 189	$ 220	$ 220	$ 409	$ 409
Construction in progress	-	-	398	459	398	459
Buildings and land improvements	305	338	347	357	652	695
Equipment	216	264	825	873	1,041	1,137
Infrastructure	-	-	1,006	1,022	1,006	1,022
Vehicles	67	110	42	59	109	169
Other	4	4	-	-	4	4
Water rights	-	-	1,019	1,102	1,019	1,102
Total	**$ 781**	**$ 905**	**$ 3,857**	**$ 4,092**	**$ 4,638**	**$ 4,997**

Long-term Debt: The City had five separate bond issuances outstanding as of September 30, 2017. Details on the City's debt obligations can be found in the notes to the financial statements.

Table 5
CITY OF TULIA, TEXAS
LONG-TERM LIABILITIES

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Landfill closure & post-closure liability	$ -	$ -	$ 91	$ 87	$ 91	$ 87
Accrued vacation	33	35	14	14	47	49
Bonds payable, net	-	-	3,111	3,681	3,111	3,681
Capital lease payable	12	23	170	228	182	251
Net pension liability	553	547	300	297	853	844
Total	**$ 598**	**$ 605**	**$ 3,686**	**$ 4,307**	**$ 4,284**	**$ 4,912**

Notes to the Financial Statements:

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Summary and Future Outlook:

This past year has been positive for municipal finances and the state of the city. The city continues to rely on its business or enterprise funds to finance not only the services provided by its electric, water distribution, sanitary sewer collection, wastewater treatment plant, and solid waste collection and landfill operations but also to subsidize the operations and services usually funded by property taxes, sales taxes, and other revenue sources. This will continue to be the trend in the coming years until additional or new economic growth occurs in the city and Swisher County.

Charges and fees for services such as the electric utility and water utility will need to be monitored on a close basis to continue the positive revenue position that allows the continued success of the PILOT (payments in lieu of taxes) program established several years ago within the city's financial and revenue structure. To this end, the City of Tulia along with other cities in the West Texas Municipal Power Agency signed a 5 year contract for electric power at a fixed wholesale price with AEP Energy Partners. The wholesale cost of power is important to the city and to the customers we serve because of the changes in federal and state regulations regarding the electric utility industry. The days of long term contracts with known costs and fees for 20 or 30 years is over. It is the goal of this city to find the best and most reliable deal per kilowatt hour possible after 2019 and beyond. The current electric system rebuild project is entering its 12th year and will continue for at least another 3 years. Additional funding may need to be acquired to finish out the project.

Water is also another utility that will continue to merit increased attention in the Texas Panhandle, the State of Texas, and the nation. The city completed a water resource supply study and will consider acquiring some additional supply for its future water bank. A close examination of the city's water utility distribution system will also be a focus of attention in the next year. This will include a review of the city's metering system for water consumption and electricity consumption.

In addition to system improvements to the electric utility and water utility, the city is also beginning the work on the capital improvement program for the next 5 to 10 years to include results from the recently completed street assessment study and the upcoming municipal swimming pool improvement report. Improving the city's street system was listed as the number one priority in the city's 2014 Strategic Plan. An often overlook asset is the city/county airport. The City of Tulia and Swisher County received funding from the Aviation Division of the Texas Department of Transportation to rehabilitate the runway and taxiway at the Tulia/Swisher County Airport. This improvement will allow the two governmental entities to consider other upgrades for aviation services at the airport in the next 10 years. This project accelerated and was completed in late 2016.

The city's economic development tax will be examined to determine what the greatest benefit can be gained through its use as a job generator by developing additional acreage the EDC owns on Interstate 27 and by using it to improve the quality of life for current and future residents in Tulia. The city is working with the Panhandle Regional Planning Commission to develop other sources of funding available from federal and state programs for this project.

Not only is the condition of the city's infrastructure (streets, parks, utility lines, landfill)important but also the organization's people are crucial as well since they answer the calls for service (police officers, volunteer firefighters, and public works personnel) and deliver the service directly to the citizens. The city's employees need to be trained on a regular and scheduled basis to keep their skills up while adopting new technology and doing it in a safe way. Providing city services using new skills and up to date equipment in a safe manner will bring benefit to not only the organization but also to the citizens and taxpayers. The city organization has been notified of the retirement of the longtime Director of the Public Works and Electric Utility departments. It will be crucial to replace this employee with a person possessing the knowledge and background to continue effective service to the customers of Tulia Power & Light. It may be necessary to separate the two departments to find a person for the Electric Utility and a person to direct the Public Works Department which includes an array of different services provided to the citizen including the wastewater treatment plant and the sanitary landfill. This will increase the personnel costs in the budget if the two departments are separated.

The future of many small Texas cities will be influenced by how well we plan now and implement those plans for a safe and sufficient water supply; a system of reliable and safe utility services delivered at affordable rates; a transportation system with emphasis on preventive maintenance; and, a well-trained and skilled workforce responsive to the community's needs and citizen requests for service.

Contacting the City's Financial Management:

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact City Hall at City of Tulia, P.O. Box 847, Tulia, Texas 79088.

Additional Component Unit Information:

Separately issued financial statements for the City's component unit can be obtained by writing to: Tulia Economic Development Corporation, P.O. Box 847, Tulia, Texas 79088.

Basic Financial Statements

Exhibit A-1

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

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Tulia Economic Development Corporation
ASSETS				
Cash and cash equivalents	$ 560,472	$ 1,392,008	$ 1,952,480	$ 370,097
Receivables (net of allowances)	91,946	702,732	794,678	-
Internal balances		-	-	-
Intergovernmental receivables	40,498	-	40,498	20,512
Prepaid items	-	-	-	3,000
Notes receivable - current portion	-	20,678	20,678	20,967
Notes receivable - long term portion	-	50,599	50,599	59,513
Restricted cash and cash equivalents	-	894,905	894,905	-
Investment in joint venture	80,071	-	80,071	-
Capital assets:				
Land	189,298	219,970	409,268	-
Construction in progress	-	397,841	397,841	-
Buildings and land improvements, net	304,728	346,857	651,585	-
Equipment, net	216,544	825,290	1,041,834	-
Infrastructure, net	-	1,006,113	1,006,113	-
Vehicles, net	67,012	41,700	108,712	-
Other, net	3,591	-	3,591	-
Water rights, net	-	1,018,927	1,018,927	-
TOTAL ASSETS	1,554,160	6,917,620	8,471,780	474,089
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges for refunding	-	56,403	56,403	-
Deferred outflows-pension	351,536	191,175	542,711	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	351,536	247,578	599,114	-
LIABILITIES				
Accounts payable	50,184	202,747	252,931	3,061
Accrued interest payable	-	17,209	17,209	-
Customer meter deposits	-	200,617	200,617	-
Noncurrent liabilities				
Due within one year	11,760	496,224	507,984	-
Due in more than one year	-	2,875,780	2,875,780	-
Accrued vacation	32,935	13,845	46,780	-
Net pension liability	553,455	300,350	853,805	-
TOTAL LIABILITIES	648,334	4,106,772	4,755,106	3,061
DEFERRED INFLOWS OF RESOURCES	38,513	24,094	62,607	-
NET POSITION				
Net investment in capital assets	769,413	954,484	1,723,897	-
Restricted for tourism	10	-	10	-
Restricted for debt service	-	372,190	372,190	-
Unrestricted	449,426	1,707,658	2,157,084	471,028
TOTAL NET POSITION	$ 1,218,849	$ 3,034,332	$ 4,253,181	$ 471,028

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

CITY OF TULIA, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017

		Program Revenues	
Functions / Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Primary government:			
Governmental activities:			
Administrative	$ 335,549	$ 7,354	$ -
Building maintenance	29,250	-	-
Financial administration	141,054	-	-
Legislative	109,581	-	-
Municipal court	39,288	29,571	-
Code enforcement	1,926	-	-
Fire protection	137,671	-	30,000
Police	1,058,739	211	79,636
Street department	266,702	-	-
Parks and recreation	158,492	5,324	-
Interest	1,381	-	-
Total Governmental Activities	2,279,633	42,460	109,636
Business-Type Activities			
Water and sewer	1,670,380	1,495,229	-
Electric	2,914,571	3,266,535	-
Revolving loan fund	-	1,748	-
Sanitation	360,188	639,131	-
Total Business-Type Activities	4,945,139	5,402,643	-
Total Primary Government	$ 7,224,772	$ 5,445,103	$ 109,636
Component unit:			
Tulia Economic Development Corporation	$ 44,717	$ -	$ -

