NEW ISSUE - BOOK-ENTRY-ONLY **Rating: S&P: "AA-"**
(See: "OTHER PERTINENT INFORMATION-Rating")

OFFICIAL STATEMENT
December 10, 2018

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

The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

$2,975,000
CITY OF SMITHVILLE, TEXAS
(A political subdivision of the State of Texas located in Bastrop County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: December 15, 2018 **Due: February 1, as shown on inside cover**

The $2,975,000 City of Smithville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Council of the City of Smithville, Texas (the "City" or the "Issuer") on December 10, 2018. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

Interest on the Certificates will accrue from December 15, 2018 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2019, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation, curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (3) constructing storm water, culvert, ditch, and related drainage improvements; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) the payment of professional and employee services related to the design, construction, project management and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

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

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about January 9, 2019.

$2,975,000
CITY OF SMITHVILLE, TEXAS
(A political subdivision of the State of Texas located in Bastrop County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

MATURITY SCHEDULE
(Due February 1)

CUSIP Prefix No. 832636[1]

$1,005,000 Serial Certificates

Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]
2019	$ 95,000	5.000%	2.000%	BN3
2020	70,000	5.000%	2.050%	BP8
2021	75,000	5.000%	2.100%	BQ6
2022	80,000	5.000%	2.200%	BR4
2023	85,000	5.000%	2.300%	BS2
2024	85,000	5.000%	2.400%	BT0
2025	125,000	4.500%	2.500%	BU7
2026	125,000	4.500%	2.550%	BV5
2027	130,000	4.000%	2.650%	BW3
2028	135,000	4.000%	2.750%	BX1

$1,970,000 Term Certificates

$400,000 3.000% Term Certificates due on February 1, 2030 and priced to yield 2.85% [2] CUSIP Suffix [1] BZ6
$420,000 3.000% Term Certificates due on February 1, 2032 and priced to yield 3.000% CUSIP Suffix [1] CB8
$395,000 3.500% Term Certificates due on February 1, 2034 and priced to yield 3.100% [2] CUSIP Suffix [1] CD4
$365,000 3.500% Term Certificates due on February 1, 2036 and priced to yield 3.200% [2] CUSIP Suffix [1] CF9
$390,000 3.750% Term Certificates due on February 1, 2038 and priced to yield 3.300% [2] CUSIP Suffix [1] CH5

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2029, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2028, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Certificates maturing on February 1, in each of the years 2030, 2032, 2034, 2036 and 2038 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

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[1] CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.
[2] Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2028, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the date of redemption.

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CITY OF SMITHVILLE, TEXAS
317 Main Street
Smithville, Texas 78957

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Scott Saunders, Jr. Mayor	2 years*	2020	Insurance Agent
Joanna Morgan Mayor Pro-tem, Place 4	6 years	2020	Retired
Bennie Rooks Councilmember, Place 1	5 years *	2019	Construction Contractor/Retired
Cassie Barrientos Councilmember, Place 5	6 months	2020	Caterer
Rhonda Janak Councilmember, Place 2	3 years	2019	Loss Control Consultant/Risk Manager
William Gordon Councilmember, Place 3	3 years	2019	Retired

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*Previously served as councilmember.

ADMINISTRATION

Name	Position	Length of Service (Years)
Robert Tamble	City Manager	4 years
Cynthia White	Finance Director	14 years
Brenda Page	City Secretary	32 years

CONSULTANTS AND ADVISORS

Bond Counsel..Norton Rose Fulbright US LLP
San Antonio, Texas

Certified Public Accountants.. .Singleton, Clark & Company, PC
Cedar Park, Texas

Financial Advisor.. SAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact:

Ms. Cynthia White
Finance Director
City of Smithville
317 Main Street
Smithville, Texas 78957
Phone: (512) 237-3282
cwhite@ci.smithville.tx.us

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

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

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

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

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Smithville, Texas (the "City" or "Issuer") is located in Bastrop County, Texas, southeast of Austin on State Highway 71. The City's 2018 population is 4,218. The City is a General Law city. The City operates under a City Manager/Council form of government. The City Manager is appointed by the Council, is the executive officer of the City. (See "APPENDIX B – General Information Regarding the City of Smithville and Bastrop County, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Council of the City, on December 10, 2018. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.
Security	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinance authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
Redemption Provisions of the Certificates	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2029, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2028, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing on February 1 in each of the years 2030, 2032, 2034, 2036 and 2038 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS", and will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and, "APPENDIX C - Form of Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)

Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation, curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (3) constructing storm water, culvert, ditch, and related drainage improvements; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) the payment of professional and employee services related to the design, construction, project management and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Rating	S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA-" to the Certificates. (See "OTHER PERTINENT INFORMATION - Rating" herein.)
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
Future Debt Issues	The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2019.
Delivery	When issued, anticipated on or about January 9, 2019.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel.

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OFFICIAL STATEMENT

relating to

$2,975,000
CITY OF SMITHVILLE, TEXAS
(A political subdivision of the State of Texas located in Bastrop County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Smithville, Texas (the "City" or the "Issuer") of its $2,975,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates") identified on the cover page.

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

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

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

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated December 15, 2018 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2019, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Austin, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

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

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on December 10, 2018.

Security for Payment

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

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

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

Redemption Provisions of the Certificates

Optional Redemption

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2029, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Mandatory Sinking Fund Redemption

The Certificates stated to mature on February 1, in each of the years 2030, 2032, 2034, 2036 and 2038 are referred to herein as the "Term Certificates". The Term Certificates are also subject to mandatory redemption prior to maturity in part and by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on February 1, in the years and principal amounts shown below:

Term Certificates to Mature on February 1, 2030	
Year	Principal Amount
2029	$200,000
2030*	200,000

Term Certificates to Mature on February 1, 2032	
Year	Principal Amount
2031	$210,000
2032*	210,000

Term Certificates to Mature on February 1, 2034	
Year	Principal Amount
2033	$220,000
2034*	175,000

Term Certificates to Mature on February 1, 2036	
Year	Principal Amount
2035	$180,000
2036*	185,000

Term Certificates to Mature on February 1, 2038	
Year	Principal Amount
2037	$190,000
2038*	200,000

*Payable at 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 August 15 from money set aside for that purpose in the Bond Fund. Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (3) 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

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

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

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

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

Selection of Certificates to be Redeemed

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

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation, curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (3) constructing storm water, culvert, ditch, and related drainage improvements; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) the payment of professional and employee services related to the design, construction, project management and financing of the aforementioned projects .

Sources and Uses

Sources		
Par Amount of the Certificates	$	2,975,000.00
Accrued Interest on the Certificates		7,478.33
Original Issue Reoffering Premium		127,687.25
Total Sources of Funds	$	3,110,165.58
Uses		
Project Fund Deposit	$	3,000,000.00
Purchaser's Discount		40,328.70
Certificate Fund Deposit		7,478.33
Costs of Issuance		62,358.55
Total Uses	$	3,110,165.58

Payment Record

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

Amendments

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

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

Default and Remedies

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

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

In Wasson Interests, Ltd., v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

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

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion creditors and general principals of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

The Certificates will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal 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 Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15^{th}) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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

Future Registration

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

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

Replacement Certificates

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

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

INVESTMENT POLICIES

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

Legal Investment

Under State law, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for Issuer deposits, or (ii) certificates of deposit where (a) the funds are invested by the Issuer through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the Issuer as required by law, or a depository institution that has its main office or a branch office in the State of Texas that is selected by the Issuer; (b) the broker or the depository institution selected by the Issuer arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Issuer, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Issuer appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the Issuer with respect to the certificates of deposit issued for the account of the Issuer; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the Issuer or cash held by the Issuer to be pledged to the Issuer, held in the Issuer's name and deposited at the time the investment is made with the Issuer or with a third party selected and approved by the Issuer, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the Issuer, held in the Issuer's name and deposited at the time the investment is made with the Issuer or a third party designated by the Issuer, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the Issuer with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset- backed securities; (15) investment pools if the Issuer has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the Issuer and deposited with the Issuer or with a third party selected and approved by the Issuer.

The Issuer may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Issuer retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Issuer must do so by order, ordinance, or resolution. The Issuer is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a final stated maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

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

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

Additional Provisions

Under State law, the Issuer is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in said order or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Issuer; (4) require the qualified representative of firms offering to engage in an investment transaction with the Issuer to: (a) receive and review the Issuer's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Issuer and the business organization that are not authorized by the Issuer's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Issuer's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Issuer and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Issuer's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 80% of the Issuer's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the Issuer's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load money market mutual funds of any portion of bond proceeds reserves and funds held for debt service to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to confirm to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Issuer

Current Investments [(1)] **TABLE 1**

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

Investment Type	Amount	Percentage
Certificates of Deposit and Investment Pools	$1,411,190	100.00%

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

____
(1) Unaudited.

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Tax Code ") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Bastrop Appraisal District (the "Appraisal District") is responsible for appraising property within the City generally as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Bastrop County Review Board (the "Appraisal Review Board") which is appointed by the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the Issuer in establishing its tax roll and tax rate.

Property Subject to Taxation by the Issuer

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

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

If the tax limitation is established, the total amount of ad valorem taxes imposed by the City on a homestead that receives the exemption may not be increased while it remains the residence homestead of that person or that person's spouse who is disabled or sixty-five years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five years of age or older at the time of the person's death. In addition, the Texas Legislature by general law may provide for the transfer of all or a proportionate amount of the tax limitation applicable to a person's homestead to be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older and the disabled is also 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 (i) the taxpayer died in a year in which he qualified for the exemption, (ii) the surviving spouse was at least 55 years of age when the taxpayer died and (iii) the property was the residence homestead of the surviving spouse when the taxpayer died and the property remains the residence homestead of the surviving spouse. **The City has not implemented this "tax freeze" nor received a valid petition requesting that an election be held concerning this matter.**

Valuation of Property for Taxation

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

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property.

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

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

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

Residential Homestead Exemptions

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

1. An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. **The Issuer has elected to grant a $3,000 exemption to persons 65 years of age or older and the disabled.**

2. An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000. **The Issuer has elected not to grant this exemption.**

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

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

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

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

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

Freeport Goods and Goods-In-Transit Exemption

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit", which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. State law requires governmental entities again to take affirmative action on or after October 1 of the prior year but before January 1 of the first tax year in which the governing body proposes to tax goods-in-transit to continue its taxation of goods-in-transit in the 2012 tax year and beyond. The City took official action before April 1, 1990 to tax freeport property. The City did not take action to tax goods-in-transit.

Pollution Control

Article VIII, Section 1-l, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

Tax Abatement

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

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

Economic Development Programs of Grants and Loans: The City is authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or 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. The City reviews proposals on a case by case basis.