General Revenues and Transfers
Property taxes, levied for general purposes
Sales tax
Other taxes
Penalty and interest
Miscellaneous revenues
Gain on sale of assets
Investment income
Transfers In (Out)
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Tulia Economic Development Corporation
$ (328,195)	$ -	$ (328,195)	$ -
(29,250)	-	(29,250)	-
(141,054)	-	(141,054)	-
(109,581)	-	(109,581)	-
(9,717)	-	(9,717)	-
(1,926)	-	(1,926)	-
(107,671)	-	(107,671)	-
(978,892)	-	(978,892)	-
(266,702)	-	(266,702)	-
(153,168)	-	(153,168)	-
(1,381)	-	(1,381)	
(2,127,537)	-	(2,127,537)	-
-	(175,151)	(175,151)	-
-	351,964	351,964	-
-	1,748	1,748	-
-	278,943	278,943	-
-	457,504	457,504	-
(2,127,537)	457,504	(1,670,033)	-
-	-	-	(44,717)
408,002	-	408,002	-
240,150	-	240,150	120,076
450,447	-	450,447	-
66,696	-	66,696	-
58,054	83,775	141,829	-
6,281	-	6,281	-
4,646	23,011	27,657	3,134
733,800	(724,300)	9,500	(9,500)
1,968,076	(617,514)	1,350,562	113,710
(159,461)	(160,010)	(319,471)	68,993
1,378,310	2,970,111	4,348,421	402,035
-	224,231	224,231	-
$ 1,218,849	$ 3,034,332	$ 4,253,181	$ 471,028

CITY OF TULIA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Hotel/Motel Tax Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 260,158	$ 2,369	$ 262,527
Taxes receivable (net)	37,757	-	37,757
Receivables (net)	53,035	1,154	54,189
Intergovernmental receivables	40,498	-	40,498
TOTAL ASSETS	$ 391,448	$ 3,523	$ 394,971
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 45,763	$ 3,513	$ 49,276
Total liabilities	45,763	3,513	49,276
Deferred Inflows of Resources			
Unavailable revenue - property tax	37,757	-	37,757
Unavailable revenue - fines	1,820	-	1,820
Total deferred inflows of resources	39,577	-	39,577
Fund balances:			
Restricted	-	10	10
Unassigned	306,108	-	306,108
Total fund balances	306,108	10	306,118
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 391,448	$ 3,523	$ 394,971

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

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

Total fund balances - Governmental Funds	$ 306,118
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	781,173
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. As a result, these liabilities decrease net position:	
Compensated absences payable	(32,935)
The City uses internal service funds to charge costs of certain activities, such as the workers compensation insurance fund and the capital replacement fund, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of these consolidations is to increase net position.	285,277
Included in the items related to debt is the recognition of the City's net pension liability of $553,455 deferred outflow of resources of $351,536 and a deferred inflow of resources of $38,513. The net effect is to decrease net position.	(240,432)
Other adjustments are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. Net property taxes receivable of $37,757 and net court fines receivable of $1,820 were unavailable to pay for the current period expenditures and are deferred in the governmental funds but included in the statement of net position.	39,577
The City's investment in joint venture in not reported in the governmental funds but is included in the statement of net position.	80,071
Net Position of Governmental Activities	$ 1,218,849

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

CITY OF TULIA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Hotel/Motel Tax Fund	Total Governmental Funds
REVENUES			
Taxes:			
Property taxes	$ 403,907	$ -	$ 403,907
Sales taxes	240,150	-	240,150
Other taxes	436,246	14,201	450,447
Penalty and interest on taxes	66,696	-	66,696
Licenses and permits	3,990	-	3,990
Intergovernmental revenues and grants	109,636	-	109,636
Charges for services	10,956	-	10,956
Fines	27,467	-	27,467
Investment earnings	1,045	15	1,060
Other revenue	23,784	-	23,784
Total revenues	1,323,877	14,216	1,338,093
EXPENDITURES			
Current:			
Administrative	300,802	-	300,802
Building maintenance	29,250	-	29,250
Financial administration	137,481	-	137,481
Legislative	109,581	-	109,581
Municipal court	39,288	-	39,288
Code enforcement	1,926	-	1,926
Fire protection	99,966	-	99,966
Police	974,205	-	974,205
Street department	263,572	-	263,572
Parks and recreation	122,060	14,216	136,276
Capital outlay	3,125	-	3,125
Total expenditures	2,081,256	14,216	2,095,472
Excess (Deficiency) of Revenues over (under) Expenditures	(757,379)	-	(757,379)
OTHER FINANCING SOURCES (USES)			
Transfers in	828,549	-	828,549
Sale of assets	6,281	-	6,281
Transfers out	(41,308)	-	(41,308)
Total other financing sources (uses)	793,522	-	793,522
NET CHANGE IN FUND BALANCES	36,143	-	36,143
FUND BALANCES AT BEGINNING OF YEAR	269,965	10	269,975
FUND BALANCES AT END OF YEAR	$ 306,108	$ 10	$ 306,118

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

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

Total net changes in fund balances - Governmental Funds	$	36,143
The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(127,615)
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. For the year ended September 30, 2017, the amount of capital outlays was $3,125. The net effect of including the 2017 capital outlays is to increase net position.		3,125
Changes in long-term liabilities for compensated absences are not reported in the governmental funds but are included in the statement of activities.		2,494
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of revenues. Contributions made after the measurement date caused the change in net position to decrease in the amount of $86,580. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause the change in net position to increase in the amount of $134,982. The net effect is a decrease in net position.		(48,402)
The City uses internal service funds to charge costs of certain activities, such as the workers compensation insurance fund and the capital replacement fund, to appropriate functions in other funds. The net income of the internal service funds are reported in governmental activities. The net effect of these consolidations is to decrease net position.		(18,097)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue. The net effect of all the other reclassifications and eliminations was to increase net position.		4,142
The net decrease for the year in the investment in joint venture is not reported in the governmental funds but is included in the statement of activities.		(11,251)
Change in Net Position of Governmental Activities	$	(159,461)

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

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

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Sanitation Fund
ASSETS			
Current assets:			
Cash and cash equivalents	$ (16,051)	$ 1,179,827	$ 65,572
Receivables (net of allowances)	199,678	429,319	73,735
Notes Receivable - current	-	-	-
Total current assets	183,627	1,609,146	139,307
Non-current assets:			
Restricted assets:			
Cash and cash investments	227,288	667,617	-
Notes receivable - long-term	-	-	-
Capital assets:			
Land	152,354	67,616	-
Land improvements	2,380,431	416,775	17,364
Equipment	5,137,757	1,797,833	553,275
Infrastructure	-	2,374,714	-
Vehicles	178,958	438,508	326,986
Construction in progress	-	397,841	-
Accumulated depreciation	(6,837,816)	(3,877,976)	(686,849)
Water supply contracts	3,310,000	-	-
Accumulated amortization	(2,291,073)	-	-
Total noncurrent assets	2,257,899	2,282,928	210,776
TOTAL ASSETS	2,441,526	3,892,074	350,083
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges for refunding	-	56,403	-
Deferred outflows-pension	46,743	105,483	38,949
TOTAL DEFERRED OUTFLOWS OF RESOURCES	46,743	161,886	38,949
LIABILITIES			
Current liabilities:			
Accounts payable	6,352	191,890	4,505
Accrued interest payable	7,770	5,816	3,623
Current portion of long-term debt	268,464	184,761	42,999
Customer meter deposits	61,457	139,160	-
Total current liabilities	344,043	521,627	51,127
Noncurrent liabilities:			
Accrued landfill closure/postclosure costs	-	-	91,289
Accrued vacation	1,761	5,259	6,825
Long-term debt due after one year	1,506,582	1,204,642	73,267
Net pension liability	74,536	163,103	62,711
Total noncurrent liabilities	1,582,879	1,373,004	234,092
TOTAL LIABILITIES	1,926,922	1,894,631	285,219
DEFERRED INFLOWS OF RESOURCES	6,019	15,309	2,766
NET POSITION			
Net investment in capital assets	255,565	604,409	94,510
Restricted for debt service	165,831	206,359	-
Unrestricted net position	133,932	1,333,252	6,537
TOTAL NET POSITION	$ 555,328	$ 2,144,020	$ 101,047