Issuer and Taxpayer Remedies

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

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

The Financial Institutions Act of 1989

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

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

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

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit, the rate of taxation is set by the Issuer based upon the valuation of property within the City as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the Issuer. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. The Issuer does not allow split payments but does allow discounts for early payment.

Issuer's Rights in the Event of Tax Delinquencies

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

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

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 pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. 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 installment due on February 1 of each year and the final installment due on September 1.

TAX RATE LIMITATIONS

General

The City operates as a Type A municipality under the Constitution and laws of the State of Texas. Article XI, Section 4 of the Constitution of the State provides that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed $1.50 for each $100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $1.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.00 of the foregoing $1.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate the constitutional restriction, or the Texas Attorney General's administrative policy.

The Property Tax Code

Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit, the City Council must adopt a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

The City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The City Council may not adopt a tax rate that exceeds the lower of the rollback rate or 103% of the effective tax rate until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City, by petition, may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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

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

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Certificates for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the City made in a certificate of even date with the initial delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Ordinance by the City 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 or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" 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.

Except as described above, Bond Counsel will express 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. 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 municipal 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.

Tax Changes

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

Ancillary Tax Consequences

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 (see "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (FASIT), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Certificates

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the "Discount Certificates"). 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 Certificates. A portion of such original issue discount, allocable to the holding period of a Discount Certificate by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to 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 (see "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein), life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

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

Tax Accounting Treatment of Premium Certificates

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the "Premium Certificates"). 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 its stated redemption price 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 with respect to the Premium Certificates. 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 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity Certificates that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City has designated the Certificates as "qualified tax-exempt obligations" and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The City is exempt from certain of the continuing disclosure obligations set forth in the United States Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") pursuant to the exemption under subsection (d)(2), which applies to certain small issuers such as the Issuer who are not an "obligated person" (as defined in the Rule) responsible for the repayment of municipal securities outstanding (including the Bonds) in an aggregate principal amount exceeding $10,000,000. This exemption allows the City to not file annual updates to all financial and operating data that is included in this Official Statement.

In the Ordinance, the City has made the following agreement for the benefit of the registered owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to timely file with the MSRB updated financial information and operating data of the City that is included in this Official Statement, that is customarily prepared by the City, and that is publicly available, as well as notice of specified events. The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at www.emma.msrb.org. Such information may also be obtained from the City at the City office, which is currently located at 317 Main Street, Smithville, Texas 78957; Attention: Finance Director. The telephone number for the City is (512) 237-3282.

Annual Reports

The City will file certain updated financial information and operating data with the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in Appendix D to this Official Statement. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2018. The City's current fiscal year end is September 30. Accordingly, it must make available updated information by the end of March in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of such change.

Notice of Certain Events

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

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB.

Availability of Information

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

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

Limitations and Amendments

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

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

Compliance with Prior Agreements

During the past five years the City has complied in all material respects in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

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

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

Litigation

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

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

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT INFORMATION – Rating" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

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

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

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

Rating

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA-" to the Certificates. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Authenticity of Financial Information

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

Financial Advisor

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

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

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of The Baker Group LP, Oklahoma City, Oklahoma (the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus an original issue reoffering premium of $127,687.25, less a Purchaser's discount of $40,328.70, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

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

Information from External Sources

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

Concluding Statement

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

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

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

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

CITY OF SMITHVILLE, TEXAS

/s/Scott Saunders
Mayor
City of Smithville, Texas

ATTEST:

/s/Brenda Page
City Secretary
City of Smithville, Texas

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APPENDIX A

FINANCIAL INFORMATION RELATING TO THE CITY OF SMITHVILLE, TEXAS

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2018 Preliminary Market Value of Taxable Property (100% of Market Value)……	$	270,026,156
Less Exemptions:		
Over-65 Exemptions……	$	1,233,249
Veterans Exemptions……		3,991,848
Pollution Control……		36,047
Open-Space Land and Timberland……		5,371,702
Value Lost to Prorations……		-
Other……		-
Loss to 10% HO Cap……		9,593,153
TOTAL EXEMPTIONS ……		20,225,999
2018 Assessed Value of Taxable Property ……	$	249,800,157

Source: Bastrop County Appraisal District.

GENERAL OBLIGATION BONDED DEBT

(as of October 1, 2018)

General Obligation Debt (Principal Outstanding)		
General Obligation Refunding Bonds, Series 2005	$	605,000
Certificates of Obligation, Series 2007		2,570,000
General Obligation Refunding Bonds, Series 2018		1,200,000
The Certificates		2,975,000
Total Gross General Obligation Debt	$	7,350,000
Less: Self Supporting Debt		
Certificates of Obligation, Series 2007 (100% Water & Sewer)	$	2,570,000
The Certificates (83.33% Water and Sewer)		2,485,000
Total Self-Supporting Debt	$	5,055,000
Total Net General Obligation Debt Outstanding	$	2,295,000
2018 Certified Net Assessed Valuation	$	249,800,157
Ratio of Gross General Obligation Debt Principal to Preliminary Net Taxable Assessed Valuation		2.94%
Ratio of Net General Obligation Debt to Preliminary Net Taxable Assessed Valuation		0.92%

Population: 1990 - 3,196; 2000 - 3,901; 2010 - 3,817; est. 2018 - 4,218
Per Capita Preliminary Net Taxable Assessed Valuation - $59,222.42
Per Capita Gross General Obligation Debt Principal - $1,742.53
Per Capita Net General Obligation Debt Principal - $544.10

CITY OBLIGATIONS - CAPITAL LEASES AND NOTES PAYABLE **TABLE 2**

(As of September 30, 2017)

The City has executed a capital lease to finance the acquisition of three vehicles for the police department. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Year Ending 9/30	Governmental Activities
2018	25,679
2019	25,678
Total minimum lease payments	51,357
Less: amount representing interest	(2,011)
Present value of minimum lease payments	$ 49,346

The City has three capital leases for acquisition of equipment for business-type activities. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Year Ending 9/30	Business- Type Activities			
	Digger	Jet Machine	QECB	Total
2018	$ 37,426	$ 11,692	$ 250,352	$ 299,470
2019	37,426	11,692	247,881	296,999
2020	37,426	11,694	245,482	294,602
2021	-	-	216,398	216,398
2022	-	-	241,274	241,274
2023-2027	-	-	1,165,197	1,165,197
2028-2031	-	-	873,393	873,393
Total minimum lease payments	$ 112,278	$ 35,078	$ 3,239,977	$ 3,387,333
Less: amount representing interest	(7,826)	(2,611)	(709,829)	(720,266)
Present value of minimum lease payments	$ 104,452	$ 32,467	$ 2,530,148	$ 2,667,067

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

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt[(a)]	The Certificates Principal	Interest	Total	Combined Debt Service[(a)]	Less: Self-Supporting Debt	Total Net Debt Service
2019	$ 743,004	$ 95,000	$ 68,046	$ 163,046	$ 906,050	$ 489,301	$ 416,749
2020	725,370	70,000	105,675	175,675	901,045	490,630	410,415
2021	723,700	75,000	102,050	177,050	900,750	492,195	408,555
2022	658,310	80,000	98,175	178,175	836,485	493,110	343,375
2023	659,151	85,000	94,050	179,050	838,201	493,355	344,846
2024	663,814	85,000	89,800	174,800	838,614	492,950	345,664
2025	342,145	125,000	84,863	209,863	552,008	492,095	59,913
2026	344,440	125,000	79,238	204,238	548,678	490,790	57,888
2027	346,105	130,000	73,825	203,825	549,930	493,955	55,975
2028	347,140	135,000	68,525	203,525	550,665	491,590	59,075
2029	-	200,000	62,825	262,825	262,825	205,500	57,325
2030	-	200,000	56,825	256,825	256,825	201,000	55,825
2031	-	210,000	50,675	260,675	260,675	201,425	59,250
2032	-	210,000	44,375	254,375	254,375	201,700	52,675
2033	-	220,000	37,375	257,375	257,375	201,413	55,963
2034	-	175,000	30,463	205,463	205,463	205,463	-
2035	-	180,000	24,250	204,250	204,250	204,250	-
2036	-	185,000	17,863	202,863	202,863	202,863	-
2037	-	190,000	11,063	201,063	201,063	201,063	-
2038	-	200,000	3,750	203,750	203,750	203,750	-
Total	$ 5,553,179	$ 2,975,000	$ 1,203,708	$ 4,178,708	$ 9,731,887	$ 6,948,396	$ 2,783,491

(a) *Includes self-supporting debt.*

TAX ADEQUACY (Includes Self-Supporting Debt)

2018 Net Taxable Assessed Valuation	$ 249,800,157	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2019)	906,050	*
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.3701	*

* *Includes the Certificates.*

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

TAX ADEQUACY (Excludes Self-Supporting Debt)

2018 Net Taxable Assessed Valuation	$ 249,800,157	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2019)	416,749	*
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.17024	*

* *Includes the Certificates.*

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

INTEREST AND SINKING FUND MANAGEMENT INDEX

Audited Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2017	$ 362,877
2017 Interest and Sinking Fund Tax Levy at 98% Collections Produce	285,548
Plus: Other City Funds	336,905
Total Available for General Obligation Debt	$ 985,330
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/17 [(1)]	726,908
Estimated Surplus at Fiscal Year Ending 9/30/18 [(2)]	$ 258,423

(1) *Includes self-supporting general obligation debt.*

(2) *Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.*

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of October 1, 2018)

Fiscal Year Ending 9-30	Principal Repayment Schedule: Currently Outstanding[a]	The Certificates	Total	Principal Unpaid at End of Year	Percent of Principal Retired (%)
2019	$ 565,000	$ 95,000	$ 660,000	$ 6,915,000	8.71%
2020	575,000	70,000	645,000	6,270,000	17.23%
2021	755,000	75,000	830,000	5,440,000	28.18%
2022	565,000	80,000	645,000	4,795,000	36.70%
2023	585,000	85,000	670,000	4,125,000	45.54%
2024	285,000	85,000	370,000	3,755,000	50.43%
2025	295,000	125,000	420,000	3,335,000	55.97%
2026	310,000	125,000	435,000	2,900,000	61.72%
2027	325,000	130,000	455,000	2,445,000	67.72%
2028	340,000	135,000	475,000	1,970,000	73.99%
2029	-	200,000	200,000	1,770,000	76.63%
2030	-	200,000	200,000	1,570,000	79.27%
2031	-	210,000	210,000	1,360,000	82.05%
2032	-	210,000	210,000	1,150,000	84.82%
2033	-	220,000	220,000	930,000	87.72%
2034	-	175,000	175,000	755,000	90.03%
2035	-	180,000	180,000	575,000	92.41%
2036	-	185,000	185,000	390,000	94.85%
2037	-	190,000	190,000	200,000	97.36%
2038	-	200,000	200,000	-	100.00%
Total	$ 4,600,000	$ 2,975,000	$ 7,575,000		

[a] *Includes self-supporting debt.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2009-2018 **TABLE 3**

Year	Net Taxable Assessed Valuation	Change From Preceding Year: Amount ($)	Percent
2009-10	$ 165,558,738	---	---
2010-11	168,885,009	3,326,271	2.01%
2011-12	171,366,012	2,481,003	1.47%
2012-13	170,820,971	(545,041)	-0.32%
2013-14	179,187,421	8,366,450	4.90%
2014-15	181,038,420	1,850,999	1.03%
2015-16	188,573,449	7,535,029	4.16%
2016-17	209,078,784	20,505,335	10.87%
2017-18	238,040,334	28,961,550	13.85%
2018-19	249,800,157	11,759,823	4.94%

Source: Bastrop County Appraisal District.