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

Revolving Loan Fund	Total Enterprise Funds	Governmental Activities: Internal Service Fund
$ 162,660	$ 1,392,008	$ 297,945
-	702,732	-
20,678	20,678	-
183,338	2,115,418	297,945
-	894,905	-
50,599	50,599	-
-	219,970	-
-	2,814,570	-
-	7,488,865	-
-	2,374,714	-
-	944,452	-
-	397,841	-
-	(11,402,641)	-
-	3,310,000	-
-	(2,291,073)	-
50,599	4,802,202	-
233,937	6,917,620	297,945
-	56,403	-
-	191,175	-
-	247,578	-
-	202,747	908
-	17,209	-
-	496,224	-
-	200,617	-
-	916,797	908
-	91,289	-
-	13,845	-
-	2,784,491	11,760
-	300,350	-
-	3,189,975	11,760
-	4,106,772	12,668
-	24,094	-
-	954,484	-
-	372,190	-
233,937	1,707,658	285,277
$ 233,937	$ 3,034,332	$ 285,277

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

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Sanitation Fund
OPERATING REVENUES:			
Charges for water and sewer services	$ 1,495,229	$ -	$ -
Charges for electric services	-	3,266,535	-
Charges for sanitation services	-	-	639,131
Interest received on notes receivable	-	-	-
Employee contributions	-	-	-
Employer contributions	-	-	-
Miscellaneous	3,093	59,425	21,257
Total operating revenues	1,498,322	3,325,960	660,388
OPERATING EXPENSES:			
Personal services	178,148	345,246	189,993
Supplies and materials	47,372	18,526	60,636
Maintenance	756,124	39,762	25,443
Contractual services	378,414	2,321,241	14,975
Other expenses	42,874	25,863	18,033
Depreciation and amortization	208,892	114,186	44,854
Claims paid	-	-	-
Insurance premiums paid	-	-	-
Total operating expenses	1,611,824	2,864,824	353,934
OPERATING INCOME (LOSS)	(113,502)	461,136	306,454
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	3,163	18,257	934
Interest expense and bond issuance costs	(58,556)	(49,747)	(6,254)
Total nonoperating revenue (expenses)	(55,393)	(31,490)	(5,320)
Income before other financing sources (uses)	(168,895)	429,646	301,134
OTHER FINANCING SOURCES (USES)			
Transfers in	223,529	97,635	80,043
Transfers out	(365,762)	(430,099)	(329,646)
Insurance proceeds	-	-	-
Total other financing sources (uses)	(142,233)	(332,464)	(249,603)
CHANGES IN NET POSITION	(311,128)	97,182	51,531
TOTAL NET POSITION - BEGINNING AS PREVIOUSLY REPORTED	804,719	1,910,826	23,034
PRIOR PERIOD ADJUSTMENT	61,737	136,012	26,482
TOTAL NET POSITION - BEGINNING - AS RESTATED	866,456	2,046,838	49,516
TOTAL NET POSITION - ENDING	$ 555,328	$ 2,144,020	$ 101,047

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

	Revolving Loan Fund	Total Enterprise Funds	Governmental Activities: Internal Service Fund
	$ -	$ 1,495,229	$ -
	-	3,266,535	-
	-	639,131	-
	1,748	1,748	-
	-	-	69,970
	-	-	168,656
	-	83,775	-
	1,748	5,486,418	238,626
	-	713,387	-
	-	126,534	-
	-	821,329	-
	-	2,714,630	-
	-	86,770	-
	-	367,932	-
	-	-	16,116
	-	-	223,641
	-	4,830,582	239,757
	1,748	655,836	(1,131)
	657	23,011	3,586
	-	(114,557)	(1,381)
	657	(91,546)	2,205
	2,405	564,290	1,074
	-	401,207	309,295
	-	(1,125,507)	(362,736)
	-	-	34,270
	-	(724,300)	(19,171)
	2,405	(160,010)	(18,097)
	231,532	2,970,111	303,374
	-	224,231	-
	231,532	3,194,342	303,374
	$ 233,937	$ 3,034,332	$ 285,277

CITY OF TULIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities		
	Water and Sewer Fund	Electric Fund	Sanitation Fund
Cash flows from operating activities:			
Cash received from user charges	$ 1,491,253	$ 3,283,987	$ 644,293
Interest received on notes receivable	-	-	-
City contributions	-	-	-
Employee contributions	-	-	-
Other revenue received	3,093	59,425	21,257
Cash payments to employees for services	(171,165)	(334,814)	(182,605)
Cash payments for goods and services	(1,242,513)	(2,395,780)	(112,419)
Payments for employee claims	-	-	-
Payments for insurance premiums	-	-	-
Net cash provided by (used in) operating activities	80,668	612,818	370,526
Cash flows from noncapital financing activities:			
Change in customer deposits	3,530	7,974	-
Transfers from other funds	223,529	97,635	80,043
Transfers to other funds	(365,762)	(430,099)	(329,646)
Net cash used in noncapital financing activities	(138,703)	(324,490)	(249,603)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(64,034)	(51,358)	(17,142)
Payments received on notes receivable	-	-	-
Insurance proceeds	-	-	-
Interest and amortization on capital debt	(58,556)	(39,750)	(6,254)
Payments on bonds payable	(384,551)	(180,000)	-
Payments on capital lease payable	(16,581)	-	(41,337)
Net cash provided by (used in) capital and related financing activities	(523,722)	(271,108)	(64,733)
Cash flows from investing activities:			
Interest and investment income received	3,163	18,257	934
Interest expense	-	-	-
Net cash provided by investing activities	3,163	18,257	934
Net change in cash and cash equivalents	(578,594)	35,477	57,124
Cash and cash equivalents, beginning of period	789,831	1,811,967	8,448
Cash and cash equivalents, end of period	$ 211,237	$ 1,847,444	$ 65,572

	Revolving Loan Fund	Total Business-Type Activities	Governmental Activities: Internal Service Funds
	$ -	$ 5,419,533	$ -
	1,748	1,748	-
	-	-	168,656
	-	-	69,970
	-	83,775	-
	-	(688,584)	-
	-	(3,750,712)	-
	-	-	(18,008)
	-	-	(223,641)
	1,748	1,065,760	(3,023)
	-	11,504	-
	-	401,207	309,295
	-	(1,125,507)	(447,150)
	-	(712,796)	(137,855)
	-	(132,534)	-
	21,896	21,896	-
	-	-	34,270
	-	(104,560)	-
	-	(564,551)	-
	-	(57,918)	(10,827)
	21,896	(837,667)	23,443
	657	23,011	3,586
	-	-	(1,381)
	657	23,011	2,205
	24,301	(461,692)	(115,230)
	138,359	2,748,605	413,175
	$ 162,660	$ 2,286,913	$ 297,945

CITY OF TULIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Sanitation Fund
Reconciliation of operating income to net cash flows from operating activities:			
Operating income (loss)	$ (113,502)	$ 461,136	$ 306,454
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	208,892	114,186	44,854
Landfill closure / postclosure costs	-	-	4,759
Effect of increase and decrease in current assets and liabilities:			
Decrease (increase) in receivables	(3,976)	17,452	5,162
Decrease (increase) in deferred outflows	11,867	22,612	11,740
Increase (decrease) in accounts payable	(17,729)	9,612	1,909
Increase (decrease) in compensated absences	522	(1,880)	996
Increase (decrease) in deferred inflows	(6,264)	(11,935)	(6,196)
Increase (decrease) in net pension liability	858	1,635	848
Total adjustments	194,170	151,682	64,072
Net cash provided by operating activities	$ 80,668	$ 612,818	$ 370,526
Reconciliation of cash and cash equivalents:			
Cash and cash equivalents are reported on the fund financial statements under the following categories:			
Cash and cash equivalents	$ (16,051)	$ 1,179,827	$ 65,572
Restricted cash and cash equivalents	227,288	667,617	-
Total cash and cash equivalents reported	$ 211,237	$ 1,847,444	$ 65,572

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

	Revolving Loan Fund	Total Business-Type Activities	Governmental Activities: Internal Service Funds
	$ 1,748	$ 655,836	$ (1,131)
	-	367,932	-
	-	4,759	-
	-	18,638	-
	-	46,219	-
	-	(6,208)	(1,892)
	-	(362)	-
	-	(24,395)	-
	-	3,341	-
	-	409,924	(1,892)
	$ 1,748	$ 1,065,760	$ (3,023)
	$ 162,660	$ 1,392,008	$ 297,945
	-	894,905	-
	$ 162,660	$ 2,286,913	$ 297,945

Note 1: Summary of Significant Accounting Policies

The City of Tulia, Texas (the City), was incorporated as a town in 1909 and is governed by a five member City Council (the Council) elected by registered voters of the City. The present population is approximately 4,903. The City provides the services of administration, building maintenance, financial administration, legislative, municipal court, code enforcement, fire protection, police, sanitation (collection and disposal), streets, parks and recreation, water and sewer, electric, and a revolving loan fund. The City's primary sources of revenue come from property taxes, investment earnings, and charges for services. The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The City, for financial purposes, includes all of the funds relevant to the operations of the City. As required by generally accepted accounting principles, these financial statements present the City and all component units, when applicable, for which the City is considered to be financially accountable. The criteria for including organizations as component units within the City's reporting entity, as set forth in GAAP include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporation powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated any legally separate tax-exempt organizations whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GAAP requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, while the City is not a component unit of any other reporting entity as defined by GAAP, the City has the following component unit:

Discretely Presented Component Unit
The Tulia Economic Development Corporation (TEDC), a non-profit corporation, was created in 2009 as separate non-profit organization under the Texas Revised Civil Statutes Annotated, Article 5190.6 in order to promote future economic development in Tulia, Texas. The TEDC is included in the reporting entity because the City council appoints the seven-member Board of Directors and approves its annual budget. Accordingly, the City is financially accountable and is able to impose its will on the organization. The TEDC is reported as a governmental fund type component unit. Significant transactions between the City and TEDC included the City's disbursement of TEDC's share of sales tax revenues, amounting to $120,076 for the year, to TEDC. Separate TEDC financial information can be obtained by writing to Tulia Economic Development Corporation, 127 SW Second St. #300, Tulia, TX 79088.

B. Government-wide and fund financial statements

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Note 1: Summary of Significant Accounting Policies – continued

B. Government-wide and fund financial statements – continued

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund: This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Hotel and Motel Tax Fund: This fund accounts for the tax revenue from hotels and motels in the City.

The City reports the following major enterprise funds:

Water and Sewer Fund: This fund accounts for the water supply and distribution activities and for the sanitary sewer, storm water, and waste water treatment of the City.

Electric Fund: This fund accounts for the electricity supply and distribution activities of the City.

Sanitation Fund: This fund accounts for the solid waste and disposal activities of the City, including the activities of the City of Tulia Municipal Solid Waste Landfill.

Revolving Loan Fund: This fund accounts for loans made to area businesses within the City in order to help grow the local economy

In addition, the City reports the following fund types:

Internal Service Fund: This fund is used to account for revenues and expenses related to services provided to parties inside the City on a cost reimbursement basis. The City's Internal Service Funds are: the Flexible Benefit Fund, the Medical Insurance Fund, the Capital Replacement Fund and the Workers Compensation Insurance Fund. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Note 1: Summary of Significant Accounting Policies – continued

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

The City has established a Flexible Benefit Plan for its employees in accordance with Section 125 of the Internal Revenue Code. Employees elect to set aside a portion of their salary before taxes and the City uses this money to pay for medical and other expenses for the employee as allowed by the Plan. The City contributes to the Plan to pay for third party administration. Any funds not required to be paid out for employees revert to the City.

The City has established a medical insurance program for its employees. The purpose of the medical insurance fund is to collect premiums from employees and the operating departments of the City and forward those monies to the insurance company.

The City has established a Capital Replacement Fund (CRF) to pay for capital expenditures of the City. The operating departments transfer to the CRF an amount equal to the department's capital expenditure budget. All capital expenditures, as well as some expenditures for major repairs and supplies, are made out of the CRF. The capital expenditure is then recorded in the appropriate fund by showing it as a transfer out of the CRF and a transfer in to the fund for which the purchase was made. Any amounts not spent are credited to the department and may be used in future years without impacting the department's budget.

The City has established a Worker's Compensation Insurance Fund. The Worker's Compensation Insurance Fund receives money from the General Fund and Proprietary Funds and pays all of the premiums on the worker's compensation insurance policy. The excess monies accumulated by the fund will be used to pay any worker's compensation claims the City is required to pay because of the deductible under its insurance policy (currently $25,000).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer, electric, and various other functions of the City. Elimination of the charges would distort the direct costs and program revenues reported for the various functions concerned

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the *economic resources measurement focus*. The government-wide and proprietary fund financial statements are reported using 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 for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Note 1: Summary of Significant Accounting Policies – continued

D. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less when purchased.

Equity in Pooled Cash and Investments

Cash balances for most of the City's funds are consolidated in pooled cash and investment accounts. Pooled balances include balances in demand deposits, local government investment pools and certificates of deposit. Interest earnings are then allocated to each fund based on ending monthly pooled equity balances. Separate cash and investment accounts are maintained for interest and sinking funds (debt service).

Restricted Assets

Restricted assets include capital recovery fees (impact fees) that are, by law, restricted for future capital improvements; customer deposits; and assets set aside for construction of future debt funded capital improvements.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

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 or business-type activities column in the government-wide financial statements and/or in the proprietary fund type statement of net position.

Pension

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

Note 1: Summary of Significant Accounting Policies – continued

D. Assets, Liabilities, and Net Position or Equity – continued

Deferred Inflows of Resources

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

The City has deferred inflows of resources for unavailable revenue from property tax and fines and for its proportionate share of TMRS's deferred inflow related to pension as described in Note 14. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has a deferred outflow of resources, for its proportionate share of TMRS's deferred outflow related to pensions as described in Note 14 and a deferred outflow of resources for charges for bond refunding.

Inventories

Inventories are stated at cost which approximates market. Inventories are accounted for using the first-in, first-out basis. On the electric fund, inventory has been reported as construction in progress, and represents items purchased for the electrical infrastructure system that will be used to replace existing components or expand the system as future needs arise.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City has adopted a capitalization threshold of $5,000.

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

Asset Class	Years
Buildings and land improvements	7 to 50
Equipment (including infrastructure)	5 to 50
Vehicles	5 to 15
Other	5 to 20

Receivable and Payable Balances

The City believes that sufficient detail of payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. Details of receivable balances are presented in Note 4.

Compensated Absences

Accumulated earned but unused vacation, which is expected to be liquidated with expendable available financial resources, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated vacation leave within governmental funds that are not expected to be liquidated with expendable available financial resources are reported as a long-term liability on the statement of net position. No expenditure is reported for these amounts in the fund financial statements. Accumulated vacation leave of proprietary fund types are recorded as an expense and liability of those funds as the benefits accrue to employees.

Note 1: Summary of Significant Accounting Policies – continued

D. Assets, Liabilities, and Net Position or Equity – continued

Sick Leave:

All full-time eligible employees accumulate sick leave at the rate of 8 hours per month of service and may accumulate a maximum of 720 hours. However, since no payment for accumulated unused sick leave days is made upon termination of employment and, therefore does not vest, no liability for such accumulated unused sick leave is recorded.

Vacation Leave:

Vacation leave is accrued to employees of the City based upon length of employment in the following manner:

Years of service	Maximum hours that may be accumulated
1 to 10	80
10 to 20	120
Over 20	160

The estimated current portion of the liability for vested vacation leave attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds, while the non-current portion is not reflected in the governmental fund financial statements, but is reflected as a liability and expense in the Government-wide financial statements. Both the current and non-current amounts attributable to proprietary funds are charged to expense and a corresponding liability is recorded in the applicable funds.

Fund Balance – In the fund financial statements, governmental funds are required to report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as Nonspendable at September 30, 2017, are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts that are constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors, or laws, or regulations of other governments, or through constitutional provisions, or by enabling legislation. As of September 30, 2017, the City had restricted funds of $10 for tourism.

Committed – includes amounts that can be used only for the specific purposes as established by the City Council's resolution. The City Council is the City's highest level of decision-making authority; and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the City's Council at the City Council's board meeting. As of September 30, 2017, the City had no committed funds.

Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City's Council has authorized the City Manager to assign fund balance to a specific purpose.

Unassigned – is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The City's general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Note 1: Summary of Significant Accounting Policies – continued

D. Assets, Liabilities, and Net Position or Equity – continued

When the City incurs an expenditure for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Minimum fund balance policy – The City Council directs that fiscal policies should achieve and maintain a minimum balance in the general operating fund in which the total fund balance as of October 1 of each year equals 5% of that year's budgeted revenues for the general fund.

Fair Value Measurements

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Interfund Balances" line on the government-wide statement of net position.

Note 1: Summary of Significant Accounting Policies – continued

D. Assets, Liabilities, and Net Position or Equity – continued

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2: Stewardship, Compliance, and Accountability

Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them. Work sessions are conducted to obtain Council Members' comments, and public hearings are conducted to obtain citizens' comments. The budget is legally enacted by the City Council through the adoption of an ordinance prior to the beginning of the fiscal year. The City Manager is authorized to transfer budgeted amounts of operation and maintenance line items between departments within a fund. Any revisions that alter the total expenditures or the capital outlays of any fund must be approved by the City Council.

Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary fund types. The budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at year end.

There is not a budget for the hotel/motel fund.

Note 3: Deposits and Investments

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law for the year ended September 30, 2017, it had no custodial credit risk for deposits.