PRINCIPAL TAXPAYERS 2018-2019 **TABLE 4**

Name	Type of Business/Property	2018 Net Taxable Assessed Valuation	% of Total 2018 Assessed Valuation
Union Pacific Railroad Company	Railroad	$ 3,280,978	1.31%
Cen-Tex Marine Fabricators Inc.	Manufacturing	1,438,630	0.58%
Southwestern Bell Telephone	Utility	1,400,717	0.56%
BLI East Texas #2 LTD	Land/Improvements	1,381,552	0.55%
First National Bank of Bastrop	Financial Institution	1,132,734	0.45%
Southwest Housing Partners, LTD	Residential Development	1,077,370	0.43%
Lindsey, Terry M	Residential	944,610	0.38%
Hightower, Michael A & Sandra J	Residential	925,864	0.37%
Weishuhn, Helen Grace	Residential	913,623	0.37%
Robert & Pamela Vasek Revocable Trust	Residential	838,920	0.34%
		$ 13,334,998	5.34%

Source: Bastrop County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 5**

	2018	% of Total	2017	% of Total	2016	% of Total
Real, Residential, Single-Family	$ 206,785,761	76.58%	$207,199,282	76.86%	$164,518,726	61.03%
Real, Residential, Multi-Family	4,284,087	1.59%	4,377,284	1.62%	4,048,807	1.50%
Real, Vacant Lots/Tracts	4,289,434	1.59%	4,509,491	1.67%	4,273,303	1.59%
Real, Acreage (Land Only)	5,447,897	2.02%	5,129,825	1.90%	4,839,511	1.80%
Real, Farm and Ranch Improvements	1,364,812	0.51%	1,479,526	0.55%	1,577,708	0.59%
Real, Commercial and Industrial	29,629,437	10.97%	29,482,847	10.94%	27,343,988	10.14%
Oil and Gas	-	0.00%	-	0.00%	-	0.00%
Real & Tangible, Personal Utilities	5,529,601	2.05%	5,227,389	1.94%	5,393,188	2.00%
Tangible Personal, Commercial &	9,525,308	3.53%	8,539,896	3.17%	8,686,601	3.22%
Tangible Personal, Mobile Homes	3,168,381	1.17%	3,576,186	1.33%	2,162,043	0.80%
Real Property, Inventory	1,438	0.00%	61,438	0.02%	60,000	0.02%
Total Appraised Value	$ 270,026,156	100.00%	$269,583,164	100.00%	$222,903,875	82.68%
Less:						
Over-65 Exemptions	$ 1,233,249		$ 1,207,152		$ 1,186,960	
Veterans Exemptions	3,991,848		4,036,206		3,162,410	
Pollution Control	36,047		53,047		53,047	
Open-Space Land and Timberland	5,371,702		5,076,649		3,791,604	
Value Lost to Prorations	-		-		311,642	
Other	-		-		732,484	
Loss to 10% HO Cap	9,593,153		21,169,776		4,586,944	
Net Taxable Assessed Valuation	$ 249,800,157		$238,040,334		$209,078,784	

Source: Bastrop County Appraisal District.

TAX DATA **TABLE 6**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
2009	$ 165,558,738	$ 0.478500	$ 792,199	94.20	98.20	9/30/2010
2010	168,885,009	0.478500	808,115	96.19	99.51	9/30/2011
2011	171,366,012	0.478500	819,986	97.51	98.96	9/30/2012
2012	170,820,971	0.488500	834,460	97.25	101.46	9/30/2013
2013	179,187,421	0.506002	906,692	92.85	107.70	9/30/2014
2014	181,038,420	0.553438	1,001,935	95.81	98.32	9/30/2015
2015	188,573,449	0.553438	1,043,637	98.37	101.44	9/30/2016
2016	209,078,784	0.565987	1,183,359	97.55	102.51	9/30/2017
2017	238,040,334	0.539020	1,283,085	96.70	99.00	9/30/2018
2018	249,800,157	0.569020	1,421,413	(In process of collection)		9/30/2019

TAX RATE DISTRIBUTION **TABLE 7**

	2018	2017	2016	2015	2014
General Fund	$ 0.445499	$ 0.416614	$ 0.427560	$ 0.407492	$ 0.398974
I & S Fund	0.123521	0.122406	0.138427	0.145946	0.154464
Total Tax Rate	$ 0.569020	$ 0.539020	$ 0.565987	$ 0.553438	$ 0.553438

Source: Bastrop County Appraisal District.

MUNICIPAL SALES TAX COLLECTIONS **TABLE 8**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code, Authorizing the City to levy a 1% sales tax. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. The Issuer approved a 1/2¢ sales tax for economic development in 1987 and a 1/2¢ sales tax for property tax relief in 1990. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2008	$ 353,330	44.60%	$ 0.42
2009	373,096	46.17%	0.43
2010	357,852	43.64%	0.46
2011	374,069	44.83%	0.45
2012	420,366	46.36%	0.41
2013	429,962	42.91%	0.40
2014	445,938	42.73%	0.40
2015	466,019	39.38%	0.39
2016	514,668	40.11%	0.37
2017	590,704	41.56%	0.35
2018	452,885	(as of October 2018)	

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

OVERLAPPING DEBT INFORMATION

(as of October 1, 2018)

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

Taxing Body	Gross Debt (As of 10/1/18)	% Overlapping	Amount Overlapping
Bastrop County	$ 48,140,000	3.16%	$ 1,521,224
Smithville ISD	30,548,016	29.02%	8,865,034
Total Gross Overlapping Debt			$ 10,386,258
Smithville, City of			$ 7,575,000
Total Gross Direct and Overlapping Debt			$ 17,961,258
Ratio of Gross Direct Debt and Overlapping Debt			7.19%
Per Capita Gross Direct Debt and Overlapping Debt			$448.00

Note: The above figures show Gross General Obligation Debt for the City of Smithville, Texas. The Issuer's Net General Obligation Debt is $2,295,000*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	$ 12,681,258
Ratio of Net Direct and Overlapping Debt to 2018 Net Assessed Valuation	5.08%
Per Capita Net Direct and Overlapping Debt	$3,006.46

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	Valuation	% of Actual	2018 Tax Rate
Bastrop County	$ 6,465,400,398	100%	$ 0.580000
Smithville ISD	718,892,056	100%	1.430000

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

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Bastrop County	None				
Smithville ISD	11/08/2016	School Building	$ 35,000,000	$ 25,241,096	$ 9,758,904

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

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES **TABLE 9**

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

	Fiscal Year Ended				
	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013 (2)
Fund Balance - Beginning of Year	$ 1,081,294	$ 760,916	$ 851,028	$ 1,082,113	$ 1,019,154
Revenues	3,132,542	3,136,941	2,920,501	2,636,111	2,906,440
Expenditures	4,127,975	4,049,561	4,090,072	3,853,157	4,016,369
Excess (Deficit) of Revenues Over Expenditures	$ (995,433)	$ (912,620)	$ (1,169,571)	$ (1,217,046)	$ (1,109,929)
Other Financing Sources (Uses):					
Operating Transfers In	$ 1,110,299	$ 1,110,228	$ 965,000	$ 965,090	$ 1,149,506
Sale of Capital Assets	7,534	113,961	1,350	17,183	157,341
Insurance recoveries	76	14,905	359	3,688	13,724
Operating Transfers Out	(248,069)	(6,096)	117,750	-	(147,683)
Total Other Financing Sources (Uses):	$ 869,840	$ 1,232,998	$ 1,084,459	$ 985,961	$ 1,172,888
Fund Balance - End of Year (1)	$ 955,701	$ 1,081,294	$ 765,916	$ 851,028	$ 1,082,113

Source: The Issuer's Comprehensive Annual Financial Reports.

(1) *The City staff confirms that the unaudited General Fund Balance was approximately $963,512 for the fiscal year ending September 30, 2018.*

(2) *Restatement of net position.*

The City participates as one of 866 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 of 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.

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	30
Inactive employees entitled to but not yet receiving benefits	54
Active employees	62
	146

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Smithville were 6.18% and 6.74% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $147,681, 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%
Overall payroll growth	3.0 per year%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with Blue Collar Adjustment , with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by factor of 95%. 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 Table 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 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 improvement subject to the 3% floor.

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

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS - CONT'D

Actuarial assumptions used in the December 31, 2015, 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 an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rate used to measure the Total pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in 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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2015	$ 5,131,855	$ 4,499,507	$ 632,348
Changes for the year			
Service cost	214,184	-	214,184
Interest	347,256	-	347,256
Change of benefit terms	-	-	-
Difference between expected and actual experience	73,787	-	73,787
Changes of assumptions	-	-	-
Contributions - employer	-	129,248	(1,429,248)
Contributions - employee	-	108,613	(108,613)
Net investment income	-	304,080	(304,080)
Benefit payments, including refunds of employee contr.	(188,818)	(188,818)	-
Administrative expense	-	(3,434)	3,434
Other changes	-	(185)	185
Net changes	446,409	349,504	96,905
Balance at 12/31/2016	$ 5,578,264	$ 4,849,011	$ 729,253

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

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

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

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
City's net pension liability	$ 1,553,379	$ 729,253	$ 59,101

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the city recognized pension expense of $40,144.

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 expended and actual experience	$ 61,871	$ 38,238
Difference in assumptions	16,666	-
Net difference between projected and actual investment earnings	205,095	290
Contributions subsequent to the measurement date	113,238	-
Total	$ 396,870	$ 38,528

$113,238 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended 12/31	Net deferred outflows(inflows) of resources
2017	75,089
2018	101,297
2019	68,789
2020	(71)
2021	-
Total	245,104

Supplemental Death Benefit Fund

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were $5,171, $4,984 and $4,864 respectively, which equaled the required contributions each year.