Discretely Presented Component Unit Deposits

At September 30, 2017 and during the year ended September 30, 2017, the deposits of TEDC were underinsured with federal deposit insurance. At September 30, 2017, the deposits of TEDC were underinsured with federal deposit insurance by $120,230.

Note 3: Deposits and Investments – continued

City Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Management believes that the City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2017, the City had no investments.

Note 4: Receivables

The receivables detailed below are reported net of allowances for doubtful accounts on the Government-wide Statement of Net Position as of September 30, 2017:

	Governmental Funds	Proprietary Funds				Component Unit
	General	Water and Sewer Fund	Electric Fund	Sanitation Fund	Total	Tulia EDC
Receivables:						
Refuse collections	$ -	$ -	$ -	$ 153,183	$ 153,183	$ -
Utilities	-	298,327	601,095	-	899,422	-
Fines, fees and court costs	18,196	-	-	-	-	-
Intergovernmental	-	-	-	-	-	20,512
Gross receivables	18,196	298,327	601,095	153,183	1,052,605	20,512
Less: allowance for uncollectibles	(16,376)	(98,649)	(171,776)	(79,448)	(349,873)	-
Net total receivables	$ 1,820	$ 199,678	$ 429,319	$ 73,735	$ 702,732	$ 20,512

Note 4: Receivables – continued

Taxes receivable for the General and Other Governmental Funds as of September 30, 2017, consist of the following tax categories and are considered fully collectible, except for the delinquent property taxes.

	Receivable Amount	Allowance Amount	Net Taxes Receivable
General Fund			
Intergovernmental / Sales Tax	$ 40,498	$ -	$ 40,498
Franchise Taxes	25,778	-	25,778
Property Taxes	49,957	(12,200)	37,757
Other	25,437	-	25,437
Hotel/Motel Fund			
Occupancy Tax	1,154	-	1,154
	$ 142,824	$ (12,200)	$ 130,624

Note 5: Interfund Balances and Activity

Transfers To and From Other Funds

Transfers to and from other funds for the year ended September 30, 2017, consisted of the following:

Transfers from	Transfers to	Amount	Reason
Electric fund	General fund	$ 410,099	General fund operations
Water and sewer fund	General fund	173,749	General fund operations
Sanitation fund	General fund	212,055	General fund operations
General fund	Capital replacement fund	12,208	Capital expenditures
Water and sewer fund	Capital replacement fund	159,496	Capital expenditures
Electric fund	Capital replacement fund	20,000	Capital expenditures
Sanitation fund	Capital replacement fund	117,591	Capital expenditures
Capital replacement fund	Water and sewer fund	223,529	Capital expenditures
Capital replacement fund	Sanitation fund	80,043	Capital expenditures
Capital replacement fund	Electric fund	36,018	Capital expenditures
Capital replacement fund	General fund	23,146	To balance to transfers on income statement
Component Unit	General fund	9,500	Reimbursement
General fund	Electric fund	29,100	To supplement fund operations
Water and sewer fund	Electric fund	32,517	To supplement fund operations
	Total	$ 1,539,051	

Note 6: Restricted Assets

Restricted cash and cash equivalents consisted of the following at September 30, 2017:

Description		Amount
Business-type activities:		
Water and Sewer Fund (restricted for customer utility deposits)	$	61,457
Water and Sewer Fund (restricted for construction and debt service)		165,831
Electric Fund (restricted for customer utility deposits)		139,160
Electric Fund (restricted for construction and debt service)		528,457
Total	$	894,905

Note 7: Notes Receivable

The City and the TEDC had the following activity on notes receivable for the year ended September 30, 2017, as shown below:

	Original Note Amount	Interest Rate	Beginning Balance	Notes Issued	Principal Payments Received	Ending Balance	Due Within One Year
Revolving Loan Fund:							
Swisher Tire	$ 50,000	3.00%	$ 10,323	$ -	$ (5,560)	$ 4,763	$ 4,763
Top Shelf Land & Equipment No. 2	80,000	10.00%	31,204	-	(9,021)	22,183	8,452
Tucky's Auto Parts	75,000	2.00%	51,646	-	(7,315)	44,331	7,463
Station, LLC	31,400	2.25%	31,400	-	-	31,400	-
Total Notes Receivable			$ 124,573	$ -	$ (21,896)	$ 102,677	$ 20,678
Less Allowance for Uncollectibles						(31,400)	
Total Notes Receivable						$ 71,277	
Tulia Economic Development Corporation:							
Top Shelf Land & Equipment	$ 20,000	2.00%	$ 7,801	$ -	$ (2,256)	$ 5,545	$ 2,113
Asian Wok	5,000	5.00%	1,887	-	(785)	1,102	1,102
Tulia Well Service	30,000	N/A	10,000	-	(10,000)	-	-
Cecil & Ray's Garage	15,000	10.00%	9,000	-	(3,000)	6,000	3,000
The Wild Ivy	20,000	NA	12,955	-	(2,006)	10,949	2,000
Shawn Solomon	9,700	2.00%	-	9,700	(74)	9,626	1,888
Top Shelf Land & Equipment 2017	55,000	1.00%	-	55,000	(7,208)	47,792	10,864
			41,643	64,700	(25,329)	81,014	20,967
Less Allowance for Uncollectibles						(534)	
Total Notes Receivable						$ 80,480	

Note 8: Capital Assets

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

Governmental activities:	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 189,298	$ -	$ -	$ 189,298
Total capital assets not being depreciated	189,298	-	-	189,298
Capital assets being depreciated				
Buildings and land improvements	1,826,125	-	-	1,826,125
Equipment	1,274,496	3,125	-	1,277,621
Vehicles	1,160,064	-	-	1,160,064
Other	11,400	-	-	11,400
Total capital assets being depreciated	4,272,085	3,125	-	4,275,210
Less accumulated depreciation for:				
Buildings and land improvements	1,487,910	33,487	-	1,521,397
Equipment	1,010,134	50,943	-	1,061,077
Vehicles	1,050,166	42,886	-	1,093,052
Other	7,510	299	-	7,809
Total accumulated depreciation	3,555,720	127,615	-	3,683,335
Total capital assets being depreciated, net	716,365	(124,490)	-	591,875
Total Governmental activities capital assets, net	$ 905,663	$ (124,490)	$ -	$ 781,173

Note 8: Capital Assets – continued

Business-type activities:	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 219,970	$ -	$ -	$ 219,970
Construction in progress	458,668	15,289	(76,116)	397,841
Total capital assets not being depreciated	678,638	15,289	(76,116)	617,811
Capital assets being depreciated				
Buildings and land improvements	2,799,570	15,000	-	2,814,570
Equipment	7,386,620	102,245	-	7,488,865
Infrastructure	2,298,598	76,116	-	2,374,714
Vehicles	944,453	-	-	944,453
Total capital assets being depreciated	13,429,241	193,361	-	13,622,602
Less accumulated depreciation for:				
Buildings and land improvements	2,442,620	25,093	-	2,467,713
Equipment	6,513,129	150,446	-	6,663,575
Infrastructure	1,276,657	91,944	-	1,368,601
Vehicles	885,054	17,699	-	902,753
Total accumulated depreciation	11,117,460	285,182	-	11,402,642
Total capital assets being depreciated, net	2,311,781	(91,821)	-	2,219,960
Business-type activities capital assets, net	$ 2,990,419	$ (76,532)	$ (76,116)	$ 2,837,771

Depreciation was charged to functions as follows:

Governmental activities:	
Administration	$ 13,826
Fire protection	37,705
Police	53,721
Streets department	2,142
Parks and recreation	20,221
Total depreciation expense - governmental activities	$ 127,615
Business-type activities:	
Water and sewer fund	$ 126,142
Electric fund	114,186
Sanitation fund	44,854
Total depreciation expense - business-type activities	$ 285,182

Note 9: Operating Lease

The City leases office space under an operating (non-capitalized) lease agreement. During the year ended September 30, 2017, the City paid $8,400 for office space under the lease, which was reported in the General Fund under the building maintenance expenditure category. The following is the City's future minimum lease payments under the lease agreement:

General Fund:

Fiscal Year Ending: September 30,		Minimum Payments
2018	$	8,400
2019		9,100
2020		9,600
2021		9,600
2022		9,600
2023-2024		22,400
	$	68,700

Note 10: Deferred Inflows of Resources

Deferred inflows of resources reported on the Balance Sheet-Governmental Funds consisted of the following at year end:

Description	Fund		Unavailable Amount
Property taxes	General	$	37,757
Fines	General		1,820
		$	39,577

Note 11: Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets consisted of the following as of September 30, 2017:

Description		Amount
Business-type activities:		
Water Fund		
Customer deposits	$	61,457
Electric Fund		
Customer deposits		139,160
Total	$	200,617

Note 12: Long-Term Obligations

General Obligation Bonds and Certificates of Obligation are direct obligations and pledged by the full faith and credit of the City, and the principal thereof and interest thereon are typically payable from the proceeds of a continuing, direct annual ad valorem tax levied upon all taxable property within the City. Revenue Bonds also constitute direct obligations of the City, and are typically payable from an annual ad valorem tax levied against all taxable property in the City, and are secured by lien on and pledge of the surplus net revenues derived from the operation and ownership of the City's Waterworks and Sewer System or are secured by lien on and pledge of the surplus net revenues derived from the operation and ownership of the City's Electric System, both of which are after payment of operation and maintenance expenses of these systems.

In October 2010, the City issued $1,275,000 of General Obligation Refunding Bonds, Series 2010, (the 2010 Refunding Bonds), that were used for refunding $1,205,000 of the City's Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 1997, (the 1997 Obligations) and to pay the cost of issuance associated with the sale of the 2010 Refunding Bonds. Cash and securities sufficient to fund the 1997 Obligations were transferred into an irrevocable trust, and therefore, an in-substance defeasance of these obligations occurred.

The 2010 Refunding Bonds bear interest at a rate of 1.98% payable on February 15 and August 15 of each year. The 1997 Obligations refunded were the 2011 through the 2017 maturities, with interest rates ranging from 4.30% to 4.55%. As a result of the advance refunding, the City reduced its total general obligation debt service requirements by $64,249, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt when refunded) of $52,498, which was recognized in a prior year. The remaining unamortized issuance costs pertaining to the 2010 Refunding Bonds and the 1997 Obligations of $46,473 were written off during fiscal year 2013 due to the implementation of a new accounting pronouncement. The outstanding balance of the 2010 Refunding Bonds as of September 30, 2017 was $0.

In March 2012, the City issued $2,075,000 of General Obligation Refunding Bonds, Series 2012, (the 2012 Refunding Bonds), that were used for refunding $1,990,000 of the City's Combination Tax and Power and Light System Surplus Revenue Certificates of Obligation, Series 2003, (the 2003 Obligations) and to pay the cost of issuance associated with the sale of the 2012 Refunding Bonds. The 2012 Refunding Bonds were issued at a premium of $52,856, net of the underwriter's discount which is being amortized over the life of the 2012 Refunding Bonds using the effective interest method. Cash and securities sufficient to fund the 2003 Obligations were transferred into an irrevocable trust, and therefore, an in-substance defeasance of these obligations occurred.

The 2012 Refunding Bonds bear interest at rates ranging from 2.0% to 3.0%, payable on February 15 and August 15 of each year. The 2003 Obligations refunded were the 2014 through the 2024 maturities, with interest rates ranging from 3.75% to 4.70%. As a result of the advance refunding, the City incurred a loss on the refunding of $153,651 (the difference between the amount paid to the fiscal agent to refund the bonds less the outstanding balance of the existing bonds), which has been deferred and is being amortized over the life of the 2012 Refunding Bonds using the effective interest method. The remaining unamortized issuance costs pertaining to the 2012 Refunding Bonds of $70,519 were written off during fiscal year 2013 due to the implementation of a new accounting pronouncement. The outstanding balance of the 2012 Refunding Bonds as of September 30, 2017 was $1,370,000.

In October 2013, the City issued $735,000 of Combination Tax and Waterworks and Sewer System Limited Pledge Surplus Revenue Certificates of Obligation, Series 2013, (the 2013 Obligations), that will be used for improvements and renovations to the City's Waterworks and Sewer System. Issuance of the 2013 Obligations was approved by the City Council in a public meeting held in September, 2013. Cost of issuance of the bonds was approximately $35,000. The net proceeds from the issuance in the amount of $700,000 were deposited into a project construction fund account held by the City.

Note 12: Long-Term Obligations – continued

The 2013 Revenue Certificates of Obligation bear an interest rate of 2.8%, payable on February 15 and August 15 of each year and have a maturity date of September 30, 2022. The outstanding balance of the 2013 Refunding Bonds as of September 30, 2017 was $680,000.

In October 2013, the City issued $810,000 of General Obligation Refunding Bonds, Series 2013A (the 2013A Refunding Bonds), that will be used to refund the City's proportionate share of certain obligations of the Mackenzie Municipal Water Authority (MMWA). Specifically, the 2013A Refunding Bonds were issued to refund $255,000 of Mackenzie Municipal Water Authority Contract Revenue Bonds Series 1982 and $640,000 of Mackenzie Municipal Water Authority Contract Revenue Bonds Series 2011. The 2013A Refunding Bonds were issued in order to achieve debt service savings for the City. As a result of the advance refunding, the City reduced its total general obligation debt service requirements by $254,375, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt when refunded) of $64,201. The 2013A Refunding Bonds were issued at a cost of $30,040. Proceeds from the 2013A Refunding Bonds along with a payment of $131,835 from the MMWA were transferred to a fiscal agent to be held until the MMWA bonds being refunded are paid.

The 2013A Refunding Bonds bear an interest rate of 2.88%, payable on February 15 and August 15 of each year and have a maturity date of September 30, 2022. The outstanding balance of the 2013A Refunding Bonds as of September 30, 2017 was $792,000.

In October 2013, the City issued $462,000 of General Obligation Refunding Bonds, Series 2013B (the 2013B Refunding Bonds), that will be used to refund the City's proportionate share of certain obligations of the MMWA described above. Specifically, the 2013B Refunding Bonds were issued to refund $450,000 of Mackenzie Municipal Water Authority Contract Revenue Bonds Series 1982. The 2013B Refunding Bonds were issued in order to achieve debt service savings for the City. The 2013B Refunding Bonds were issued in order to achieve debt service savings for the City. As a result of the advance refunding, the City reduced its total general obligation debt service requirements by $24,957, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt when refunded) of $(52,637). The 2013B Refunding Bonds were issued at a cost of $20,743. Proceeds from the 2013B Refunding Bonds along with a payment of $66,286 from the MMWA were transferred to a fiscal agent to be held until the MMWA bonds being refunded are paid.

The 2013B Refunding Bonds bear an interest rate of 2.55%, payable on February 15 and August 15 of each year and have a maturity date of September, 30 2017. The outstanding balance of the 2013B Refunding Bonds as of September 30, 2017 was $0.

Note 12: Long-Term Obligations – continued

	Beginning Balance	Issued	Retirements	Ending Balance	Due within one year
Governmental Activities:					
Compensated absences	$ 35,429	$ -	$ (2,494)	$ 32,935	$ -
Capital lease	22,587	-	(10,827)	11,760	11,760
Net pension liability	547,031	6,424	-	553,455	-
	$ 605,047	$ 6,424	$ (13,321)	$ 598,150	$ 11,760
Business-type Activities:					
Series 2010 Bonds	$ 190,000	$ -	$ (190,000)	$ -	$ -
Series 2012 Bonds	1,550,000	-	(180,000)	1,370,000	180,000
Series 2013 Bonds	696,000	-	(16,000)	680,000	74,000
Series 2013A Bonds	796,000	-	(4,000)	792,000	119,000
Series 2013B Bonds	118,000	-	(118,000)	-	-
Unamortized bond premiums, net of underwriter's discounts	24,645	-	(5,242)	19,403	4,761
Water tank/tower renovation	306,057	-	(56,551)	249,506	58,266
Capital lease	227,724		(57,918)	169,806	60,197
Net pension liability	297,009	3,341	-	300,350	-
Landfill closure/postclosure	86,530	4,759	-	91,289	-
Compensated absences	14,207	-	(362)	13,845	-
Total business-type activities	$ 4,306,172	$ 8,100	$ (628,073)	$ 3,686,199	$ 496,224

The funds typically used to liquidate compensated absences in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund
Compensated absences	Business-type	Water and Sewer Fund
Compensated absences	Business-type	Electric Fund
Compensated absences	Business-type	Sanitation Fund

See Note 1 for additional information about compensated absences. The liability for Landfill Closure/Postclosure Costs will be liquidated by the Sanitation Fund (Business-type Activity). See Note 20 for more information. The Water Tower Renovation obligation will be liquidated by the Water Fund (Business-type Activity).

Note 12: Long-Term Obligations – continued

B. Business-type activities debt service requirements for outstanding bonds:

Debt service requirements for Business-type Activity long-term general obligation bonds as of September 30, 2017, are as follows:

Year Ended September 30	Principal	Interest	Total
2018	$ 373,000	$ 74,750	$ 447,750
2019	383,000	65,530	448,530
2020	390,000	55,169	445,169
2021	404,000	43,580	447,580
2022	416,000	31,608	447,608
2023-2024	876,000	25,686	901,686
Total	$ 2,842,000	$ 296,323	$ 3,138,323

C. Interest costs incurred:

The total long-term debt interest cost incurred for the City's Business-type Activities for the year ended September 30, 2017 was $114,557, none of which was capitalized and all of which was charged to expense.