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

REVENUE BOND DEBT DATA

- NONE -

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

UTILITY PLANT IN SERVICE — TABLE 11

(As of September 30, 2017)

Land	$ 174,319
Construction in Progress	-
Infrastructure	16,193,187
Furnishings and equipment	-
Machines, Equipment and Vehicles	1,169,610
Total	17,537,116
Less: Accumulated Depreciation	(7,838,317)
Net Utility Plant in Service	$ 9,698,799

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

UTILITY SYSTEM OPERATING STATEMENT — TABLE 12

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

	Fiscal Year Ended				
	9/30/2018 (1)	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Revenues	$ 6,955,768	$ 6,571,177	$ 6,746,985	$ 7,575,490	$ 6,401,316
Expenses	5,689,082	4,970,919	4,904,564	5,181,020	5,092,161
Net Revenue Available for Debt Service	$ 1,266,686	$ 1,600,258	$ 1,842,421	$ 2,394,470	$ 1,309,155
Customer Count:					
Water	1,837	1,826	1,782	1,797	1,765
Sewer	1,570	1,596	1,574	1,604	1,577
Electric	2,211	2,188	2,158	2,131	2,116

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

(1) *Unaudited.*

[Based on Monthly Billing]

(Current Rates Effective October 1, 2017)

Water service inside City Limits:
for Residential, Commercial & Municipal

	Current Rate (2007-08)	**Approved 10% increase**
Base (includes 1st 2000 gallons)	$ 13.66	$ 16.50
Base 1 inch	19.56	23.63
Base 1.5 inch	34.90	42.15
Base 2 inch	52.79	63.76
Base 2.5 inch	96.08	116.05
Base 3 inch	139.44	168.42
Base 4 inch	222.60	268.85
Per 1,000 gallons	2.55	3.10

Water service outside City Limits:
for Residential and Commercial

Base	20.43	24.67
Base 1 inch	29.23	35.30
Base 1.5 inch	52.21	63.06
Base 2 inch	79.07	95.50
Base 2.5 inch	144.06	174.00
Base 3 inch	209.07	252.52
Base 4 inch	333.90	403.28
Per 1,000 gallons	3.70	4.50

Old Rates Effective October 1, 2014

Water service inside City Limits:
for Residential, Commercial & Municipal

	Current Rate (2007-08)	**Approved 9.8%**
Base (includes 1st 2000 gallons)	$ 13.66	$ 15.00
Base 1 inch	19.56	21.48
Base 1.5 inch	34.90	38.32
Base 2 inch	52.79	57.96
Base 2.5 inch	96.08	105.50
Base 3 inch	139.44	153.11
Base 4 inch	222.60	244.41
Per 1,000 gallons	2.55	2.80

Water service outside City Limits:
for Residential and Commercial

Base	20.43	22.43
Base 1 inch	29.23	32.09
Base 1.5 inch	52.21	57.33
Base 2 inch	79.07	86.82
Base 2.5 inch	144.06	158.18
Base 3 inch	209.07	229.56
Base 4 inch	333.90	366.62
Per 1,000 gallons	3.70	4.06

[Based on Monthly Billing]

(Current Rates Effective October 1, 2017)

Wastewater Service:	Current Rate October 2006	Approved Increase
Base	$ 9.10	$ 10.50
Per 1,000 gallons	3.25	3.85

Note: Residential Wastewater rate is calculated on an average of 3 months (Dec/Jan/Feb), This average is multiplied by the 1,000 gallon rate, then added to the base rate.

Note: Commercial Wastewater is tied to water consumption-monthly consumption is multiplied by the 1,000 gallon rate, then added to base rate.

Old Rates

Wastewater Service:	Current Rate October 2006	Approved Increase
Base	$ 9.10	$ 9.85
Per 1,000 gallons	3.25	3.50

multiplied by the 1,000 gallon rate, then added to the base rate.

gallon rate, then added to base rate.

(Current Rates Effective October 1, 2018)

Section I. Monthly Rates	October 1, 2014	Approved Increase
A. Residential		
Monthly Base Meter Charge	$ 5.00	$ 5.00
Plus Distribution Energy charger per kWh	$ 0.0388	$ 0.0500
Plus Power Cost Recovery Factor (PCRF)	variable	variable variable
B. Small Commercial		
Monthly Base Meter Charge	$ 5.00	$ 5.00
Plus Distribution Energy charge per kWh	$ 0.0528	$ 0.0500
Plus Power Cost Recovery	variable	variable
C. Large Commercial/Demand		
Monthly Base Meter Charge	$ 10.45	$ 15.00
Distribution Energy Charge per kWh	$ 0.0297	$ 0.0500
Demand Meter Energy Charge per kW	$ 6.96	$ 7.50
Plus Power cost Recovery Factor (PCRF)	variable	variable
D. Municipal	$ 0.0247	$ 0.0247

The minimum monthly bill for each customer shall be the total of the monthly base meter charge, the distribution charge, the

Section II. Monthly Power cost Recovery Fact (PCFR) Calculation

Net Power Supply cost ($) divided by Net kWh sold equals PCRF

Power Supply Cost ($): includes generation, transmission, regulatory and other costs charged to the City of

Net kWh: the total kilowatt-hours consumption sold to retail customers for the retail billing period, net of special

Old Rates

Section I. Monthly Rates	October 1, 2014	Approved Increase
A. Residential		
Monthly Base Meter Charge	$ 5.00	$ 5.00
Plus Distribution Energy charger per kWh	$ 0.0388	$ 0.0500
Plus Power Cost Recovery Factor (PCRF)	variable	variable variable
B. Small Commercial		
Monthly Base Meter Charge	$ 5.00	$ 5.00
Plus Distribution Energy charge per kWh	$ 0.0528	$ 0.0500
Plus Power Cost Recovery	variable	variable
C. Large Commercial/Demand		
Monthly Base Meter Charge	$ 10.45	$ 15.00
Distribution Energy Charge per kWh	$ 0.0297	$ 0.0400
Demand Meter Energy Charge per kW	$ 6.96	$ 7.50
Plus Power cost Recovery Factor (PCRF)	variable	variable
D. Municipal	$ 0.0247	$ 0.0247

The minimum monthly bill for each customer shall be the total of the monthly base meter charge, the distribution charge, the power charge, and any other necessary or appropriate charges or adjustments.

Section II. Monthly Power cost Recovery Fact (PCFR) Calculation

Net Power Supply cost ($) divided by Net kWh sold equals PCRF

Power Supply Cost ($): includes generation, transmission, regulatory and other costs charged to the City of Smithville by its supplier for the retail billing period, net of special accounts.

Net kWh: the total kilowatt-hours consumption sold to retail customers for the retail billing period, net of special accounts, estimated by loss-adjusting he wholesale purchased kWh.

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF SMITHVILLE AND BASTROP COUNTY, TEXAS

GENERAL INFORMATION REGARDING THE CITY OF SMITHVILLE, TEXAS AND BASTROP COUNTY, TEXAS

The City of Smithville, located just off State Highway 71 and ten miles southeast of Bastrop in southeastern Bastrop County is approximately 3.51 Square miles in area. In 1691 missionaries on the expedition of Don Domingo Teran De Los Rios sighted a lagoon which the Indians called Nenocadda. The Lagoon, known today as Shipp's Lake, on the southern edge of present Smithville. Frederick W. Grasmeyer operated a ferry here on the Colorado Right in 1836. Steamboats plied the river from 1845 to 1865.

The City of Smithville was established by Thomas Gazeley. Gazeley operated a store there until his death in 1853. The community that sprang up around the store was named Smithville, after William Smith, another early settler. By 1890 Smithville had 616 residents and its businesses included two hotels, there millineries and a medical practice. In the 1890s the community boomed with the extension of the railroad line to Lockhart and the extension of the line to Houston the following year. The biggest boost came in 1894 when the Missouri, Kansas and Texas line established its central shops in Smithville. By 1984, the town was a manufacturing and trading center with more than seventy rated businesses and an estimated population of 3,470. Local products include cedar cabins, fencing, furniture and ship doors and components. Smithville also remained a center for farming and livestock raising.

The City is centrally located between Austin, Houston, San Antonio and Bryan-College Station. It offers great shopping, lodging, and exploring. From its five-day Jamboree, Texas Photo Festival, its biking and hiking trails, to a variety in antique/vintage shopping.

Seton Smithville Regional Hospital is the only level IV trauma center in the county and is equipped with the latest life-saving equipment. It has a complete imaging and diagnostic center, physical therapy and rehabilitation care, inpatient medical and surgical care, cardiopulmonary services, oncology services and more.

Education

Smithville Independent School District serves the City. The District has one primary school, one elementary school, one junior high school and one high school.

Bastrop County, Texas

Bastrop County, located on State highways 71,95,21 and 304 on the upper Gulf coastal plains just below the Balcones Escarpment, encompasses 895 square miles of southeast central Texas. Its seat of government, Bastrop, is situated in the center of the County, a location about thirty miles southeast of downtown Austin. The terrain throughout most of the county is characterized by rolling uplands and broken hills with surface layers of primarily sand, loamy soils, and woods where post oaks predominate but where cedar, hickory, elm and walnut also occur. The Colorado River bisects the county from northwest to southwest. Near the river, the Lost Pine Forest extends through an east central section of the county. Mineral resources include clay, oil, gas, lignite, sand, gravel and surface and underground water.

The County's economy is now based on agriculture, light manufacturing and tourism. The Texas Almanac designates livestock, corn, sorghum, pecans and peanuts as principal sources of agricultural income.

Labor Force Statistics (1)

	2018 (2)	2017 (3)	2016 (3)	2015 (3)
Civilian Labor Force	41,591	40,124	38,959	37,507
Total Employed	40,348	38,709	37,503	36,053
Total Unemployed	1,243	1,415	1,456	1,454
% Unemployment	3.0%	3.5%	3.7%	3.9%
Texas Unemployment	3.5%	4.3%	4.6%	4.4%

(1) Source: Texas Workforce Commission.
(2) As of October 2018.
(3) Average Annual Statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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FINAL

IN REGARD to the authorization and issuance of the "City of Smithville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019" (the *Certificates*), dated December 15, 2018 in the aggregate principal amount of $2,975,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Smithville, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1, 2019 through 2028, February 1, 2030, February 1, 2032, February 1, 2034. February 1, 2036, and February 1, 2038, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

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

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

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

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

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

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

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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

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SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council, and Citizens of the
City of Smithville, Texas:

Report on the Financial Statements

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

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

Opinions

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

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Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 April 20, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

April 20, 2018

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Management's Discussion and Analysis

As management of the City of Smithville, Texas, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. Please read it in conjunction with the independent auditor's report on page 1 and the City's basic financial statements which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $11,559,432 (*total net position*). Of this amount, $2,082,433 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors. For the year ended September 30, 2017, the City's total net position increased by $1,365,601.

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $1,390,684, a decrease of $127,521 in comparison with the prior year. At the end of the current fiscal year, unrestricted fund balance for the General Fund was $800,994, or approximately 20% of the total General Fund expenditures before other financing sources/uses.

- At the close of the current fiscal year, the city's proprietary fund reported fund balance of $5,327,584, a decrease of $253,478 from the prior year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government; public safety; highways and streets; sanitation; culture and recreation; code enforcement and inspection; cemetery; airport; and economic development and assistance. The business-type activities of the City include electricity, water, and wastewater.

The government-wide financial statements can be found on pages 17-19 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Recreation Center Expansion Grant. Data from the other sixteen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its General Fund and Interest and Sinking Fund. A budgetary comparison statement has been provided for the General Fund on page 27 and for the Interest and Sinking Fund on page 77 to demonstrate compliance with each budget.

The basic governmental fund financial statements can be found on pages 22-25 of this report.

Proprietary Funds. The City has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government wide financial statements. The City uses an enterprise fund to account for its utility operations - electricity, water, and wastewater. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a City's functions. The City is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provides information for the Utility Fund, which is considered to be a major fund of the City. Conversely, when internal service funds are utilized, they are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are then provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 28-31 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one fiduciary fund. The *HRA Fund is* used to report resources held for City employees which may be accessed for healthcare expenses.

The fiduciary fund financial statement can be found on page 33 of this report.

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

The notes to the financial statements can be found on pages 37-59 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's pension obligations. Required supplementary information can be found on pages 62-65 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Combining and individual fund statements and schedules can be found on pages 68-75 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $11,559,432 at the close of the most recent fiscal year.

City of Smithville, Texas's Net Position

	Governmental Activities 2017	Governmental Activities 2016	Change	Business-Type Activities 2017	Business-Type Activities 2016	Change
Current & other assets	$ 1,958,691	$ 1,791,562	$ 167,129	$ 2,071,949	$ 2,694,135	$ (622,186)
Capital assets	7,319,944	5,860,707	1,459,237	9,698,799	9,783,754	(84,955)
Deferred outflows	277,809	290,174	(12,365)	119,061	124,360	(5,299)
Total Assets and Deferred Outflows	9,556,444	7,942,443	1,614,001	11,889,809	12,602,249	(712,440)
Current liabilities	481,247	193,659	287,588	628,366	743,947	(115,581)
Long-term liabilities	2,816,379	3,056,947	(240,568)	5,922,301	6,243,355	(321,054)
Deferred inflows	26,970	79,068	(52,098)	11,558	33,885	(22,327)
Total Liabilities and Deferred Inflows	3,324,596	3,329,674	(5,078)	6,562,225	7,021,187	(458,962)
Net Position						
Net investment in capital assets	5,060,598	3,287,978	1,772,620	4,021,732	3,755,866	265,866
Restricted	394,669	389,770	4,899	-	-	-
Unrestricted	776,581	935,021	(158,440)	1,305,852	1,825,196	(519,344)
Total Net Position	$ 6,231,848	$ 4,612,769	$ 1,619,079	$ 5,327,584	$ 5,581,062	$ (253,478)

By far, the largest portion of the City's net position approximately 80% reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position approximately 3% represents resources that are subject to external restrictions on how they may be used. The remaining balance of $2,082,433 composed of $776,581 governmental and $1,305,852 business-type, is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's total net position did increase by $1,365,601 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased by $1,619,079 from the prior fiscal year for an ending balance of $6,231,848.

Business-type Activities. During the current fiscal year, net position for business-type activities decreased by $253,478 from the prior fiscal year for an ending balance of $5,327,584.

City of Smithville, Texas's Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016	Change	Business-Type Activities 2017	Business-Type Activities 2016	Change
Revenues:						
Program revenues:						
Charges for services	$ 1,001,614	$ 1,042,454	$ (40,840)	$6,279,200	$6,414,016	$ (134,816)
Operating grants & contributions	133,548	347,812	(214,264)	-	-	-
Capital grants and contributions	1,683,784	100,976	1,582,808	-	-	-
General revenues:						
Property taxes	1,264,911	1,176,933	87,978	-	-	-
Other taxes	757,271	678,859	78,412	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	152,742	257,789	(105,047)
Other	275,361	325,741	(50,380)	139,235	75,496	63,739
Total Revenue	5,116,489	3,672,775	1,443,714	6,571,177	6,747,301	(176,124)
Expenses:						
General government	453,109	417,673	35,436	-	-	-
Public safety	1,388,027	1,293,778	94,249	-	-	-
Highways and streets	540,146	604,717	(64,571)	-	-	-
Sanitation	770,367	639,588	130,779	-	-	-
Culture and recreation	1,077,826	1,044,941	32,885	-	-	-
Code enforcement and inspections	97,735	73,001	24,734	-	-	-
Cemetery	55,056	64,944	(9,888)	-	-	-
Airport	65,913	123,809	(57,896)	-	-	-
Economic development and assist.	71,184	96,437	(25,253)	-	-	-
Interest on long-term debt	97,177	108,587	(11,410)	-	-	-
Utility Fund	-	-	-	5,705,525	5,446,818	258,707
Total Expenses	4,616,540	4,467,475	149,065	5,705,525	5,446,818	258,707
Increase (Decrease) in Net Position Before Transfers	499,949	(794,700)	1,294,649	865,652	1,300,483	(434,831)
Transfers	1,119,130	1,212,000	(92,870)	(1,119,130)	(1,212,000)	92,870
Increase (Decrease) in Net Position	1,619,079	417,300	1,201,779	(253,478)	88,483	(341,961)
Net Position - Beginning	4,612,769	4,195,469	417,300	5,581,062	5,492,579	88,483
Net Position - Ending	$ 6,231,848	$ 4,612,769	$ 1,619,079	$5,327,584	$5,581,062	$ (253,478)

Financial Analysis of Governmental 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 City's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2017, the City's governmental funds reported combined fund balances of $1,390,684, a decrease of $127,521 in comparison with the prior year. Approximately 60% of this amount, or $800,994, constitutes *unassigned fund balance,* which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed or assigned.*

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $800,994. 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 general fund expenditures. Unassigned fund balance represents 20% of total general fund expenditures, while total fund balance represents 23% of that same amount.

Proprietary Fund. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility Fund at the end of the year was $1,305,852. The change in net position for the Utility Fund was a decrease of $253,478.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year the City made several budget amendments, none were considered significant. Grants were amended by $135,138. Sales tax and property tax revenue were amended by $104,832 and $28,276, respectively. The City also amended the following General Fund expenditure functional areas: General Government, Public Safety, Highway and Streets, Sanitation, Airport and Capital Outlay were increased by $24,000, $20,443, $5,047, $60,882, $43,898 and $78,742, respectively; while, Culture and Recreation, Cemetery and Economic Development and Assistance were decreased by $35,587, $18,850 and $20,560, respectively. Overall, the General Fund's expenditures experienced a positive total variance of $8,597.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, totals to $7,319,944 and 9,698,799 respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and utility infrastructure. Overall, the City's capital assets increased from prior year for governmental activities by $1,459,237 and decreased from the prior year for business-type activities year by $84,955.

City of Smithville, Texas's Capital Assets

	Governmental Activities 2017	Governmental Activities 2016	Change
Land	$ 664,891	$ 664,891	$ -
Construction in Progress	1,920,833	130,613	1,790,220
Buildings	4,196,546	4,196,546	-
Furniture and Equipment	2,132,897	2,083,805	49,092
Infrastructure	4,239,113	4,239,113	-
Total	13,154,280	11,314,968	1,839,312
Less Accumulated Depreciation	(5,834,336)	(5,454,261)	(380,075)
Capital Assets, Net of Depreciation	$ 7,319,944	$ 5,860,707	$ 1,459,237

	Business-type Activities 2017	Business-type Activities 2016	Change
Land	$ 174,319	$ 173,319	$ 1,000
Construction in Progress	-	2,557,708	(2,557,708)
Furniture and Equipment	1,169,610	1,136,472	33,138
Infrastructure	16,193,187	13,276,035	2,917,152
Total	17,537,116	17,143,534	393,582
Less Accumulated Depreciation	(7,838,317)	(7,359,780)	(478,537)
Capital Assets, Net of Depreciation	$ 9,698,799	$ 9,783,754	$ (84,955)

Additional information on the City's capital assets can be found in Note IV.D on pages 48-49 of this report.

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Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $5,220,000 ($2,210,000 governmental activities and $3,010,000 business-type activities). In addition, the City also reported total long-term liabilities for a capital lease, employee compensated absences and net pension liabilities.

City of Smithville, Texas Outstanding Debt

	Governmental Activities 2017	Governmental Activities 2016	Change
General Refunding Bonds	$ 2,210,000	$ 2,500,000	$ (290,000)
Net Pension Liability	510,477	442,643	67,834
Compensated Absences	46,556	41,575	4,981
Capital Leases Payable	49,346	72,729	(23,383)
Total	$ 2,816,379	$ 3,056,947	$ (240,568)

	Business-type Activities 2017	Business-type Activities 2016	Change
General Refunding Bonds	$ 3,010,000	$ 3,220,000	$ (210,000)
Capital Leases Payable	2,667,067	2,807,888	(140,821)
Net Pension Liability	218,776	189,705	29,071
Compensated Absences	26,458	25,762	696
Total	$ 5,922,301	$ 6,243,355	$ (321,054)

The City's total bond payable decreased by $500,000 during the current fiscal year. The primary reason for the decrease was the repayment of bond principal of $290,000 of the General Refunding Bonds under governmental activities and repayment of $210,000 of bond principal of General Refunding Bonds under business-type activities.

Additional information on the City's long-term debt can be found in Note IV.H on pages 55-58 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2018 budget. The City's General Fund budget for fiscal year 2018 includes expenditures of $4,281,116 which is a slight increase from fiscal year 2017 total adopted expenditures. The city decreased the tax rate for 2017-2018 to $0.416614 for the General Fund and to $0.122406 for the Interest and Sinking Fund The overall total tax rate decreased to $0.539020 per $100 valuation.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those interested in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's business office at the City of Smithville, Texas, 317 Main Street, Smithville, Texas 78957-0449, or by calling (512) 237-3282.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 413,106	$ 475,992	$ 889,098
Investments - current	728,628	807,643	1,536,271
Taxes receivable - delinquent	124,579	-	124,579
Allowance for uncollectible taxes	(12,457)	-	(12,457)
Accounts receivable, net	173,376	761,248	934,624
Grants receivable	406,818	-	406,818
Due from other funds	108,977	-	108,977
Inventories	-	11,071	11,071
Prepaid items	15,664	15,995	31,659
Capital assets, not being depreciated:			
Land	664,891	174,319	839,210
Construction in progress	1,920,833	2,557,708	4,478,541
Capital assets, being depreciated:			
Buildings and improvements	4,196,546	-	4,196,546
Machinery, equipment, and vehicles	2,132,897	1,136,472	3,269,369
Infrastructure	4,239,113	13,668,617	17,907,730
Accumulated depreciation	(5,834,336)	(7,838,317)	(13,672,653)
Total Assets	9,278,635	11,770,748	21,049,383
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	277,809	119,061	396,870
Total Deferred Outflows of Resources	277,809	119,061	396,870
LIABILITIES			
Accounts payable	271,024	294,866	565,890
Accrued salaries and benefits	87,410	33,392	120,802
Accrued liabilities	-	14,917	14,917
Retainage payable	66,361	-	66,361
Due to other funds	-	108,900	108,900
Accrued interest payable	25,361	76,659	102,020
Unearned revenue	21,752	-	21,752
Other current liabilities	9,339	-	9,339
Customer deposits	-	99,632	99,632
Noncurrent liabilities:			
Due within one year	324,233	351,919	676,152
Net pension liability	510,477	218,776	729,253
Due in more than one year	1,981,669	5,351,606	7,333,275
Total Liabilities	3,297,626	6,550,667	9,848,293
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	26,970	11,558	38,528
Total Deferred Inflows of Resources	26,970	11,558	38,528
NET POSITION			
Net investment in capital assets	5,060,598	4,021,732	9,082,330
Restricted for debt service	394,669	-	394,669
Unrestricted	776,581	1,305,852	2,082,433
Total Net Position	$ 6,231,848	$ 5,327,584	$ 11,559,432

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

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

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 453,109	$ 642	$ -	$ -
Public safety	1,388,027	110,957	30,398	54,763
Highways and streets	540,146	6,094	2,995	1,629,021
Sanitation	770,367	726,716	-	-
Culture and recreation	1,077,826	134,210	86,418	-
Code enforcement and inspections	97,735	-	-	-
Cemetery	55,056	10,055	-	-
Airport	65,913	12,940	13,737	-
Economic development and assistance	71,184	-	-	-
Interest	97,177	-	-	-
Total governmental activities:	4,616,540	1,001,614	133,548	1,683,784
Business-type activities:				
Utility Funds	5,705,525	6,279,200	-	152,742
Total business-type activities:	5,705,525	6,279,200	-	152,742
Total primary government	$ 10,322,065	$ 7,280,814	$ 133,548	$ 1,836,526

General revenues:
- Property taxes
- Sales taxes
- Hotel/motel taxes
- Franchise taxes
- Contributions and donations from private sources
- Interest rate subsidy
- Investment earnings
- Gain on sale of capital assets
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position -- beginning

Net position -- ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activites	Total
$ (452,467)	$ -	$ (452,467)
(1,191,909)	-	(1,191,909)
1,097,964	-	1,097,964
(43,651)	-	(43,651)
(857,198)	-	(857,198)
(97,735)	-	(97,735)
(45,001)	-	(45,001)
(39,236)	-	(39,236)
(71,184)	-	(71,184)
(97,177)	-	(97,177)
(1,797,594)	-	(1,797,594)
-	726,417	726,417
-	726,417	726,417
(1,797,594)	726,417	(1,071,177)
1,264,911	-	1,264,911
650,262	-	650,262
18,763	-	18,763
88,246	-	88,246
49,802	-	49,802
-	78,806	78,806
10,522	13,535	24,057
7,534	1,685	9,219
207,503	45,209	252,712
1,119,130	(1,119,130)	-
3,416,673	(979,895)	2,436,778
1,619,079	(253,478)	1,365,601
4,612,769	5,581,062	10,193,831
$ 6,231,848	$ 5,327,584	$ 11,559,432

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FUND BASIS FINANCIAL STATEMENTS

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

	General Fund	Recreation Center Expansion Grant	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 349,890	$ 298	$ 62,918	$ 413,106
Investments - current	335,396	-	393,232	728,628
Taxes receivable - delinquent	89,255	-	35,324	124,579
Allowance for uncollectible delinquent taxes	(8,925)	-	(3,532)	(12,457)
Accounts receivable	173,376	-	-	173,376
Intergovernmental receivable	-	100,200	306,618	406,818
Due from other funds	309,441	-	-	309,441
Prepaid items	15,664	-	-	15,664
Total Assets	$ 1,264,097	$ 100,498	$ 794,560	$ 2,159,155
LIABILITIES				
Accounts payable	$ 129,802	$ 50,253	$ 90,969	$ 271,024
Accrued salaries and benefits	86,636	-	774	87,410
Retainage payable	-	49,946	16,415	66,361
Due to other funds	-	299	200,165	200,464
Unearned revenue	2,290	-	19,462	21,752
Other current liabilities	9,339	-	-	9,339
Total Liabilities	228,067	100,498	327,785	656,350
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources-property taxes	80,329	-	31,792	112,121
Total Deferred Inflows of Resources	80,329	-	31,792	112,121
FUND BALANCES				
Nonspendable:				
Prepaids	15,664	-	-	15,664
Restricted:				
Debt service	-	-	362,877	362,877
Committed:				
Specific purposes	-	-	41,751	41,751
Capital projects	-	-	30,355	30,355
Assigned:				
Grant matching	139,043	-	-	139,043
Unassigned	800,994	-	-	800,994
Total Fund Balances	955,701	-	434,983	1,390,684
Total Liabilities, Deferred Inflows, and Fund Balances	$ 1,264,097	$ 100,498	$ 794,560	$ 2,159,155

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

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

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	$ 1,390,684
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,319,944
The net pension asset is not an available resource and, therefore, is not reported in the funds.	(259,638)
Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.	112,121
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,331,263)
Net position of governmental activities	$ 6,231,848

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

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

	General Fund	Recreation Center Expansion Grant	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 967,434	$ -	$ 292,654	$ 1,260,088
Sales taxes	650,262	-	-	650,262
Hotel/motel taxes	18,763	-	-	18,763
Franchise taxes	88,246	-	-	88,246
Licenses and permits	32,278	-	-	32,278
Grants	143,219	1,307,747	366,366	1,817,332
Charges for services	860,684	-	-	860,684
Fines	76,325	-	-	76,325
Investment earnings	7,207	287	3,028	10,522
Contributions and donations	48,370	-	1,432	49,802
Miscellaneous revenue	239,754	-	-	239,754
Total Revenues	3,132,542	1,308,034	663,480	5,104,056
EXPENDITURES				
Current:				
General government	389,703	-	14,694	404,397
Public safety	1,250,416	-	-	1,250,416
Highways and streets	489,591	-	-	489,591
Sanitation	697,814	-	-	697,814
Culture and recreation	934,141	-	38,308	972,449
Code enforcement and inspections	88,086	-	-	88,086
Cemetery	49,648	-	-	49,648
Airport	59,893	-	-	59,893
Economic development and assistance	64,262	-	-	64,262
Debt service:				
Bond principal	23,383	-	290,000	313,383
Interest	2,296	-	97,120	99,416
Capital outlay	78,742	1,307,747	482,473	1,868,962
Total Expenditures	4,127,975	1,307,747	922,595	6,358,317
Excess (Deficiency) or Revenues Over (Under) Expenditures	(995,433)	287	(259,115)	(1,254,261)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,110,299	-	257,199	1,367,498
Transfers out	(248,069)	(299)	-	(248,368)
Sale of general capital assets	7,534	-	-	7,534
Insurance recoveries	76	-	-	76
Total Other Financing Sources (Uses)	869,840	(299)	257,199	1,126,740
Net change in fund balance	(125,593)	(12)	(1,916)	(127,521)
Fund Balance - Beginning	1,081,294	12	436,899	1,518,205
Fund Balance - Ending	$ 955,701	$ -	$ 434,983	$ 1,390,684

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

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

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$ (127,521)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were exceeded by depreciation expense in the current period.	1,459,237
The net effect of various miscellaneous transactions involving property taxes is to increase net position.	4,823
The net effect of various miscellaneous transactions involving the City's net pension liability is to decrease net position.	(28,101)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	310,641
Change in net position - governmental activities	$ 1,619,079

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

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 939,158	$ 967,434	$ 967,434	$ -
Sales taxes	545,430	650,262	650,262	-
Hotel/motel taxes	22,000	18,763	18,763	-
Franchise taxes	73,880	78,648	88,246	9,598
Licenses and permits	28,225	31,554	32,278	724
Grants	12,000	147,138	143,219	(3,919)
Charges for services	906,240	884,410	860,684	(23,726)
Fines	80,700	79,455	76,325	(3,130)
Investment earnings	5,100	5,100	7,207	2,107
Contributions and donations	45,700	45,700	48,370	2,670
Miscellaneous revenue	204,370	218,088	239,754	21,666
Total Revenues	2,862,803	3,126,552	3,132,542	5,990
EXPENDITURES				
Current:				
General government	375,143	399,143	389,703	9,440
Public safety	1,245,834	1,266,277	1,250,416	15,861
Code enforcement and inspections	87,332	88,086	88,086	-
Highways and streets	483,989	489,036	489,591	(555)
Sanitation	636,932	697,814	697,814	-
Culture and recreation	953,390	917,803	934,141	(16,338)
Cemetery	68,498	49,648	49,648	-
Airport	15,995	59,893	59,893	-
Economic development and assistance	84,823	64,263	64,262	1
Debt service:				
Capital lease	23,383	23,383	23,383	-
Interest - capital lease	2,484	2,484	2,296	188
Capital outlay	-	78,742	78,742	-
Total Expenditures	3,977,803	4,136,572	4,127,975	8,597
Excess (Deficiency) or Revenues Over (Under) Expenditures	(1,115,000)	(1,010,020)	(995,433)	14,587
OTHER FINANCING SOURCES (USES)				
Transfers in	1,110,000	1,110,000	1,110,299	299
Transfers out	-	(161,095)	(248,069)	(86,974)
Sale of general capital assets	5,000	5,000	7,534	2,534
Insurance recoveries	-	-	76	76
Total Other Financing Sources (Uses)	1,115,000	953,905	869,840	(84,065)
Net change in fund balances	-	(56,115)	(125,593)	(69,478)
Fund Balance - Beginning	1,081,294	1,081,294	1,081,294	-
Fund Balance - Ending	$ 1,081,294	$ 1,025,179	$ 955,701	$ (69,478)

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

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

	Business-Type Activities
	Utility Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 475,992
Investments - current	807,643
Accounts receivable, net	761,248
Inventories	11,071
Prepaid items	15,995
Total Current Assets	2,071,949
Noncurrent Assets:	
Land	174,319
Construction in progress	2,557,708
Infrastructure	13,668,617
Furnishings and equipment	1,136,472
Accumulated depreciation	(7,838,317)
Total Noncurrent Assets	9,698,799
Total Assets	11,770,748
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	119,061
Total Deferred Outflows of Resources	119,061
LIABILITIES	
Current Liabilities:	
Accounts payable	294,866
Salaries and benefits payable	33,392
Accrued liabilities	14,917
Due to other funds	108,900
Accrued interest payable	76,659
Bonds payable - current	351,919
Customer deposits	99,632
Total Current Liabilities	980,285
Noncurrent Liabilities:	
Bonds payable	2,795,000
Capital leases	2,530,148
Net pension liability	218,776
Compensated absences	26,458
Total Noncurrent Liabilities	5,570,382
Total Liabilities	6,550,667
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	11,558
Total Deferred Inflows of Resources	11,558
NET POSITION	
Net investment in capital assets	4,021,732
Unrestricted	1,305,852
Total Net Position	$ 5,327,584

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

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

	Business-Type Activities
	Utility Fund
OPERATING REVENUES	
Charges for Services:	
Water sales	$ 785,458
Sewerage service	694,730
Electricity sales	4,527,783
Other charges for services	271,229
Grants	152,742
Miscellaneous revenue	45,209
Total Operating Revenues	6,477,151
OPERATING EXPENSES	
Personnel services	1,043,800
Purchased professional and technical services	265,554
Other purchased services	2,441,429
Other operating expenses	1,220,136
Depreciation	490,994
Total Operating Expenses	5,461,913
Operating Income (Loss)	1,015,238
NONOPERATING REVENUES (EXPENSES)	
Interest rate subsidy	78,806
Investment earnings	13,535
Gain on disposal of property	1,685
Interest expense	(243,612)
Total Nonoperating Revenues (Expenses)	(149,586)
Income before transfers in (out)	865,652
Transfers in	86,870
Transfers out	(1,206,000)
Change in Net Position	(253,478)
Net Position-Beginning	5,581,062
Net Position-Ending	$ 5,327,584

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

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

		Business-Type Activities
		Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	6,401,254
Receipt (return) of customer deposits		3,161
Other receipts		197,951
Payments to suppliers and service providers		(1,242,933)
Payments to employees for salaries and benefits		(1,044,027)
Payments to other funds for services provided		(2,749,650)
Net Cash Provided by (Used for) Operating Activities		1,565,756
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds		86,870
Transfers to other funds		(1,206,000)
Change in net pension liability		6,744
Change in compensated absences		696
Net Cash Provided by (Used for) Capital and Financing Activities		(1,111,690)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(406,039)
Capital leases		(140,821)
Principal paid on capital debt		(210,000)
Interest paid on capital debt		(243,612)
Interest rate subsidy		78,806
Gain on Sale of capital assets		1,685
Net Cash Provided by (Used for) Capital and Related Financing Activities		(919,981)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments		224,449
Interest on investments		13,535
Net Cash Provided by Investing Activities		237,984
Net increase (decrease) in cash and cash equivalents		(227,931)
Cash and Cash Equivalents - Beginning		703,923
Cash and Cash Equivalents - Ending	$	475,992
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:		
Operating Income (Loss)	$	1,015,238
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense		490,994
(Increase) decrease in accounts receivable		122,054
(Increase) decrease in due from other funds		5,215
(Increase) decrease in inventories		35,112
(Increase) decrease in prepaid items		12,724
(Decrease) increase in accounts payable		(69,958)
(Decrease) increase in accrued salaries & compensated absences		(227)
(Decrease) increase in accrued items		(675)
(Decrease) increase in due to other funds		(47,882)
(Decrease) increase in deposits payable		3,161
Total adjustments		550,518
Net Cash Provided by (Used for) Operating Activities	$	1,565,756

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

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Trust Fund
	HRA Fund
ASSETS	
Investments	$ 68,517
Total Assets	68,517
LIABILITIES	
Due to other funds	77
Other liabilities	68,440
Total Liabilities	$ 68,517

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

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NOTES TO THE FINANCIAL STATEMENTS

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I. Summary of significant accounting policies

A. Description of government-wide financial statements

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

B. Reporting entity

The City of Smithville, Texas (the "City") is a municipal corporation governed by an elected mayor and five-member governing Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. For the year ended September 30, 2017, based on the definition of a component unit, the City did not have any component units, blended or discretely presented. Nor, is the City a component unit of any other entity.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. 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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

> The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. Additionally, the City's Capital Replacement Fund is presented as part of the General Fund.

I. Summary of significant accounting policies (continued)

The *Recreation Center Expansion Grant* is a special revenue fund which is used to account for a grant for construction and expansion of the City's Recreation Center.

The City reports the following major enterprise fund:

The *Utility Fund* accounts for the activities of the City's utilities-electric, water, and wastewater.

Additionally, the City reports the following fund types:

Special revenue funds account for resources restricted by the grantor or committed by the City to specific purposes. Most federal and state financial assistance is accounted for in special revenue funds, and occasionally unused balances must be returned to the grantor after project completion.

The *capital projects funds* account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The *Interest and Sinking Fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *HRA Fund* is a fiduciary fund and is used to account for resources held in trust for employees which may be accessed for healthcare expenses.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of

I. Summary of significant accounting policies (continued)

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Budgetary information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Interest and Sinking Fund. The capital projects fund is appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to

I. Summary of significant accounting policies (continued)

facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. Excess of expenditures over appropriations

For the year ended September 30, 2017, expenditures did not exceed appropriations in the City's General Fund or in the Interest and Sinking Fund.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. ***Investments***

Investments for the City are reported at fair value (generally based on quoted market prices) except for positions in local government investment pools when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share, which approximates fair value, even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and utility operations repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets (which include property, plant, equipment, and infrastructure assets e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life of more than one year.

I. Summary of significant accounting policies (continued)

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation. Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	40
Machinery and equipment	5
Vehicles	5
Improvements	7-40
Infrastructure	15-40

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Accordingly, the item, *unavailable revenue,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net position flow assumption

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

7. Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in

I. Summary of significant accounting policies (continued)

the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*8. **Fund balance policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2016, upon which the levy for the fiscal year 2016-2017 was based, was $205,703,339. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

I. Summary of significant accounting policies (continued)

The tax rates assessed for the year ended September 30, 2017, to finance General Fund and Interest and Sinking Fund operations were $0.427560 and $0.138427, respectively, for a total tax rate of $0.565987 per $100 valuation. The total tax levy for the General Fund and Interest and Sinking Fund for the fiscal year 2016-2017 was $1,164,944. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2017, were 100% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General Fund and Interest and Sinking Fund are based on historical experience in collecting taxes.

3. Compensated absences

Vacation

The City's policy permits employees to accumulate up to 144 hours of earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the City and, upon separation from service, no monetary obligation exists.

4. Pensions

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

5. Proprietary funds operating and nonoperating revenues and expenses

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

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government- wide statement of net position. Items shown in summary form on that reconciliation are provided in detail below.

One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this amount are as follows:

Detail of Capital Asset Reconciling Items:

Capital assets not being depreciated:		
Land	$	664,891
Construction in progress		1,920,833
Capital assets, being depreciated		
Buildings and improvements		4,196,546
Machinery, equipment, and vehicles		2,132,897
Infrastructure		4,239,113
Accumulated depreciation		(5,834,336)
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	7,319,944

Another element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this amount are as follows:

Detail of Long-Term Debt Reconciling Items:

Bonds payable	$	2,210,000
Capital leases		49,346
Compensated absences		46,556
Accrued interest payable		25,361
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	2,331,263

II. Reconciliation of government-wide and fund financial statements (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. Items shown in summary form on that reconciliation are provided in detail below.

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period." The details of this amount are as follows:

Detail of Capital Outlay and Depreciation Expense Items:

Capital outlay	$	1,868,961
Depreciation expense		(409,724)
Net adjustment to increase *net changes in fund balance - total governmental funds* to arrive at *changes in net position of governmental activities*	$	1,459,237

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this amount are as follows:

Detail of Long-Term Debt Revenue/Expense Items:

Debt issued or incurred:		
Interest accrual	$	2,239
Change in compensated absences		(4,981)
Principal repayments:		
General obligation debt		290,000
Capital lease financing		23,383
Net adjustment to decrease *changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	310,641

III. Stewardship, compliance and accountability

A. Violations of legal or contractual provisions

No violations of legal or contractual provisions were noted during the current year.

B. Deficit fund equity

For the year ended September 30, 2017 there were no funds reported with deficit fund equity.

IV. Detailed notes on all activities and funds

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2017, the City's bank balance was $974,590 and none of that amount was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the City's name.

B. Investments

The Lone Star Investment Pool (the "Pool") operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard &Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state. The City utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

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

	Maturity Time in Years			
Investment Type	Less than 1	1-5	6-10	More Than 10
Lone Star Investment Pool	731,217	$ -	$ -	$ -
Certificates of Deposit	805,054	-	-	-
Total Investments	$ 1,536,271	$ -	$ -	$ -

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

IV. Detailed notes on all activities and funds (continued)

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs.

Concentration of credit risk. The City's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the City's total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for the general fund and the utility fund. Below is a detail of receivables for the major funds of both the governmental and proprietary funds of the City, including the applicable allowance for uncollectible accounts:

Governmental Funds

Receivables	General Fund
Sales and mixed beverage taxes	102,627
Property liens	79,344
Grants	22,868
Gross receivables	204,839
Less: Allowance for uncollectibles	(31,463)
Net Receivables	$ 173,376

Proprietary Funds

Receivables	Utility Fund
Utility billing	1,380,676
Gross receivables	1,380,676
Less: Allowance for uncollectibles	(619,428)
Net Receivables	$ 761,248

IV. Detailed notes on all activities and funds (continued)

D. Capital assets

Capital assets activity for the City's governmental activities for the year ended September 30, 2017, was as follows:

Governmental Activities:

	Balance 10/1/16	Increases	Decreases	Adjustments	Balance 9/30/17
Capital assets, Not Being Depreciated:					
Land	$ 664,891	$ -	$ -	$ -	$ 664,891
Construction in progress	130,613	1,790,220	-	-	1,920,833
Total Capital Assets, Not Being Depreciated	795,504	1,790,220	-	-	2,585,724
Capital Assets, Being Depreciated:					
Buildings and improvements	4,196,546	-	-	-	4,196,546
Machinery, equipment, and vehicles	2,083,805	78,741	(29,649)	-	2,132,897
Infrastructure	4,239,113	-	-	-	4,239,113
Total Capital Assets, Being Depreciated	10,519,464	78,741	(29,649)	-	10,568,556
Less Accumulated Depreciation For:					
Buildings and improvements	(2,855,215)	(151,001)	-	-	(3,006,216)
Machinery, equipment, and vehicles	(1,915,616)	(185,953)	29,649	-	(2,071,920)
Infrastructure	(683,430)	(72,770)	-	-	(756,200)
Total Accumulated Depreciation	(5,454,261)	(409,724)	29,649	-	(5,834,336)
Total Capital Assets Being Depreciated, Net	5,065,203	(330,983)	-	-	4,734,220
Governmental Activities Capital Assets, Net	$5,860,707	$1,459,237	$ -	$ -	$7,319,944

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

Governmental Activities:

General government	$ 40,645
Public safety	125,676
Highways and streets	49,208
Sanitation	70,135
Culture and recreation	97,738
Code enforcement and inspections	8,853
Cemetery	4,990
Airport	6,020
Economic Development & Assitance	6,459
Total Depreciation Expense - Governmental Activities	$ 409,724

IV. Detailed notes on all activities and funds (continued)

Capital assets activity for the City's business-type activities for the year ended September 30, 2017, was as follows:

Business-Type Activities:

	Balance 10/1/16	Increases	Decreases	Adjustments	Balance 9/30/17
Capital assets, Not Being Depreciated:					
Land	$ 173,319	$ -	$ -	$ 1,000	$ 174,319
Construction in progress	2,557,708	-	-	(2,557,708)	-
Total Capital Assets, Not Being Depreciated	2,731,027	-	-	(2,556,708)	174,319
Capital Assets, Being Depreciated:					
Machinery, equipment, and vehicles	1,136,472	89,784	(56,646)	-	1,169,610
Infrastructure	13,276,035	359,444	-	2,557,708	16,193,187
Total Capital Assets, Being Depreciated	14,412,507	449,228	(56,646)	2,557,708	17,362,797
Less Accumulated Depreciation For:					
Machinery, equipment, and vehicles	(816,588)	(88,008)	12,457	-	(892,139)
Infrastructure	(6,543,192)	(402,986)	-	-	(6,946,178)
Total Accumulated Depreciation	(7,359,780)	(490,994)	12,457	-	(7,838,317)
Total Capital Assets Being Depreciated, Net	7,052,727	(41,766)	(44,189)	2,557,708	9,524,480
Business-type Activities Capital Assets, Net	$9,783,754	$ (41,766)	$ (44,189)	$ 1,000	$9,698,799

E. Defined benefit pension plans

Plan Description

The City participates as one of 866 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.

IV. Detailed notes on all activities and funds (continued)

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.

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	30
Inactive employees entitled to but not yet receiving benefits	54
Active employees	62
	146

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 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Smithville were 6.18% and 6.74% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $147,681, 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:

IV. Detailed notes on all activities and funds (continued)

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 95%. 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 Table 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 is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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 an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

IV. Detailed notes on all activities and funds (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	$ 5,131,855	$ 4,499,507	$ 632,348
Changes for the year:			
Service cost	214,184	-	214,184
Interest	347,256	-	347,256
Change of benefit terms	-	-	-
Difference between expected and actual experience	73,787	-	73,787
Changes of assumptions	-	-	-
Contributions - employer	-	129,248	(129,248)
Contributions - employee	-	108,613	(108,613)
Net investment income	-	304,080	(304,080)
Benefit payments, including refunds of employee contr.	(188,818)	(188,818)	-
Administrative expense	-	(3,434)	3,434
Other changes	-	(185)	185
Net changes	446,409	349,504	96,905
Balance at 12/31/2016	$ 5,578,264	$ 4,849,011	$ 729,253

IV. Detailed notes on all activities and funds (continued)

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

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

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
City's net pension liability	$ 1,553,379	$ 729,253	$ 59,101

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the city recognized pension expense of $40,144.

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 experience	$ 61,871	$ 38,238
Difference in assumptions	16,666	-
Net difference between projected and actual investment earnings	205,095	290
Contributions subsequent to the measurement date	113,238	-
Total	$ 396,870	$ 38,528

$113,238 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended Dec 31,	Net deferred outflows (inflows) of resources
2017	$ 75,089
2018	101,297
2019	68,789
2020	(71)
2021	-
Total	245,104

IV. Detailed notes on all activities and funds (continued)

Supplemental Death Benefit Fund

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were $5,171, $4,984 and $4,864 respectively, which equaled the required contributions each year.

F. Risk management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Lease obligations

Capital lease

The City has a capital lease to finance the acquisition of three vehicles for the police department. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Year Ending September 30		Governmental Activities
2018	$	25,679
2019		25,678
Total Minimum Lease Payments		51,357
Less: Amount Representing Interest		(2,011)
Present Value of Minimum Lease Payments	$	49,346

IV. Detailed notes on all activities and funds (continued)

The City has three capital leases for acquisition of equipment for business-type activities. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

	Business - type Activities			
Year Ending September 30	Digger	Jet Machine	QECB	Total
2018	$ 37,426	$ 11,692	$ 250,352	$ 299,470
2019	37,426	11,692	247,881	296,999
2020	37,426	11,694	245,482	294,602
2021	-	-	216,398	216,398
2022	-	-	241,274	241,274
2023-2027	-	-	1,165,197	1,165,197
2028-2031	-	-	873,393	873,393
Total Minimum Lease Payments	112,278	35,078	3,239,977	3,387,333
Less: Amount Representing Interest	(7,826)	(2,611)	(709,829)	(720,266)
Present Value of Minimum Lease Payments	$ 104,452	$ 32,467	$ 2,530,148	$ 2,667,067

The city's capital lease for purchase of smart meters through Qualified Energy Conservation Bond (QCEB) earned the city an interest rate subsidy of $78,806 during the year.

H. Long-term liabilities

General Obligation Bonds

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and business-type activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the government. General obligation bonds and certificates of obligation generally are issued with repayment scheduled to occur as equal amounts of principal maturing each year with maturities that range from 5 to 20 years.

Details of long-term debt obligations outstanding at September 30, 2017 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/17
Bonds Payable					
General Refunding Bonds, Series 2009	2009	$ 2,210,000	2.50-4.75%	2024	$ 1,420,000
General Refunding Bonds, Series 2005	2005	2,555,000	3.90%	2021	790,000
Total Bonds Payable					$ 2,210,000
Capital Leases Payable					
Capital Lease	2015	$ 117,750	3.70%	2019	$ 49,346
Total Capital Leases Payable					$ 49,346

IV. Detailed notes on all activities and funds (continued)

Business-type Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/17
Bonds Payable					
General Refunding Bonds, Series 2007	2007	$ 4,500,000	4.20%	2028	$ 3,010,000
Total General Obligation Bonds					$ 3,010,000
Capital Leases Payable					
Capital Lease Digger Truck	2016	$ 174,240	3.70%	2019	$ 104,452
Capital Lease Jet Machine	2016	52,000	4.70%	2020	32,467
Capital Lease QECB	2016	2,661,148	3.68%	2031	2,530,148
Total Capital Leases Payable					$ 2,667,067

Changes in long-term liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2017 are as follows:

Governmental Activities:

Description	Balance 10/1/16	Additions	Deletions	Balance 9/30/17	Due in One Year
Bonds Payable					
General refunding bonds	$2,500,000	$ -	$ (290,000)	$ 2,210,000	$ 300,000
Total Bonds Payable	2,500,000	-	(290,000)	2,210,000	300,000
Capital Leases Payable					
Capital lease	72,729	-	(23,383)	49,346	24,233
Total Capital Leases Payable	72,729	-	(23,383)	49,346	24,233
Other Long-term Liabilities					
Net pension liability	442,643	67,834	-	510,477	-
Compensated absences	41,575	4,981	-	46,556	-
Total Other Long-term Liabilities Payable	484,218	72,815	-	557,033	-
Governmental Activities Long-term Liabilities	$3,056,947	$ 72,815	$ (313,383)	$ 2,816,379	$ 324,233

IV. Detailed notes on all activities and funds (continued)

Business-type Activities:

Description	Balance 10/1/16	Additions	Deletions	Balance 9/30/17	Due in One Year
Bonds Payable					
General refunding bonds	$3,220,000	$ -	$ (210,000)	$ 3,010,000	$215,000
Total Bonds Payable	3,220,000	-	(210,000)	3,010,000	215,000
Capital Leases Payable					
Capital lease equipment	104,452	-	-	104,452	34,802
Capital lease equipment	42,288	-	(9,821)	32,467	10,306
Capital lease QECB	2,661,148	-	(131,000)	2,530,148	91,652
Total Capital Leases Payable	2,807,888	-	(140,821)	2,667,067	136,760
Other Long-term Liabilities					
Net pension liability	189,705	29,071	-	218,776	-
Compensated absences	25,762	696	-	26,458	-
Total Other Long-term Liabilities Payable	215,467	29,767	-	245,234	-
Business-type Activities Long-term Liabilities	$6,243,355	$ 29,767	$ (350,821)	$ 5,922,301	$351,760

The debt service requirements for the City's bonds are as follows:

Governmental Activities

	Governmental Activities Bonds Payable	
Year Ended September 30,	Principal	Interest
2018	$ 300,000	$ 86,065
2019	315,000	74,243
2020	335,000	61,440
2021	345,000	48,045
2022	290,000	35,088
2023-2024	625,000	29,663
Totals	$ 2,210,000	$ 334,544

IV. Detailed notes on all activities and funds (continued)

Business-type Activities

	Business-Type Activities	
	Bonds Payable	
Year Ended September 30,	Principal	Interest
2018	$ 215,000	$ 121,905
2019	225,000	112,665
2020	235,000	103,005
2021	250,000	92,820
2022	260,000	82,110
2023-2027	1,485,000	232,995
2028	340,000	7,140
Totals	$ 3,010,000	$ 752,640

I. Interfund receivables and payables

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

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	$ 200,165
General Fund	Utility Fund	108,900
General Fund	Recreation Center Expansion Grant	299
General Fund	Trust Fund	77
	Total	$ 309,441

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the general fund expects to collect in the subsequent year.

J. Interfund transfers

The composition of interfund transfers for the year ended September 30, 2017 was as follows:

	Transfer in to:			
	Governmental Funds		Enterprise Funds	
	General Fund	Nonmajor Gov. Funds	Utility Fund	Total
Transfer out from:				
General Fund	$ -	$ 159,920	$ 86,870	$ 246,790
Utility Fund	1,110,000	96,000	-	1,206,000
Recreation Center Expansion Grant	299	-	-	299
Total	$ 1,110,299	$ 255,920	$ 86,870	$ 1,453,089

IV. Detailed notes on all activities and funds (continued)

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, 2) move general fund resources to provide subsidies to other funds as needs arise, and 3) move resources from the utility fund to the general fund to subsidize governmental activities.

K. Contingencies

The City was not involved in any litigation at year-end that the City's attorney feels would result in a negative outcome or present any material liability to the City.

L. Subsequent events

The City has evaluated subsequent events through April 20, 2018, the date of the audit report. The City is not aware of any subsequent events that materially affect the financial statements and would require recording/disclosure.

Financial Advisory Services
Provided By:

SAMCO CAPITAL MARKETS, INC.