D. Water tank/tower renovation obligation

The City is contractually obligated for the cost of certain water tower and water tank renovations. The total cost of the renovations was $526,457. The obligations, which carry a 3% imputed rate of interest, are payable in non-cancellable eight (8) and ten (10) annual payments ranging from $15,324 to $39,114, including principal and interest. Total maintenance portion is $725,622. A summary of the renovation obligations as of September 30, 2017, is as follows:

Description	Maturity	Interest Rate	Balance
500,000 GST Railroad Tank	12/21/2020	3%	$ 68,107
250,000 GST North Donley Tank	12/21/2022	3%	48,898
400,000 GST West I-27 Tank	12/21/2022	3%	15,414
500,000 GST South Booster Tank	12/21/2022	3%	75,005
500,000 GST North Bowie Tower	12/21/2022	3%	42,082
Total			$ 249,506

Debt service requirements for Business-type Activity long-term debt related to water tank renovations as of September 30, 2017, are as follows:

Year Ended September 30	Principal	Interest	Total
2018	$ 58,266	$ 6,833	$ 65,099
2019	60,033	5,066	65,099
2020	55,378	3,248	58,626
2021	37,347	1,857	39,204
2022	38,482	722	39,204
Total	$ 249,506	$ 17,726	$ 267,232

Note 12: Long-Term Obligations – continued

E. Water Tank/Tower Maintenance Contracts

During the year ended September 30 2013, the City entered into five long-term contracts with a utility service company to provide professional services to renovate and maintain the City's four water tanks and one water tower. Each contract is described below.

The first contract is related to the 500,000 GST Railroad Tank and requires annual payments of $39,114 for the first eight (8) years, of which $25,895 is allocated to payment of the long-term renovation obligation and $13,219 is allocated to maintenance expense. For contract years 9 through 11 the annual payments are reduced to $13,219 and are allocated entirely to maintenance expense. In contract year 12 and each third anniversary thereafter, the annual maintenance fee is adjusted to reflect the current cost of service. The adjustment to the annual fee is limited to a maximum of 5% per annum.

The second contract is related to the 200,000 GST North Donley Tank and requires annual payments of $22,561 for the first ten (10) years, of which $10,568 is allocated to payment of the long-term renovation obligation and $11,993 is allocated to maintenance expense. For contract years 11 through 13 the annual payments are reduced to $11,993 and are allocated entirely to maintenance expense. In contract year 14 and each third anniversary thereafter, the annual maintenance fee is adjusted to reflect the current cost of service. The adjustment to the annual fee is limited to a maximum of 5% per annum.

The third contract is related to the 400,000 GST West I-27 Tank and requires annual payments of $15,324 for the first ten (10) years, of which $3,331 is allocated to payment of the long-term renovation obligation and $11,993 is allocated to maintenance expense. For contract years 11 through 13 the annual payments are reduced to $11,993 and are allocated entirely to maintenance expense. In contract year 14 and each third anniversary thereafter, the annual maintenance fee is adjusted to reflect the current cost of service. The adjustment to the annual fee is limited to a maximum of 5% per annum.

The fourth contract is related to the 500,000 GST South Booster Tank and requires annual payments of $30,999 for the first ten (10) years, of which $16,210 is allocated to payment of the long-term renovation obligation and $14,789 is allocated to maintenance expense. For contract years 11 through 13 the annual payments are reduced to $14,789 and are allocated entirely to maintenance expense. In contract year 14 and each third anniversary thereafter, the annual maintenance fee is adjusted to reflect the current cost of service. The adjustment to the annual fee is limited to a maximum of 5% per annum.

The fifth contract is related to the 500,000 Gallon North Bowie Tower and requires annual payments of $32,307 for the first ten (10) years, of which $9,095 is allocated to payment of the long-term renovation obligation and $23,212 is allocated to maintenance expense. For contract years 11 through 13 the annual payments are reduced to $23,212 and are allocated entirely to maintenance expense. In contract year 14 and each third anniversary thereafter, the annual maintenance fee is adjusted to reflect the current cost of service. The adjustment to the annual fee is limited to a maximum of 5% per annum.

Note 13: Water Rights

The City has a long-term contract with the Mackenzie Municipal Water Authority (MMWA) for the purchase of treated water. Mackenzie Municipal Water Authority was created by an Act of the Texas Legislature in 1965 with the purpose to furnish water to the municipalities of Floydada, Lockney, Silverton, and Tulia. MMWA is located in Briscoe County, Texas, and has a conservative storage capacity of 45,500 acre-feet. The dam site and transmission system are the property of MMWA, however the water rights are owned by the aforementioned cities. The minimum requirements under the contract are approximately $190,000 per year. For the year ended September 30, 2017, the City made payments to MMWA in the amount of $94,451.

In conjunction with the water contracts above, the capitalized costs of constructing the transmission system have been recorded in the accompanying financial statements as water rights in the Water Enterprise Fund and are being amortized over the estimated useful life of the transmission system, which is 40 years. For the year ended September 30, 2017, $82,750 was recorded as current year amortization expense.

Note 13: Water Rights – continued

Water rights activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water rights	$ 3,310,000	$ -	$ -	$ 3,310,000
Accumulated amortization	(2,208,323)	(82,750)	-	(2,291,073)
Water rights, net	$ 1,101,677	$ (82,750)	$ -	$ 1,018,927

Note 14: Employee Retirement Benefits

Texas Municipal Retirement System

Plan Description

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

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

Benefits Provided

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

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

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. The City has elected that members can retire at age 60 and above with 5 or more years of service or with 25 years of service regardless of age. The City does not provide supplemental death benefits. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Note 14: Employee Retirement Benefits – continued

Texas Municipal Retirement System – continued

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	26
Inactive employees entitled to but not yet receiving benefits	31
Active employees	39
Total	96

Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The City did not change its employee contribution rate during the year. The contribution rates for the City were 11.88% and 12.19% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $175,556, and were equal to the required contributions.

Net Pension Liability

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

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Note 14: Employee Retirement Benefits – continued

Texas Municipal Retirement System – continued

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without and adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TRMS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	100.00%	

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

Note 14: Employee Retirement Benefits – continued

Texas Municipal Retirement System -- continued

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2015	$ 8,912,489	$ 8,068,449	$ 844,040
Changes for the year:			
Service Cost	202,079	-	202,079
Interest	591,185	-	591,185
Changes of benefit terms	-	-	-
Difference between expected and actual experience	5,294	-	5,294
Changes of assumptions	-	-	-
Contributions - employer	-	164,899	(164,899)
Contributions - employee	-	85,146	(85,146)
Net investment income	-	545,240	(545,240)
Benefit payments, including refunds of employee contributions	(510,467)	(510,467)	-
Administrative expense	-	(6,158)	6,158
Other changes	-	(334)	334
Net changes	288,091	278,326	9,765
Balance at 12/31/2016	$ 9,200,580	$ 8,346,775	$ 853,805

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 2,112,523	$ 853,805	$ (176,129)

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

<u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the year ended September 30, 2017, the City recognized pension expense of $249,122.

Note 14: Employee Retirement Benefits – continued

Texas Municipal Retirement System – continued

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	$ 3,732	$ 62,607
Changes in actual assumptions	24,934	-
Difference between projected and actual investment earnings	375,526	-
Contributions subsequent to the measurement date	138,519	-
Total	$ 542,711	$ 62,607

$138,519 reported as deferred outflows of resources related to pensions 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 expense as follows:

Year Ended December 31:	
2018	$ 98,706
2019	130,633
2020	112,370
2021	(124)
Thereafter	-
	$ 341,585

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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.

Contributions to SDBF

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

The City's retiree portion of contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were $1,342, $1,308, and $1,264, respectively, which equaled the required contributions each year.

Note 14: Employee Retirement Benefits – continued

Other Retirement and Miscellaneous Benefits

The City makes available to all of its full-time employees a custom benefit plan (cafeteria plan) under Internal Revenue Code Section 125 and a deferred compensation plan under Internal Revenue Code Section 457. The City does not contribute to these plans. All contributions are made by employees who elect to participate in the plans. The City remits employee contributions to the plan trustees on a regular basis. The City does not administer the Section 457 plan, nor does it provide investment advice to the plan. Accordingly, the Section 457 plan is not a part of the City's reporting entity.

Note 15: Health Care Coverage

The City provided health insurance benefits to eligible employees who chose to participate. The City paid $313.71 per month per employee for employee health insurance coverage. Additionally, eligible and participating employees electing spouse and dependent coverage paid the cost of such coverage. The Texas Municipal League Intergovernmental Employee Benefits Pool, a licensed insurer, provided the health insurance coverage.

Note 16: Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, error and omission, injuries to employees, and natural disasters. During fiscal year 2017, the City obtained 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 the aforementioned 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 claims 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 settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Note 17: Commitments and Contingencies

The City participates in grant programs which are governed by various regulations and rules of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to the compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Note 18: Litigation

There was no litigation pending against the City at September 30, 2017 that management believes could have a material adverse effect on the financial condition of the City.

Note 19: Related Party Transaction

The City had the following transactions with related parties during the year:

The Tulia City Council appoints two members to the eight-person board of the Mackenzie Municipal Water Authority, which is under contract to sell water to the City. See Note 12.

Note 20: Investment in Joint Venture

The Tulia/Swisher County Airport is under equal joint ownership by the City of Tulia and the County of Swisher. General administration is accomplished by an Airport Board composed of seven members. Three members are appointed by the City and three members are appointed by the County. The seventh board member is selected by the other six board members and is approved by both the City and County. The degree of control of each government consists of its representation on the Board. Swisher County is the fiscal agent for the joint venture. General airport operations are funded by user charges and typically require support for major improvements only.

Condensed financial information of the airport as of September 30, 2017, and for the year then ended, is as follows:

Year Ending Date	9/30/2017
Total current assets	$ 7,059
Total property and equipment	155,336
Total current liabilities	2,250
Net position invested in capital assets	155,336
Unrestricted net position	4,809
Total net position	160,145
Total operating revenues	13,149
Total operating expenses	35,672
Total non-operating revenues	22
Net increase (decrease) in net position	(22,501)
City's 50% share of decrease in net position	(11,251)

Complete financial statements for the joint venture can be obtained from:

Tricia Speed, County Treasurer
County of Swisher
119 South Maxwell
Tulia, TX 79088

Transactions with the Tulia/Swisher County Airport for the year ended September 30, 2017, included those related to routine water, sewer and solid waste utility services. The City's interest in the joint venture is accounted for using the equity method.

Note 21: Municipal Landfill Closure and Postclosure Care Costs

The City currently operates a municipal solid waste landfill under a permit granted by the Texas Commission on Environmental Quality (TCEQ) known as landfill permit number 1009A. The landfill covers an area approximately 21.2 acres in size (final contours area) with an estimated 9.2 acres (infiltration layer). The City contracted with an outside engineer to estimate the total capacity of the landfill in compacted solid waste, which is estimated to be 1,627,930 compacted cubic yards. In addition to the TCEQ, the landfill is also regulated by the United States Environmental Protection Agency.

In response to criteria adopted by the U.S. Environmental Protection Agency which established closure requirements for all municipal solid waste landfills that receive solid waste after October 9, 1993, GASB issued Statement No. 18 Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs. State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

Note 21: Municipal Landfill Closure and Postclosure Care Costs – continued

Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, GASB Statement 18 requires the City to report a portion of these closure and post-closure care costs as an operating expense in each period the landfill is open based on landfill capacity used as of each balance sheet date in addition to operating expenses related to current activities of the landfill. These closure and post-closure costs are updated annually based upon what it would cost to perform all closure and post-closure care in 2014.

The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The City's engineer prepared an updated estimate of the closure and post-closure costs for the landfill which was done in June 2014. The current estimated closure costs for the landfill are $349,959, and the current estimated post-closure costs for the landfill are $215,700; however, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The City's engineer, along with City personnel, has estimated that the total amount of compacted waste that has been added from the inception of the landfill through September 30, 2016, to be 262,722 compacted cubic yards.

Based upon the guidance in GASB No. 18, the total landfill closure and post-closure liability recognized through September 30, 2017, is $91,289, as shown below:

	Total Estimated Costs	Ratio filled to date	Recognized Costs to Date
Closure costs	$ 349,959	16.14%	$ 56,478
Post-closure costs	215,700	16.14%	34,811
Total estimated costs	$ 565,659		$ 91,289

	Compacted Cubic Yards		
Estimated capacity used through September 30, 2016	262,722	=	16.14%
Total estimated capacity	1,627,930		

It is the policy of the City to satisfy the EPA financial assurance requirements using the financial test method. The City has demonstrated financial assurance by use of the financial test. The City guarantees through the guarantee specified in 31 Texas Administrative Code, 330.285(g), the closure, post- closure care, and/or corrective action care of the landfill owned and operated by the City. Specifically, the City's management believes the City meets the following tests:

- The City has a ratio of cash plus marketable securities to total expenditures greater than or equal to 0.05; and
- The City has a ratio of annual debt service to total expenditures less than or equal to 0.20; and
- The City does not have a rating lower than Baa issued by Moody's or BBB issued by Standard & Poor's; and
- The City prepares its annual financial statements in conformity with governmental GAAP and has its financial statements audited by an independent certified public accountant; and
- The City has not operated at a deficit equal to 5.0% or more of total annual revenue in each of the past two fiscal years; and
- The City is not currently in default on any outstanding general obligation bonds; and
- The City has not received an adverse opinion; disclaimer of opinion; or other qualified opinion from the independent certified public accountant auditing its financial statements.

Note 22: Prior Period Adjustment

During fiscal year 2017, it was determined that accounts receivable and revenue were understated in the prior year due to unbilled utilities at year-end. The amount of the prior period adjustment is an increase to net position as follows:

	As Previously Reported	Prior Period Adjustment	As Restated
Net position of:			
Business-type activities	$	$	$
Water and Sewer Fund	804,719	61,737	866,456
Electric fund	1,910,826	136,012	2,046,838
Sanitation fund	23,034	26,482	49,516
Revolving loan fund	231,532	-	231,532
Total	$ 2,970,111	$ 224,231	$ 3,194,342

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

THIS PAGE LEFT INTENTIONALLY BLANK

UNDERWOOD

1008 MACON STREET, SUITE 101
FORT WORTH, TEXAS 76102
817-885-7529
817-439-9934 (Fax)

___________, 2018

$2,545,000 CITY OF TULIA, TEXAS
COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)
REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2018

WE HAVE represented City of Tulia, Texas (the “City” or “Issuer”) as its bond counsel, in connection with an issue of certificates of obligation (the “Certificates”) described as follows:

CITY OF TULILA, TEXAS
COMBINATION TAX WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018, dated June 1, 2018

> The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates, the ordinance adopted by the City Council of the City authorizing their issuance (the “Ordinance”).

WE HAVE represented the City as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and rendering an opinion with respect to the excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not been requested to and we do not express any opinion with respect to the financial condition or capabilities of the City or the disclosure of any financial or statistical information or data pertaining to the City and used in connection with the sale of the Certificates. Our role in connection with the City’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein. We have also examined applicable provisions of the Internal Revenue Code of 1986 as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service as we have deemed relevant and as published on the date of this opinion.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the City, customary certificates of officers, agents, and representatives of the City and other public officials and other certified showings relating to the authorization and issuance of the Certificates, and 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. We have also examined executed Certificate No. T-1. We have also examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT, UNDER EXISTING LAW:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore, the Certificates constitute valid and legally binding obligations of the City enforceable according to their terms; and

(B) The Certificates are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits allowed by law, on all taxable property located within the City and a limited pledge of net revenues (as described in the Ordinance) of the City's Waterworks and Sewer Systems; and

(C) Interest on the Certificates is excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986 as amended to the date of this opinion (the "Code"), pursuant to Section 103 of 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; and

(D) The Certificates are not "private activity bonds" within the meaning of the Code, and interest on the Certificates is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Certificates will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax liability for taxable years beginning prior to January 1, 2018. Purchasers of the Certificates are directed to the discussion entitled "TAX MATTERS" set forth in the Official Statement

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

In providing such opinions, we have relied on legal opinions of the Attorney General of the State of Texas regarding the legality and validity of the Certificates under the Constitution and laws of the State of Texas and representations of the City and the Underwriter with respect to matters solely within the knowledge of the City and the Underwriter, respectively, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance pertaining to those sections of the

Code that affect the exclusion from gross income of interest on the Certificates for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the City fails to comply with the foregoing covenants of the Ordinance, interest on the Certificates could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

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

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

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

Sincerely,

Underwood Law Firm, P.C.

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

THIS PAGE LEFT INTENTIONALLY BLANK

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

THIS PAGE LEFT INTENTIONALLY BLANK

SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES