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

OFFICIAL STATEMENT
Dated: February 11, 2019

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds 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, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" herein.)

THE CITY HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$7,460,000
CITY OF HALTOM CITY, TEXAS
(A political subdivision of the State of Texas located in Tarrant County)
GENERAL OBLIGATION BONDS, SERIES 2019

Dated Date: February 1, 2019 **Due: February 1, as shown on page 2**

The $7,460,000 City of Haltom City, Texas General Obligation Bonds, Series 2019 (the "Bonds") are being issued pursuant to the laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, Chapter 331, as amended, Teas Local Government Code, the City's Home Rule Charter, bond elections held on November 2, 2010 and May 5, 2018, and an ordinance (the "Ordinance") adopted by the City Council on February 11, 2019. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds are direct obligations of the Issuer payable from the proceeds of an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Bonds will accrue from February 1, 2019 (the "Dated Date") and will be payable on February 1 and August 1 of each year, commencing February 1, 2020 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 Bonds 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 (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by UMB Bank, N.A., Dallas, Texas, as initial 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 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (1) designing and constructing street, curb, gutter, and sidewalk improvements, demolition, repair, and rebuilding of existing streets, completing necessary or incidental utility relocation and drainage in connection with the foregoing, and the purchase of land, easements, rights of way, and other real property interests necessary therefor or incidental thereto; (2) improving, expanding, renovating, and equipping the City's park system; (3) designing, acquiring, constructing, renovating, improving, and equipping a fire station facility, with priority given to replacing and relocating Fire Station #3; and (4) paying the costs of issuance of the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)

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

The Bonds are offered for delivery, when, as and if issued and received by the initial purchasers thereof at a competitive sale (the "Purchasers") 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. (See "LEGAL MATTERS – Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.) It is expected that the Bonds will be available for delivery through DTC on or about February 26, 2019.

$7,460,000
CITY OF HALTOM CITY, TEXAS
(A political subdivision of the State of Texas located in Tarrant County)
GENERAL OBLIGATION BONDS, SERIES 2019

STATED MATURITY SCHEDULE

CUSIP No. Prefix [1] 406450

Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]	Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]
2020	$ 1,550,000	5.000%	1.700%	A71	2028	$ 305,000	5.000%	2.350%	B70
2021	1,975,000	5.000%	1.730%	A89	2029	320,000	3.000%	2.450%[2]	B88
2022	230,000	5.000%	1.780%	A97	2030	330,000	3.000%	2.550%[2]	B96
2023	240,000	5.000%	1.870%	B21	2031	340,000	3.000%	2.600%[2]	C20
2024	250,000	5.000%	1.950%	B39	2032	350,000	3.000%	2.700%[2]	C38
2025	265,000	5.000%	2.050%	B47	2033	360,000	3.000%	2.800%[2]	C46
2026	280,000	5.000%	2.150%	B54	2034	370,000	3.000%	2.900%[2]	C53
2027	295,000	5.000%	2.200%	B62					

(Interest to accrue from the Dated Date)

The Bonds maturing on or after February 1, 2029 are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, 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 of redemption as further described herein. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by S&P Global Market Intelligence, on behalf of the American Bankers Association and are solely for the convenience of the owners and potential owners of the Bonds. No assurance can be given that the CUSIP number for a particular maturity of the Bonds will remain the same after the date of initial delivery of the Bonds. 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 shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield calculated is based on the assumption that the Bonds 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.

CITY OF HALTOM CITY TEXAS

5024 Broadway
Haltom City, Texas 76117
Phone: (817) 222-7700

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
David Averitt Mayor	8	2019	Real Estate Broker
Jeannine Nunn Councilmember, Place 1	4	2019	Retired
Walter Grow Councilmember, Place 2	4	2019	Premier Senior Consultant
Lin Thompson Councilmember, Place 3	1	2020	Retired
Brent Weast Councilmember, Place 4	5 months	2020	Freight Broker
Bob Watkins Councilmember, Place 5	5	2020	Small Business Owner
Ricky Brown Councilmember, Place 6	1	2020	Home Builder
An Truong Councilmember, Place 7	6	2019	Law Enforcement Investigator

ADMINISTRATION

Name	Position	Length of Service With the City (Years)
Keith Lane	City Manager	10
Rex Phelps	Assistant City Manager	3
Jennifer Fung	Director of Finance	4
Art Camacho	City Secretary	10
Wayne K. Olson	City Attorney	25

CONSULTANTS AND ADVISORS

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

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

Auditor............ Pattillo, Brown and Hill L.L.P.
Waco, Texas

For Additional Information Please Contact:

Ms. Jennifer Fung
Director of Finance
City of Haltom City
5024 Broadway
Haltom City, Texas 76117
(817) 222-7706 Telephone
jfung@haltomcitytx.com

Mr. Mark M. McLiney
Mr. Andrew T. Friedman
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760 Telephone
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 is 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 information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

The Financial Advisor has provided the following sentence for inclusion of 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 Purchasers have provided the following statement for inclusion in this Official Statement. The Purchasers have reviewed the information in this Official Statement in accordance with, and a part of, their responsibilities to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Purchasers do not guarantee the accuracy or completeness of such information.

THE BONDS 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 BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF THE ISSUER, ITS FINANCIAL ADVISOR, OR THE PURCHASERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM AS SUCH INFORMATION IS PROVIDED BY DTC.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement or any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. 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

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 Bonds 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 Haltom City, Texas (the "City" or "Issuer"), a municipal corporation and political subdivision of the State of Texas, is located on U.S. Highway 377, four miles northeast of Fort Worth, Texas, in central Tarrant County, Texas. The City's 2018 population was 42,740. The area of the City is 12.4 square miles. The City was incorporated in 1949 and adopted a Home Rule Charter on October 10, 1955 and operates under a Council/Manager form of government. The Home Rule Charter was most recently amended pursuant to a successful election held within the City on November 3, 2015. The City Council consists of eight members (a Mayor and seven council members) elected by the City's residents. (See " APPENDIX B - General Information Regarding the City of Haltom City, Texas and Tarrant County, Texas" herein.)
The Bonds	The $7,460,000 City of Haltom City, Texas General Obligation Bonds, Series 2019 (the "Bonds") are being issued pursuant to the laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, elections held in the City on November 2, 2010 and May 5, 2018, the City's Home Rule Charter, and an ordinance (the "Ordinance") adopted by the City Council on February 11, 2019.
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Dallas, Texas.
Security for the Bonds	The Bonds are direct obligations payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "THE BONDS - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
Redemption Provisions	The Bonds maturing on or after February 1, 2029 are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, 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. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds 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 the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The City has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (1) designing and constructing street, curb, gutter, and sidewalk improvements, demolition, repair, and rebuilding of existing streets, completing necessary or incidental utility relocation and drainage in connection with the foregoing, and the purchase of land, easements, rights of way, and other real property interests necessary therefor or incidental thereto; (2) improving, expanding, renovating, and equipping the City's park system; (3) designing, acquiring, constructing, renovating, improving, and equipping a fire station facility, with priority given to replacing and relocating Fire Station #3; and (4) paying the costs of issuance of the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)
Rating	S&P Global Ratings ("S&P") has assigned an underlying, unenhanced rating of "AA-" to the Bonds. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" 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, except potentially issuing refunding bonds for debt service savings.
Delivery	When issued, anticipated to occur on or about February 26, 2019.
Legality	Delivery of the Bonds 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.

OFFICIAL STATEMENT

Relating to

$7,460,000
CITY OF HALTOM CITY, TEXAS
(A political subdivision of the State of Texas located in Tarrant County)
GENERAL OBLIGATION BONDS, SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement, including Schedule I and the appendices hereto, provides certain information in connection with the issuance by the City of Haltom City, Texas (the "City" or "Issuer") of its $7,460,000 General Obligation Bonds, Series 2019 (the "Bonds") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and a home-rule municipal corporation organized and existing under the laws of the State of Texas. The Bonds are being issued by the City of Haltom City, Texas (the "Issuer" or the "City") in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Chapters 1251 and 1331, as amended, Texas Government Code, Chapter 331, as amended, Texas Local Government Code, bond elections (together the "Elections") held on November 2, 2010 and May 5, 2018, and an ordinance (the "Ordinance") adopted by the City Council on February 11, 2019.

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 Bonds 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 Bonds will be filed by the Purchasers 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 BONDS

General Description

The Bonds will be dated February 1, 2019 (the "Dated Date"), will be issued in denominations of $5,000 principal or any integral multiple thereof within a stated maturity, and 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. Interest on the Bonds will accrue from the Dated Date, with such interest payable on February 1 and August 1 of each year, commencing February 1, 2020, until stated maturity or prior redemption. Principal and interest on the Bonds 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 Bonds will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Dallas, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein) 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 Bonds 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 Bonds will 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 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 Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, Chapter 331, as amended, Texas Local Government Code,the City's Home Rule Charter, the Elections, and the Ordinance.

Security for Payment

The Bonds are direct obligations payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "TAX RATE LIMITATIONS" herein.)

Redemption Provisions

The Issuer reserves the right to redeem Bonds stated to mature February 1, 2029 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar) on February 1, 2028 or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the City shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary random method, the Bonds, or portions thereof, to be redeemed.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Bonds 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 Bond 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 Bonds 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 Bonds 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 ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than $5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds 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 Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds 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 Bonds from the Beneficial Owners. Any such selection of Bonds 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 or 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 Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used for the purpose of (1) designing and constructing street, curb, gutter, and sidewalk improvements, demolition, repair, and rebuilding of existing streets, completing necessary or incidental utility relocation and drainage in connection with the foregoing, and the purchase of land, easements, rights of way, and other real property interests necessary therefor or incidental thereto; (2) improving, expanding, renovating, and equipping the City's park system; (3) designing, acquiring, constructing, renovating, improving, and equipping a fire station facility, with priority given to replacing and relocating Fire Station #3; and (4) paying the costs of issuance of the Bonds.

Sources and Uses

Sources of Funds		The Bonds
Par Amount	$	7,460,000.00
Accrued Interest		23,027.78
Reoffering Premium		526,664.85
Total Sources of Funds	$	8,009,692.63
Uses of Funds		
Deposit to Project Fund	$	7,823,000.00
Costs of Issuance		126,339.57
Purchasers' Discount		37,325.28
Deposit to Bond Fund		23,027.78
Total Uses of Funds	$	8,009,692.63

Payment Record

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

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas ("Bond Counsel"). The legal opinion of Bond Counsel will accompany the Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds 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, (2) Government Securities (defined below), certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Securities together so certified sufficient to make such payment; provided, however, that no certification by an independent accounting firm of the sufficiency of deposits shall be required in connection with a gross defeasance of Bonds. 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 Bonds. 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 Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, 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 Bonds ("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 Bonds, registered owners of Bonds 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 Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds 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 Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 Bonds 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 Bonds 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 Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver or rescission.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Bonds 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 Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's Bonds are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds 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 (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 at the time of inception of the contractual relationship. 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 Bonds. 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors or general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, 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 institution, shall be an association or a 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 shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds 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 earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the 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 person entitled to the receipt of the interest payable on a Bond 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 Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds 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 Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond 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 Bonds issued in an exchange or transfer of Bonds 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 Bonds 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 Bonds 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 Bond or Bonds 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 Bonds.)

Limitation on Transfer of Bonds

Neither the City 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 of 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 Bond 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 Bond redeemed in part.

Replacement Bonds

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

The City, the Financial Advisor, and the Purchasers cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any 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 applicable series of Bonds), or any 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, 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 issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. 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"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has an S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Purchasers believe to be reliable, but the Issuer, the Financial Advisors and the Purchasers take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

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 Bonds will be issued to the holders and the Bonds 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 City invests its investable funds in investments authorized by Texas law, including Chapter 2256, as amended, Texas Government Code (the "Texas Public Funds Investment Act"), and in accordance with investment policies approved by the City Commission of the City. Both state law and the City's investment policies are subject to change. See "Table 10 – Current Investments" in Appendix A.

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which 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 City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City 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 City 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 City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, 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 City with respect to the certificates of deposit issued for the account of the City; (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 City or cash held by the City to be pledged to the City, held in the City's name and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and (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 City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances 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 City 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 City 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 City and deposited with the City or with a third party selected and approved by the City.

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

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment owned by the City, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirements for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

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

Current Investments [(1)] — TABLE 1

As of September 30, 2018, the City had the following investments:

Type of Security	Market Value	Percentage of Total
Cash	$4,785,372	9.56%
Local Government Investment Pools	5,544,634	11.07%
Certificates of Deposits	7,550,276	15.08%
Municipal Securities	3,021,770	6.03%
Federal Agency Coupon Securities	29,179,737	58.26%
	$50,081,789	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.

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(1) *Unaudited.*

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the Issuer

Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the City are subject to taxation by the City. Principal categories of exempt property (including certain exemptions which are subject to local option by the City Council) include property owned by the State 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 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. At an election held on September 13, 2003, the voters of the State 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 15% of registered voters of the municipality. The City has implemented this "tax freeze" pursuant to an Ordinance adopted by the City Council on July 12, 2004. City administration does not believe that the implementation of this tax freeze has had a material adverse financial impact on the City. The effective impact of the freeze in fiscal year 2017 on the tax rate is approximately $0.01045 per $100 of net taxable value.

Valuation of Property 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 Property 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. State law requires the appraised value of a residence homestead to be based solely n he property’s value as a residence homestead, regardless of whether residential use in considered to be the highest and best use of the property.

Article VIII of the Texas Constitution and the Property 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 Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Issuer can collect taxes based on the new value, including three (3) years for agricultural use and five (5) years for agricultural open space land and timberland prior to the loss of the designation. The same land may not be qualified under both Section 1-d and 1-d-1.

Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Effective January 1, 2016, the valuation assessment of oil and gas reserves will depend upon pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year.

The Property 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 City has elected to grant this additional exemption up to a maximum of $50,000.

2. An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000. The City has elected to grant this additional exemption in the amount of 10% of the market value of residence homesteads.

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

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

Freeport Goods 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, 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. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, require that the governmental entities take affirmative action prior to December 31 2011 to continue its taxation of goods-in-transit in the 2012 tax year and beyond. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The City took official action before April 1, 1990 to tax freeport property. On October 24, 2011, the City adopted an ordinance that continued the taxation of all goods-in-transit for the tax year 2012 and beyond.

Tax Abatement

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

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 Property 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 Property 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") provides that real property held by the Federal Deposit Insurance Corporation ("FDIC") is still subject to ad valorem taxation, but 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 the 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 tis taxes unless it elects to transfer such functions to another governmental entity. Before the late of September 30th or the 60th day after the date the certified appraisal roll is received by the tax 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 Property 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 and discounts.

Issuer's Rights in the Event of Tax Delinquencies

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

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

TAX RATE LIMITATIONS

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

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 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-fourth cent sales tax for street maintenance. In addition, the Issuer has approved an additional one-half cent sales tax for economic development, effective July 1, 2004. The Issuer has also approved an additional one-fourth sales tax for a crime control district. See Table 8 – Municipal Sales Tax Collections in APPENDIX A.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP of San Antonio, Texas (“Bond Counsel”), to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the “Code”), of the owners thereof pursuant to section 103 of the Code 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 will be based are subject to change. The form of Bond Counsel’s opinion appears in APPENDIX C attached hereto.

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

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 Bonds. Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, 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 “Service”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal Bonds. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the City as the “taxpayer,” and the Beneficial Owners 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 Bonds, the City may have different or conflicting interests from the Beneficial Owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds 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 Bonds. Prospective purchasers of the Bonds 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 Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions (See “TAX MATTERS – Qualified Tax-Exempt Obligations” 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 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 Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds 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 Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond 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 Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond 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 accrued 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" herein), property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization 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.

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

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds 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 Bonds

The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds 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 Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. 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 Bond. 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 Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations

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 financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly 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 current 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 Bonds 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 Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds 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 Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under these agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal market Access ("EMMA") system through an internet website accessible at www.emma.msrb.org as described below under "Availability of Information".

Annual Reports

Under State law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request to City Secretary, 5024 Broadway, Haltom City, Texas, 76117 and upon payment of charges prescribed by the Texas General Services Commission.

The City will file certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general obligation type included in Table 1 of the Official Statement, Tables 1 through 17 of APPENDIX A to this Official Statement, and in APPENDIX D. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2018. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

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

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

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds 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 Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances;(10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes;(12) bankruptcy, insolvency, receivership, or similar event of the City, 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 Bonds nor the Ordinance make any provision for debt service reserve funds, credit enhancement or liquidity enhancement.

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

The City may amend its continuing disclosure agreement 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 Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds 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 Bonds. 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 Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its continuing disclosure obligations under the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond 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 Bonds, 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 Bonds 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 Bonds, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed (except for numerical, statistical and technical data) the information under the captions “THE BONDS” (except under the subcaptions, “Use of Bond Proceeds”, “Sources and Uses”, “Payment Record”, and “Default and Remedies”, as to which no opinion is expressed), “REGISTRATION, TRANSFER AND EXCHANGE”, “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 Bonds for Sale” in the Official Statement and such firm is of the opinion that the information relating to the Bonds 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 Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds 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 Bonds 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 Bonds, the City will provide the Purchasers with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

Legal Investments and Eligibility to Secure Public Funds in Texas

State law provides that obligations, such as the Bonds, are eligible to secure deposits of the state, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. 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 Bonds may have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such Bonds are eligible investments for sinking funds and other public funds. (See “OTHER PERTINENT INFORMATION - Rating” herein.)

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 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds 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 Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; or have the Bonds been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Purchasers to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchasers' written request and sole expense, in registering or qualifying the Bonds 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 underlying, unenhanced rating of "AA-" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflect only the views 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 revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

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 that are believed to be reliable. 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 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.

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.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting 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 delivery of the Bonds.

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.

Winning Bidder

After requesting competitive bids for the Bonds, the City accepted the bid of Raymond James & Associates, Inc. (the "Purchasers") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of $526,664.85, less a Purchasers' discount of $37, 325.28, plus accrued interest on the Bonds 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 Purchasers. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchasers.

Certification of the Official Statement

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

Authorization of the Official Statement

The Official Statement was approved as to form and content and the use thereof in the offering of the Bonds was authorized, ratified and approved by the City Council, and the Purchasers will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Ordinance approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorized its further use in the reoffering of the Bonds by the Purchasers.

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF HALTOM CITY, TEXAS

/s/David Averitt
Mayor
City of Haltom City, Texas

ATTEST:

/s/Art Camacho
City Secretary
City of Haltom City, Texas

APPENDIX A

FINANCIAL INFORMATION
CITY OF HALTOM CITY, TEXAS

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2018 Actual Certified Market Value of Taxable Property (100% of Market Value)……		$ 2,491,411,871
Less Exemptions:		
Optional Over-65 or Disabled Homestead……	$ 117,870,153	
Disabled/Deceased Veterans'……	79,838,371	
Disabled/Deceased Veterans'……	6,003,631	
Freeport Exemption……	27,238,609	
Abatement Loss……	-	
Other……	115,219,328	
TOTAL EXEMPTIONS ……	$ 346,170,092	
2018 Certified Assessed Value of Taxable Property……		$ 2,145,241,779

Source: Tarrant County Appraisal District.

GENERAL OBLIGATION BONDED DEBT (1)

(as of December 1, 2018)

General Obligation Debt Principal Outstanding	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006	$ 2,320,000
General Obligation Bonds, Series 2006	825,000
General Obligation Refunding Bonds, Series 2006	405,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	2,770,000
General Obligation Refunding Bonds, Series 2009	605,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2010	2,370,000
General Obligation Refunding Bonds, Series 2010	1,605,000
General Obligation Bonds, Series 2011	6,745,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011	1,000,000
General Obligation Refunding Bonds, Series 2012	2,255,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	2,485,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013	1,625,000
General Obligation Bonds, Series 2013	2,495,000
Tax Notes, Series 2013	455,000
General Obligation Refunding Bonds, Series 2013	3,230,000
General Obligation and Refunding Bonds, Series 2014	3,010,000
General Obligation Bonds, Series 2014	1,155,000
General Obligation and Refunding Bonds, Series 2017	6,540,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	6,720,000
General Obligation Bonds, Series 2018	2,860,000
The Bonds	7,460,000
Total Gross General Obligation Debt	$ 58,935,000
Less: Self Supporting Debt	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006 (54%W&S, 24%DD, 22%EDC)	$ 2,320,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 (17% W&S)	470,000
General Obligation Refunding Bonds, Series 2008 (36% W&S)	210,000
General Obligation Refunding Bonds, Series 2009 (100% W&S)	605,000
General Obligation Refunding Bonds, Series 2010 (35% Utility, 16% EDC)	830,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 (80% Oil & Gas)	800,000
General Obligation Refunding Bonds, Series 2012 (25% Utility, 75% EDC)	2,255,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 (93% Utility, 7% Oil & Gas)	2,620,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 (91% Oil & Gas)	1,475,000
Maintenance Tax Notes, Series 2013 (66% Oil & Gas)	300,000
General Obligation and Refunding Bonds, Series 2014 (42% Drainage and 39% W&S)	2,430,000
General Obligation and Refunding Bonds, Series 2017 (13% W&S)	845,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (100% W&S)	6,720,000
Total Self-Supporting Debt	$ 21,880,000
Total Net General Obligation Debt Outstanding	$ 37,055,000
2018 Net Assessed Valuation	$ 2,145,241,779
Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation	2.75%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation	1.73%

Population: 2000 -39,018; 2010 - 39,600; est. 2018 - 42,740

Per Capita Certified Net Taxable Assessed Valuation - $50,192.84

Per Capita Gross General Obligation Debt Principal - $1,378.92

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE — TABLE 2

(As of September 30, 2017)

-NONE-

Source: Information provided by the Issuer. As of fiscal year ended September 30, 2017.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending (9/30)	Current Total Outstanding Debt [(1)]	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Combined Debt Service	Less: Self Supporting Debt Service	Total Net Debt Service
2019	$ 8,465,062				$ 8,465,062	$ 3,494,543	$ 4,970,520
2020	6,410,172	$ 1,550,000	$ 458,650	$ 2,008,650	8,418,822	3,076,443	5,342,379
2021	6,207,416	1,975,000	204,725	2,179,725	8,387,141	2,877,862	5,509,279
2022	5,767,337	230,000	149,600	379,600	6,146,937	2,583,429	3,563,508
2023	5,371,650	240,000	137,850	377,850	5,749,500	2,410,459	3,339,041
2024	5,101,480	250,000	125,600	375,600	5,477,080	2,383,630	3,093,451
2025	4,874,293	265,000	112,725	377,725	5,252,018	2,189,830	3,062,188
2026	4,086,471	280,000	99,100	379,100	4,465,571	1,999,823	2,465,748
2027	3,438,709	295,000	84,725	379,725	3,818,434	1,548,443	2,269,992
2028	3,062,071	305,000	69,725	374,725	3,436,796	1,483,475	1,953,321
2029	2,259,259	320,000	57,300	377,300	2,636,559	1,168,724	1,467,835
2030	2,095,496	330,000	47,550	377,550	2,473,046	1,168,865	1,304,181
2031	1,825,686	340,000	37,500	377,500	2,203,186	898,138	1,305,049
2032	1,823,124	350,000	27,150	377,150	2,200,274	891,813	1,308,461
2033	325,600	360,000	16,500	376,500	702,100	101,750	600,350
2034	-	370,000	5,550	375,550	375,550	-	375,550
Total	$ 61,113,825	$ 7,460,000	$ 1,634,250	$ 9,094,250	$ 70,208,075	$ 28,277,224	$ 41,930,851

[(1)] *Includes self-supporting debt.*

TAX ADEQUACY (Includes Self-Supporting Debt)

2018 Certified Net Taxable Assessed Valuation	$ 2,145,241,779
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2019)	8,465,062 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.40265 *

* *Includes the Bonds.*

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 Certified Net Taxable Assessed Valuation	$ 2,145,241,779
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	5,509,279 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.26205 *

* *Includes the Bonds.*

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

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2018	$	337,082
2019 Anticipated Interest and Sinking Fund Tax Levy at 98% Collections Produce [1]		4,835,375
Total Available for General Obligation Debt	$	5,172,457
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/19		4,970,520
Estimated Surplus at Fiscal Year Ending 9/30/2019 [1]	$	201,937

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(As of December 1, 2018)

	Principal Repayment Schedule						
Fiscal Year Ending 9-30	**Currently Outstanding[a]**	**The Bonds**	**Total**	**Principal Unpaid at End of Year**	**Percent of Principal Retired (%)**
2019	$ 6,900,000		$ 6,900,000	52,035,000	11.71%
2020	5,010,000	$ 1,550,000	6,560,000	45,475,000	22.84%
2021	4,955,000	1,975,000	6,930,000	38,545,000	34.60%
2022	4,670,000	230,000	4,900,000	33,645,000	42.91%
2023	4,415,000	240,000	4,655,000	28,990,000	50.81%
2024	4,280,000	250,000	4,530,000	24,460,000	58.50%
2025	4,190,000	265,000	4,455,000	20,005,000	66.06%
2026	3,540,000	280,000	3,820,000	16,185,000	72.54%
2027	3,015,000	295,000	3,310,000	12,875,000	78.15%
2028	2,735,000	305,000	3,040,000	9,835,000	83.31%
2029	2,020,000	320,000	2,340,000	7,495,000	87.28%
2030	1,925,000	330,000	2,255,000	5,240,000	91.11%
2031	1,720,000	340,000	2,060,000	3,180,000	94.60%
2032	1,780,000	350,000	2,130,000	1,050,000	98.22%
2033	320,000	360,000	680,000	370,000	99.37%
2034	-	370,000	370,000	-	100.00%
Total	$ 51,475,000	$ 7,460,000	$ 58,935,000		

(a) *Includes self-supporting debt.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2008-2018 — TABLE 3

	Net Taxable	Change From Preceding Year	
Year	Assessed Valuation	Amount ($)	Percent
2008-09	$ 1,617,465,793		
2009-10	1,626,392,671	8,926,878	0.55%
2010-11	1,488,304,888	(138,087,783)	-8.49%
2011-12	1,545,489,768	57,184,880	3.84%
2012-13	1,554,478,270	8,988,502	0.58%
2013-14	1,583,377,293	28,899,023	1.86%
2014-15	1,673,819,654	90,442,361	5.71%
2015-16	1,651,241,858	(22,577,796)	-1.35%
2016-17	1,775,210,261	123,968,403	7.51%
2017-18	1,965,607,988	190,397,727	10.73%
2018-19	2,145,241,779	179,633,791	9.14%

Source: Tarrant County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 4**

	2018	% of Total	2017	% of Total	2016	% of Total
Real, Residential, Single-Family	$ 1,315,059,529	53.23%	$ 1,206,851,825	54.50%	$ 1,090,375,995	49.24%
Real, Residential, Multi-Family	365,868,261	14.81%	322,466,969	14.56%	276,960,101	12.51%
Real, Vacant Lots/Tracts	38,927,338	1.58%	32,230,856	1.46%	34,216,018	1.55%
Real, Acreage (Land Only)	4,069,505	0.16%	6,180,719	0.28%	6,944,497	0.31%
Real, Commercial and Industrial	512,670,744	20.75%	497,100,558	22.45%	418,439,450	18.90%
Oil and Gas	1,906,720	0.08%	10,766,790	0.49%	10,678,327	0.48%
Real & Tangible, Personal Utilities	45,460,760	1.84%	34,119,976	1.54%	33,221,106	1.50%
Tangible Personal, Commercial &	187,403,981	7.59%	342,500,223	15.47%	324,491,658	14.65%
Tangible Personal, Mobile Homes	4,577,027	0.19%	4,746,372	0.21%	6,088,984	0.27%
Real Property, Inventory	15,468,006	0.63%	13,541,969	0.61%	13,012,545	0.59%
Total Appraised Value	$ 2,491,411,871	100.00%	$ 2,470,506,257	100.00%	$ 2,214,428,681	100.00%
Less:						
Optional Over-65 or Disabled Homestead	$ 117,870,153		$ 114,547,876		$ 117,825,784	
Optional Percentage Homestead	79,838,371		70,455,569		68,239,990	
Disabled/Deceased Veterans'	6,003,631		4,966,237		2,036,589	
Freeport Exemption	27,238,609		41,939,383		43,109,129	
Abatement Loss	-		6,930,934		6,468,080	
Other	115,219,328		266,058,270		201,538,848	
Net Taxable Assessed Valuation	$ 2,145,241,779		$ 1,965,607,988		$ 1,775,210,261	

PRINCIPAL TAXPAYERS **TABLE 5**

Name	Type of Business/Property	2018 Net Taxable Assessed Valuation	% of 2018 Assessed Valuation
CAF TNREF III JL LLC	Real Estate	$ 72,549,516	3.38%
WMMFI II Beach Street LP	Real Estate	42,600,000	1.99%
Hillshire Brands Company	Food Manufacturer	40,649,945	1.89%
HZ Amesbury Court LLC	Apartments	34,700,000	1.62%
GCAD Fairway LLC	Apartments	26,500,000	1.24%
Fossil Ridge Apartments LLC	Apartments	23,450,000	1.09%
Spring Lake City LP	Apartments	26,300,000	1.23%
Fossil Hill Apartments LP	Apartments	18,000,000	0.84%
AV Haltom Lakeview	Real Estate	17,400,000	0.81%
Oncor Electric Delivery Co LLC	Electric Utility	14,956,093	0.70%
		$ 317,105,554	14.78% *

Source: Tarrant County Appraisal District

As shown in the table above, the top ten taxpayers in the City account for in excess of 14% of the City's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the City, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Certificates may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "THE CERTIFICATES – Default and Remedies" and "AD VALOREM TAX PROCEDURES – Issuer's Rights in the Event of Tax Delinquencies" in this Official Statement.

TAX RATE DISTRIBUTION **TABLE 6**

	2018	2017	2016	2015	2014
General Fund	$ 0.423000	$ 0.455180	$ 0.462320	$ 0.462316	$ 0.480000
I&S Fund	0.230000	0.213000	0.237670	0.237674	0.220000
Total Tax Rate	$ 0.653000	$ 0.668180	$ 0.699990	$ 0.699990	$ 0.700000

Source: Tarrant County Appraisal District

TAX DATA **TABLE 7**

Taxes are due October 1 and become delinquent after January 31. Current collections are those taxes collected through August 31, applicable to the current year's tax levy. Penalities and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at at rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	Total	Year Ended
2007	$ 1,569,039,089	$ 0.598300	$ 9,387,561	97.88	100.92	9/30/2008
2008	1,617,465,793	0.646370	10,454,814	97.60	98.32	9/30/2009
2009	1,626,392,671	0.646371	10,512,531	97.16	98.61	9/30/2010
2010	1,488,304,888	0.646371	9,619,971	97.75	99.61	9/30/2011
2011	1,545,489,768	0.651740	10,072,575	97.35	98.76	9/30/2012
2012	1,554,478,270	0.651740	10,131,157	98.47	103.60	9/30/2013
2013	1,583,377,293	0.699900	11,082,058	97.40	98.85	9/30/2014
2014	1,673,819,654	0.700000	11,716,738	98.99	101.01	9/30/2015
2015	1,651,241,858	0.699990	11,558,528	99.56	103.48	9/30/2016
2016	1,775,210,261	0.699990	12,426,294	98.40	99.52	9/30/2017
2017	1,965,607,988	0.668180	13,133,799	98.62	100.42	9/30/2018
2018	2,145,241,779	0.653000	14,008,429	(In Process of Collection)		9/30/2019

Source: Tarrant County Appraisal District

MUNICIPAL SALES TAX COLLECTIONS **TABLE 8**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The City's total sales tax rate is 2%. 1% of the tax is for the General Fund, ½ percent for economic development, ¼% for street maintenance, and ¼% for the crime control district. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy (1)	Equivalent of Ad Valorem Tax Rate	Haltom City Crime Control District
2008	$ 8,819,932	42.18%	$ 0.183	$ 1,197,526
2009	7,981,832	37.96%	0.204	1,070,407
2010	7,981,025	41.48%	0.186	1,058,581
2011	8,622,657	42.80%	0.179	1,166,669
2012	9,354,719	46.17%	0.166	1,277,760
2013	9,651,233	43.54%	0.164	1,328,837
2014	9,941,167	42.42%	0.168	1,358,735
2015	10,732,980	46.43%	0.154	1,477,194
2016	11,759,408	47.32%	0.151	1,523,730
2017	12,219,477	46.52%	0.161	1,693,594
2018	13,289,578	(as of December 2018)		1,840,869

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

OVERLAPPING DEBT INFORMATION

(As of November 30, 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 1/31/2019)	% Overlapping	Amount Overlapping	
Birdville ISD	$ 411,197,467	20.74%	$ 85,282,355	
Forth Worth ISD	964,305,000	0.23%	2,217,902	
Keller ISD	680,508,707	0.60%	4,083,052	
Tarrant County	294,500	1.25%	3,681	
Tarrant County Hospital Dist.	19,300,000	1.25%	241,250	
Total Gross Overlapping Debt			$ 91,828,240	
Haltom City, City of			$ 58,935,000	*
Total Gross Direct and Overlapping Debt			$ 150,763,240	*
Ratio of Gross Direct Debt and Overlapping Debt			7.03%	*
Per Capita Gross Direct Debt and Overlapping Debt			$3,528.28	*

Note: The above figures show Gross General Obligation Debt for the City of Haltom City, Texas. The Issuer's Net General Obligation Debt is $37,055,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	$ 128,883,240	*
Ratio of Net Direct and Overlapping Debt to 2018 Net Assessed Valuation	6.01%	*
Per Capita Net Direct and Overlapping Debt	$3,015.52	*

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

** Includes the Bonds.*

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				
	9/30/2018 [(1)]	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Fund Balance - Beginning of Year	$ 10,244,499	$ 9,573,035	$ 11,562,281	$ 11,529,812	$ 11,384,832
Revenues	28,418,783	26,800,791	23,569,567	23,395,253	29,270,736
Expenditures	26,602,603	25,199,170	25,295,763	23,377,259	29,261,287
Excess (Deficit) of Revenues Over Expenditures	$ 1,816,180	$ 1,601,621	$ (1,726,196)	$ 17,994	$ 9,449
Other Financing Sources (Uses):					
Operating Transfers In	$ 1,568,200	$ 668,200	$ 727,600	$ 723,681	$ 729,845
Sale of Capital Assets	62,913	18,356	-	27,554	122,503
Operating Transfers Out	(1,879,663)	(1,616,713)	(990,650)	(782,199)	(716,817)
Total Other Financing Sources (Uses):	$ (248,550)	$ (930,157)	$ (263,050)	$ (30,964)	$ 135,531
Prior Period Adjustment	$ -	$ -	$ -	45,439.00	-
Fund Balance - End of Year [(1)]	$ 11,812,129	$ 10,244,499	$ 9,573,035 [(2)]	$ 11,562,281	$ 11,529,812

[(1)] Unaudited results provided by the City.

[(2)] The drawdown from FYE15 to FYE16 was deliberate and budgeted by City Council to spend down excess reserves in the City's Oil and Gas fund. The City will maintain at least 20% of operating expenses in fund balance per its General Fund Balance Policy.

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2018 Assessed Valuation	% of Actual	2018 Tax Rate
Birdville ISD	$ 10,003,506,479	100%	$ 1.454000
Forth Worth ISD	36,402,306,546	100%	1.352000
Keller ISD	18,404,740,923	100%	1.510000
Tarrant County	180,110,821,859	100%	0.234000
Tarrant County College Dist.	180,908,726,158	100%	0.136000
Tarrant County Hospital Dist.	180,270,255,261	100%	0.224000

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

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

Issuer	Date of Authorization	Purpose	Amount Authorized	Amount Issued to Date	Amount Unissued
Birdville ISD	11/4/2014	School Buidling	$ 163,200,000	$ 154,200,000	$ 9,000,000
	11/6/2018	School Building	252,802,490	-	252,802,490
			416,002,490	154,200,000	261,802,490
Fort Worth ISD	11/1/2017	School Building	$ 749,735,000	$ 185,375,000	$ 564,360,000
Keller ISD	None				
Tarrant County	8/8/1998	Justice Center	$ 70,600,000	$ 63,100,000	$ 7,500,000
		Healthcare Facility	9,100,000	1,000,000	8,100,000
		Jail	14,600,000	14,600,000	-
	5/13/2006	Road & Bridge	200,000,000	200,000,000	-
		Jail	108,000,000	108,000,000	-
		County Buildings	62,300,000	47,300,000	15,000,000
		Juvenile Detention	36,320,000	36,320,000	-
		County Offices	26,500,000	26,500,000	-
			$ 527,420,000	$ 496,820,000	$ 30,600,000
Tarrant County College Dist.	None				
Tarrant County Hospital Dist.	None				
City of Haltom City	11/2/2010 [(1)]	Streets & Sidewalks	$ 12,153,000	$ 12,153,000	$ -
		Fire Station	3,655,000	3,655,000	-
		Park	5,400,000	5,400,000	-
	5/5/2018 [(1)]	Fire Improvements	5,500,000	5,500,000	-
			26,708,000	26,708,000	$ -

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

(1) Includes the allocation of certain reoffering premiums against the prncipal amount of voted authority.

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.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefits provisions are adopted by the governing body of the city, within the options available in the state statues 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.

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

Employee deposit rate	7.00%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Retirement Eligibility	20 years to any age,
(expressed as age/years of	5 years at age 60 and above
Updated service Credit	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI repeating

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	195
Inactive employees entitled to but not yet receiving benefits	148
Active employees	262
Total	605

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year 2017. The contribution rates for the City were 18.72% and 18.76% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $3,094,631, 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.

Source: The City's Annual Financial Report for Fiscal Year End September 30, 2017.

Actuarial assumptions:

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustments are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year-set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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. 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 6.25%. 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 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, TRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balance at 12/31/2015	$ 106,655,809	$ 83,382,989	$ 23,272,820
Changes for the year:			
Service cost	$ 2,898,328	$ -	$ 2,898,328
Interest	7,140,222	-	7,140,222
Change of Benefit Terms	-	-	-
Difference between expected and Actual Experience	216,371	-	216,371
Changes of assumptions	-		-
Contributions - Employer	-	3,089,790	(3,089,790)
Contributions - Employee	-	1,155,370	(1,155,370)
Net Investment Income	-	5,635,642	(5,635,642)
Benefit Payments, Including			-
Refunds of Employee Contributions	(4,647,814)	(4,647,814)	-
Administrative Expense	-	(63,642)	63,642
Other Changes	-	(3,429)	3,429
Net Changes	5,607,107	5,165,917	441,190
Balance at 12/31/2016	$ 112,262,916	$ 88,548,906	$ 23,714,010

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 40,525,723	$ 23,714,010	$ 10,008,326

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

For the year ended September 30, 2017, the City, recognized pension expense of $4,402,338.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 168,181	$ 457,618
Changes in actuarial assumptions	-	$ 204,126
Difference between projected and actual	3,826,099	-
Contributions subsequent to the measurement date	2,237,491	-
Total	$ 6,231,771	$ 661,744

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

$2,227,689 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, 2016. 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	Pension Expense Amount
2016	$ 1,080,439
2017	1,129,047
2018	1,100,893
2019	22,157
2020	-
Thereafter	-
Total	$ 3,332,536

OTHER POST EMPLOYMENT BENEFITS

Plan Description

Full-time employees of the City who retire from the Texas Municipal Retirement System are eligible to participate in the retiree health care plan. Under State law, the City must offer health insurance to full-time employees that retire through our pension system, the Texas Municipal Retirement System. This affords the option to continue insurance but the retiree must pay the full premiums for coverage unless eligible for additional coverage as outlined below. The City established by ordinance a single-employer defined benefit post-employment, healthcare plan that covers retired employees of the City. The City established an irrevocable trust and contracted with an administrator, as well as custodial bank, to manage the plan's assets. The trust does not issue a separate audited financial report. However, the trust is audited as part of the City's annual audit and an account statement prepared by the administrator is available upon request by contacting the City's Finance Department, 5024 Broadway Avenue, Haltom City, Texas 76117.

A retiree who worked as a full-time employee for a minimum of twenty years may receive up to $200 per month as reimbursement for retiree health care. The retiree can remain on the City's health plan and receive up to $200 per month or purchase insurance elsewhere and provide proof of coverage and cost in order to receive up to $200 per month for the cost of health care coverage. If the actual monthly cost is less than $200 per month, then the payment is capped at the total monthly cost. The maximum contribution by the City for retirees with twenty years of full-time service is $200 per month.

Funding Policy and Annual OPEB Cost

The City's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The Annual OPEB cost for the primary government as of September 30, 2017 is summarized below:

	Primary Government
Annual Required Contribution (ARC)	$ 499,958
Interest on OPEB Asset	(1,590)
Adjustment to the ARC	790
Annual OPEB Cost (APC)	499,158
Net estimated employer contributions	(226,834)
(Increase) decrease in OPEB Asset	272,324
NET OPEB Asset, beginning of year	(20,162)
Net OPEB Asset, end of year	$ 252,162

The calculation of the Net OPEB Obligation for the component units as of September 30, 2017 is summarized below:

	Component Units	
	Economic Development	Crime Control District
Annual Required Contribution (ARC)	$ -	$ 2,057
Interest on OPEB Asset	-	(4)
Adjustment to the ARC	-	9
Annual OPEB Cost (APC)	-	2,062
Net esitmated employer contributions	(821)	(947)
(Increase) decrease in OPEB Asset	(821)	1,115
Net OPEB Asset, beginning of year	821	1,650
Net OPEB Asset, end of year	$ -	$ 2,765

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017 and the preceding two fiscal years were as follows:

Fiscal Year End 9/30	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Asset
2015	$ 374,070	$ 384,282	102.7%	$ (196,837)
2016	385,233	206,085	53.5%	(17,689)
2017	501,915	230,199	45.9%	254,027

Funding Status and Funding Progress

The funded status of Haltom City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2016, the most recent actuarial valuation date, is a follows:

Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
12/31/2016	$ 2,153,725	$ 7,133,304	$ 4,979,579	30.2%	$ 16,562,414	30.1%

Under the reporting parameters, the City's retiree health care plan is 30.2% funded with an estimated actuarial accrued liability exceeding actuarial assets by $4,979,579 at December 31, 2017. As of the most recent valuation, the ratio of the unfunded actuarial accrued liablility to annual covered payroll is 30.1%

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost mehod is used to calculate the GASB ARC for the City's health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticpated future payments are projected. The projected unit credit method then provides for a systemtic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

Inflation rate	2.50% per annum
Investment rate of return	5.05% per annum, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as percentage of employee payroll
Amortizatio period	30-year,open amortization
Payroll growth	3.0% per annum
Medical trend	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years

Actuarial valuations involve estimates of the value reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree healthcare plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time releative to the actuarial accrued liability for benefits.

UTILITY PLANT IN SERVICE **TABLE 11**

(As of September 30, 2017)

Land	$ 6,125,273
Buildings & Improvements	10,585,874
Machines, Equipment and Equipment	5,911,519
Construction in Progress	12,273,721
Waterworks and Sanitary Sewer System	51,903,411
Total	$ 86,799,798
Less: Accumulated Depreciation	(32,113,498)
Net Property, Plant and Equipment	$ 54,686,300

Source: The City's Comprehensive Annual Financial Report for fiscal year ended 2017.

WATERWORKS AND SEWER 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*	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Revenues	$ 23,822,435	$ 20,695,926	$ 19,353,943	$ 17,448,162	$ 18,462,635
Expenses	14,227,547	14,994,043	15,828,200	14,052,528	14,677,747
Net Revenue Available for Debt Service	$ 9,594,888	$ 5,701,883	$ 3,525,743	$ 3,395,634	$ 3,784,888
Customer Count:					
Water	13,101	12,241	12,126	12,194	13,456
Sewer	12,716	12,180	12,053	11,956	14,069

Source: The City's Comprehensive Annual Financial Reports.

* *Unaudited results provided by the City.*

WATER SUPPLY **TABLE 13**

In 2010, the City entered into a twenty-year contract with the City of Fort Worth for the purchase of water. Under the terms of the contract, the City is obligated to make a minimum annual payment, subject to adjustment under certain conditions as provided in the contract, of approximately $50,000. Payments under this contract were approximately $4,971,719.13 in Fiscal Year 2018 (unaudited) and are included as operating expenses of the Water and Sewer Fund.

SEWER CONTRACT

In 2018, the City entered into a twenty-year contract for the treatment and transportation of sanitary sewage. Payments under this contract are on a per connection basis and were approximately $3,056,533 in Fiscal Year 2018 (unaudited), and are included as operating expenses of the Water and Sewer Fund.

New Rates
Effective October 1, 2018

Minimum Water Charge- Group A (100%) - Per Number of Units	$ 16.60
Minimum Water Charge- Group B (90%) - Per Number of Units	14.94
Minimum Water Charge- Group C (25%) - Per Number of Units	4.15
Consumption Charge- Per 1,000 Gallons of Water	7.80
Consumption Charge- Oil and Gas Well Drillers Only- Per 1,000 Gallons of Water	16.23
No Maximum	

Old Rates
Effective October 1, 2017

Minimum Water Charge- Group A (100%) - Per Number of Units	$ 15.88
Minimum Water Charge- Group B (90%) - Per Number of Units	14.29
Minimum Water Charge- Group C (25%) - Per Number of Units	3.97
Consumption Charge- Per 1,000 Gallons of Water	7.40
Consumption Charge- Oil and Gas Well Drillers Only- Per 1,000 Gallons of Water	15.53
No Maximum	

Separate Minimum Charge for Separate Units. When more than one building or apartment or other subdivision of space in any residence or commercial building is served through one meter, each such additional building, apartment, or subdivision of space shall be deemed a separate water service unit and a separate minimum charge shall be made therefore and collected by the director. In any case, such minimum charge shall be the regular minimum charge at the current rates in effect at the time of billing.

NEW RATES
Effective October 1, 2018

Minimum Sewer Charge- Group A (100%) - Per Number of Units	$	12.30
Minimum Sewer Charge- Group B (90%) - Per Number of Units		11.07
Minimum Sewer Charge- Group C (25%) - Per Number of Units		3.08
Consumption Charge- Per 1,000 Gallons of Sewer (including sewer surcharge)		5.90
Consumption Charge- Per 1,000 Gallons of Sewer (not including sewer surcharge)		4.10
Sewer Surcharge		1.80
TSS		0.5200
BOD		0.3300

OLD RATES
Effective October 1, 2017

Minimum Sewer Charge- Group A (100%) - Per Number of Units	$	10.80
Minimum Sewer Charge- Group B (90%) - Per Number of Units		9.72
Minimum Sewer Charge- Group C (25%) - Per Number of Units		2.70
Consumption Charge- Per 1,000 Gallons of Sewer (including sewer surcharge)		5.08
Consumption Charge- Per 1,000 Gallons of Sewer (not including sewer surcharge)		3.56
Sewer Surcharge		1.52
TSS		0.4500
BOD		0.2900

Monthly Volume of Wastewater: Assumption. The monthly volume of wastewater generated by a residential user shall be assumed to be equivalent to the average monthly water consumption for that customer for the preceding months of December, January, and February. If water consumption records are not available for a customer for these months, the monthly volume of wastewater shall be based on the actual water consumption.

Separate Minimum Charge for Separate Units. When more than one building or apartment or other subdivision of space in any residence or commercial building is served through one meter, each such additional building, apartment, or subdivision of space shall be deemed a separate sewer service unit and a separate minimum charge shall be made therefore and collected by the director. In any case, such minimum charge shall be the regular minimum charge at the current rates in effect at the time of billing.

STORMWATER UTILITY

On October 11, 2004, the City Council authorized the creation of a stormwater utility system for the purpose of providing stormwater service for all real property in the service area.

The stormwater utility rates, shown below, were authorized by the City Council in April 2012.

STORMWATER FUND OPERATING STATEMENT — TABLE 16

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 amortization and depreciation.

	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Revenues	$ 1,926,293	$ 1,880,390	$ 1,642,607	$ 1,649,459
Expenses	1,032,453	1,010,429	1,058,306	684,129
Net Revenues	$ 893,840	$ 869,961	$ 584,301	$ 965,330

Source: The Issuer's Coprehensive Annual Financial Reports.

DRAINAGE RATES — TABLE 17

(Based on Monthly Billing)

New Rates
Effective October 1, 2018

Residential per account		$6.81
Commercial - per sq foot	$	0.00130

Old Rates
Effective October 1, 2017

Residential per account		$6,81
Commercial - per sq foot	$	0.00130

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF HALTOM CITY, TEXAS AND TARRANT COUNTY, TEXAS

CITY OF HALTOM CITY, TEXAS

The City of Haltom City, Texas (the "City") is located on U.S. Highway 377 four miles northeast of Fort Worth, Texas ("Fort Worth") in central Tarrant County, Texas. The City is approximately 30 miles northwest of Dallas, Texas midway between Dallas/Fort Worth International Airport and the Fort Worth Alliance Airport. The City is bisected by U.S. Highways 183 and 121 and Interstate 820. The City is served by three rail line, Union Pacific, Trinity Railway Express and Fort Worth and Western. Also, the Trinity Rail Express, a commuter train, and the Tarantula, a sight seeing train, go through Haltom City. The area of the City is 12.4 square miles.

The City, whose municipal boundaries include the first Tarrant County, Texas (the "County") seat of Birdville, is located near the geographic center of the County. The City's land area extends three to six miles northeast of downtown Forth Worth. It is surrounded on the northwest, west, and south by Fort Worth city limits; on the east by Richland Hills and North Richland Hills; and on the northeast by Watauga. It is bisected by Big and Little Fossil Creeks and borders the Trinity River flood plain on the south.

Established from a ranching and farming community, Haltom Village was founded in 1932 and named to honor G.W. Haltom (1872-1944), a Fort Worth jeweler whose family ranch holdings comprised much of the new area. Gradual growth was due in part to Haltom's Meadow Oaks Corporation and the bisection of the village by major new highways affording easier access to Forth Worth, northeastern Tarrant County and Dallas. Also in 1932, the routing of State Highways 10 (E. Belknap Street) and 121 one –quarter mile south of the old Birdville business district presented local business leaders with a momentous decision regarding the future of their businesses and property investments. Most businesses chose to relocate, in order to take advantage of greater convenience and accessibility for customers, increased traffic flow, and a chance to build anew.

The City was incorporated on July 4, 1949, and gradually expanded, annexing Oak Knoll, Garden of Eden, Meadow Oaks, East Ridge, and, in 1955, unincorporated portions of Birdville. Haltom City elected a Home Rule Charter with a city manager, mayor and council form of government on October 10, 1955.

Economic and Demographic Information

Fiscal Year	Population	Per Capital Personal Income	Unemployment Rate
2008	39,500	21,062	4.9%
2009	39,550	21,406	8.0%
2010	42,409	22,176	8.7%
2011	42,260	21,057	8.1%
2012	42,090	19,766	6.1%
2013	43,310	20,195	5.7%
2014	43,851	20,322	5.0%
2015	42,640	20,322	4.2%
2016	42,730	20,551	3.9%
2017	42,740	20,303	3.2%

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

Principal Employers

Employer	2017 Employees	2017 Percentage of Total Haltom City Employment
Birdville ISD	3103	13.68%
Hillshire Brands	800	3.53%
Medtronic Midas Rex	350	1.54%
City of Haltom City	280	1.23%
GST Manufacturing	220	0.97%
MICA Corporation	200	0.88%
Liberty Carton Company	154	0.68%
Unifirst	137	0.60%
Falcon Steel Company	125	0.55%
Blackmon Mooring	120	0.53%

Source: The Issuer's Comprehensive Financial Report for the Fiscal Year Ended September 30, 2017.

TARRANT COUNTY, TEXAS

Tarrant County, Texas (the “County”) is an urban county located in the north central part of Texas with an estimated 2017 population of 2,054,475. The City of Fort Worth, Texas which began as an army post in 1849, serves as the county seat. The County is one of the fastest growing urban counties in the United States today. Twenty-five other incorporated cities are located wholly within the County, and seven other incorporated county-line cities are located largely within the County boundaries.

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

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

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

Museums

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

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

Parks and Lakes

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

Labor Force Statistics (1)

	2018 (2)	2017 (3)	2016 (3)	2015 (3)
Civilian Labor Force	1,066,501	1,033,317	1,009,291	990,682
Total Employed	1,032,322	995,339	969,161	949,513
Total Unemployed	34,179	37,978	40,130	41,169
Unemployment Rate	3.2%	3.7%	4.0%	4.2%
% U.S. Unemployment	3.5%	4.4%	4.9%	5.3%
Texas Unemployment	3.5%	4.3%	4.6%	4.4%

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

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 Haltom City, Texas General Obligation Bonds, Series 2019" (the *Bonds*), dated February 1, 2019, in the aggregate principal amount of $7,460,000, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Haltom City, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2020 through 2034, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. 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 Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds 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. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds 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 Bonds, 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 Bonds and certain other funds of the Issuer, and to certain other facts within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond 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 UPON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas in connection with the authorization and issuance of "CITY OF HALTOM CITY, TEXAS GENERAL OBLIGATION BONDS, SERIES 2019"

Bonds 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 Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer.

BASED UPON 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 Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds 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 Bonds 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 Bonds. Ownership of tax-exempt obligations such as the Bonds 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

APPENDIX D

EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

(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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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Haltom City, 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 of Haltom City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Haltom City's 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 include the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, the schedule of contributions, and the schedule of funding progress post-retirement health care benefit plan on pages 4 – 14 and 62 – 64 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 audited was conducted for the purpose of forming opinions of the financial statements that collectively comprise the City of Haltom City, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2018, on our considerations of the City of Haltom City, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Haltom City, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
February 26, 2018

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial management team of the City of Haltom City offers the following narrative overview and analysis of the financial activities of the City of Haltom City for the fiscal year ended September 30, 2017. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2017 by $107 million (net position). Of this amount, about $3 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by $7.5 million for the year ended September 30, 2017. Out of this, $3.5 million is from governmental activities and $4 million from business activities.
- On a government-wide basis, the City's total assets increased by $7.2 million or 4% and total liabilities decreased by $1.1 million or 1%.
- As of September 30, 2017, the City's governmental funds reported combined ending fund balances of $24.5 million, an increase of $5.9 million in comparison with prior year. Approximately, $10 million, or 41%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).

II. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing how the City's net position changed during the 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities**: Most of the City's basic services are reported here, including the police, fire, street maintenance, culture and recreation and general administration. Property taxes, sales taxes, franchise fees, charges for services and fines/forfeitures provide the majority of funding for these activities.
- **Business-type activities**: The City charges a fee to customers to cover all or most of the cost of certain services provided. The City's water and sewer system, and drainage utility system are reported here.

The government-wide financial statements include not only the City itself (known as the primary government), but also include the Economic Development Corporation and the Crime Control District, which are legally separate entities. The Economic Development Fund accounts for the local sales tax used to stimulate the local economy, development, and redevelopment. The Crime Control District accounts for the accumulation and use of sales tax proceeds designated for crime reduction programs. Additional information on these two component units can be found in Note 1 in the notes to the financial statements.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, the City establishes many other funds to control and manage money for particular purposes or to show the legal responsibilities for using certain revenues.

The City's three kinds of funds, governmental, proprietary, and fiduciary, use different accounting approaches.

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

Proprietary funds: When the City charges customers for the full cost of the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds: These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-retirement healthcare benefits to its employees. This report also contains combined financial statements, as well as individual detailed budgetary comparisons for all non-major governmental funds.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the City's Financial Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City of Haltom City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $107 million as of September 30, 2017.

By far the largest portion of the City's net position, $90 million or 84% reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

A portion of the City's net position ($14.3 million, or 13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($3 million, or 2.9%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position. However, the governmental activities showed a $7.3 million negative unrestricted net position and the business-type activities showed a positive unrestricted net position of $10.3 million. The net position for governmental activities and business-type activities are summarized as follows:

	Governmental Activities		Business Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Assets						
Current and other assets	$29,022,191	$21,973,190	$15,493,459	$11,898,259	$44,515,650	$33,871,449
Capital assets	83,403,944	85,398,167	54,686,300	56,183,667	138,090,244	141,581,834
Total Assets	112,426,135	107,371,357	70,179,759	68,081,926	182,605,894	175,453,283
Deferred Outflows of Resources	5,444,939	6,287,655	844,168	978,919	6,289,107	7,266,574
Liabilities						
Current liabilities	3,259,952	2,548,960	2,442,651	2,985,334	5,702,603	5,534,294
Noncurrent liabilities	58,430,483	58,177,620	17,131,500	18,605,835	75,561,983	76,783,455
Total Liabilities	61,690,435	60,726,580	19,574,151	21,591,169	81,264,586	82,317,749
Deferred Inflows of Resources	556,793	815,062	84,901	121,340	641,694	936,402
Net Position						
Net investment in capital assets	48,573,824	49,547,079	41,019,999	40,860,841	89,593,823	90,407,920
Restricted	14,332,634	8,566,493	0	0	14,332,634	8,566,493
Unrestricted	(7,282,612)	(5,996,201)	10,344,876	6,487,495	3,062,264	491,294
Total Net Position	$55,623,846	$52,117,371	$51,364,875	$47,348,336	$106,988,721	$99,465,707

Analysis of the City's operations

The City of Haltom City's net position increased by $7.5 million from $99.5 million to $107 million during the current fiscal year. Out of which an increase of $3.5 million in governmental activities and an increase of $4 million in business-type activities. Details are listed as follows:

	Governmental Activities		Business Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Revenues:						
Program revenues:						
Charges for services	$5,222,221	$4,831,700	$22,452,473	$20,907,487	$27,674,694	$25,739,187
Operating grants and contributions	359,563	272,414	-	-	359,563	272,414
Capital grants and contributions	17,186	40,443	-	305,962	17,186	346,405
General revenues:						
Property taxes	12,706,964	12,035,695	-	-	12,706,964	12,035,695
Other taxes	16,159,029	12,542,605	-	-	16,159,029	12,542,605
Interest and investment earnings	244,718	157,851	123,843	89,063	368,561	246,914
Other revenues	1,085,663	1,143,452	-	-	1,085,663	1,143,452
Total revenues	35,795,344	31,024,160	22,576,316	21,302,512	58,371,660	52,326,672
Expenses:						
General government	6,583,493	6,991,532	-	-	6,583,493	6,991,532
Public safety	18,763,690	18,140,988	-	-	18,763,690	18,140,988
Streets	3,062,161	2,661,889	-	-	3,062,161	2,661,889
Culture and recreation	3,209,288	3,101,708	-	-	3,209,288	3,101,708
Interest and fiscal charges	1,250,237	1,228,911	-	-	1,250,237	1,228,911
Water and sewer	-	-	16,670,152	17,611,699	16,670,152	17,611,699
Drainage	-	-	1,309,625	1,372,063	1,309,625	1,372,063
Total expenses	32,868,869	32,125,028	17,979,777	18,983,762	50,848,646	51,108,790
Increase in net position before transfers	2,926,475	(1,100,868)	4,596,539	2,318,750	7,523,014	1,217,882
Transfers	580,000	700,000	(580,000)	(700,000)	-	-
Change in net position	3,506,475	(400,868)	4,016,539	1,618,750	7,523,014	1,217,882
Net position - Beginning	52,117,371	52,518,239	47,348,336	45,729,586	99,465,707	98,247,825
Net position - Ending	$55,623,846	$52,117,371	$51,364,875	$47,348,336	$106,988,721	$99,465,707

Governmental activities

Net position of the City's governmental activities increased by $3.5 million or 7%, from $52.1 million to $55.6 million at the end of the year. Revenues increase by about $4.8 million (15%) and expenses increased by about $0.7 million (2%).

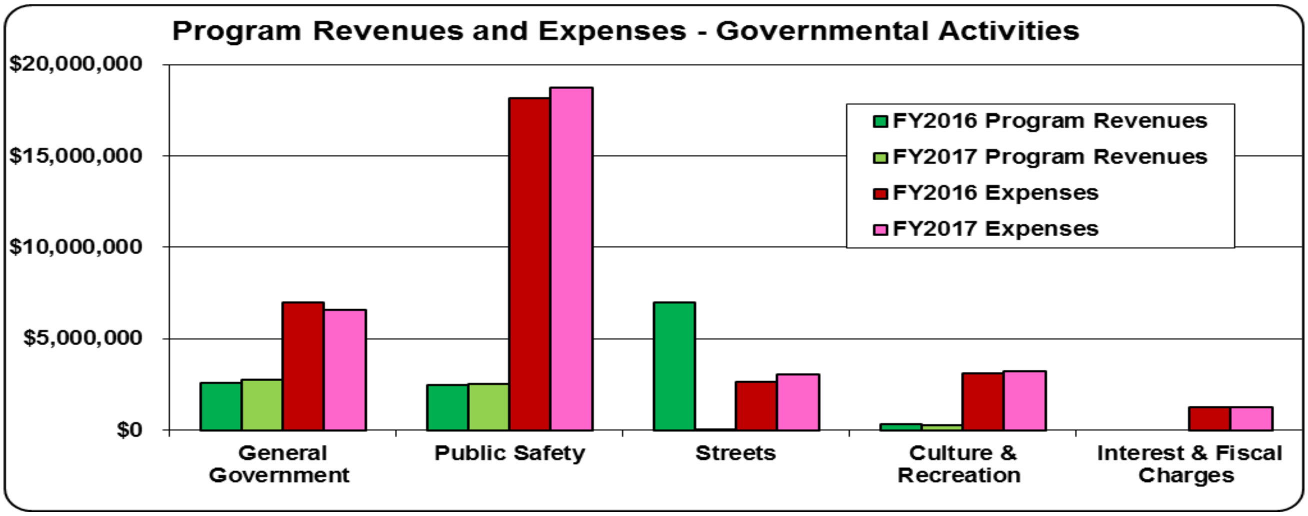
Key changes of revenues and expenses are as follows:

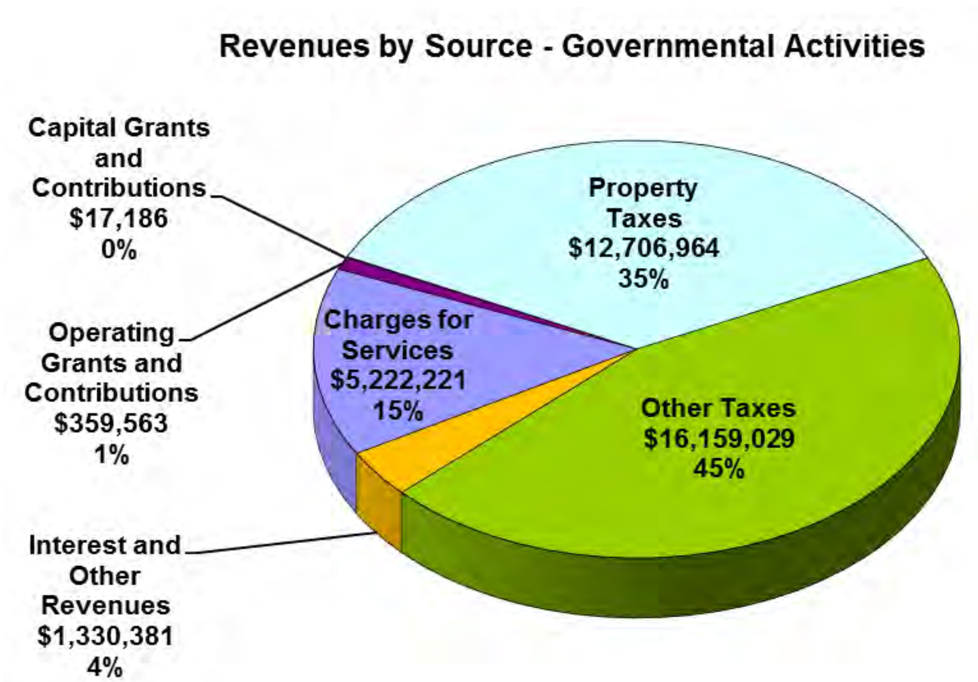
Revenues

- Program revenues: Charges for Service were higher due to increase in operation activities while operating grants and capital grants were lower due fewer grants available and conclusion of grants from Federal Government and North Texas Council of Government.
- Property taxes increased by $671,269 due to increase in the certified taxable value.
- Other taxes increased by $3,616,424 due to an increase of collections from sales tax and higher allocation to Primary Government. For FY2016, the sales tax allocation was 1% to General Fund, ½% to Economic Development Corporation, ¼% to Crime Control District, and ¼% to Street Reconstruction. Starting FY2017, the sales tax allocation was changed to 1-3/8% to General Fund, 0% to Economic Development Corporation, ¼% to Crime Control District, and 3/8% to Street Reconstruction.
- Interest and investment earnings increased by $86,867 due to higher interest rates.
- Other revenues decreased by $57,789 mainly due to lower insurance reimbursement compared to FY2016.

Expenses

• Total expenses for the governmental funds increased by $743,841 or 1%.
• General government expenses decreased by $408,039 (6%) due to staff turnover, department reorganization and vacancies.
• Public Safety expenses increased by about $622,702 million (3%) due to salary increase.
• Streets expenses were $400,272 (15%) higher due to higher street maintenance and construction.
• Interest and fiscal charges are higher by $21,325 (2%) due to new issuance of general obligation bonds.



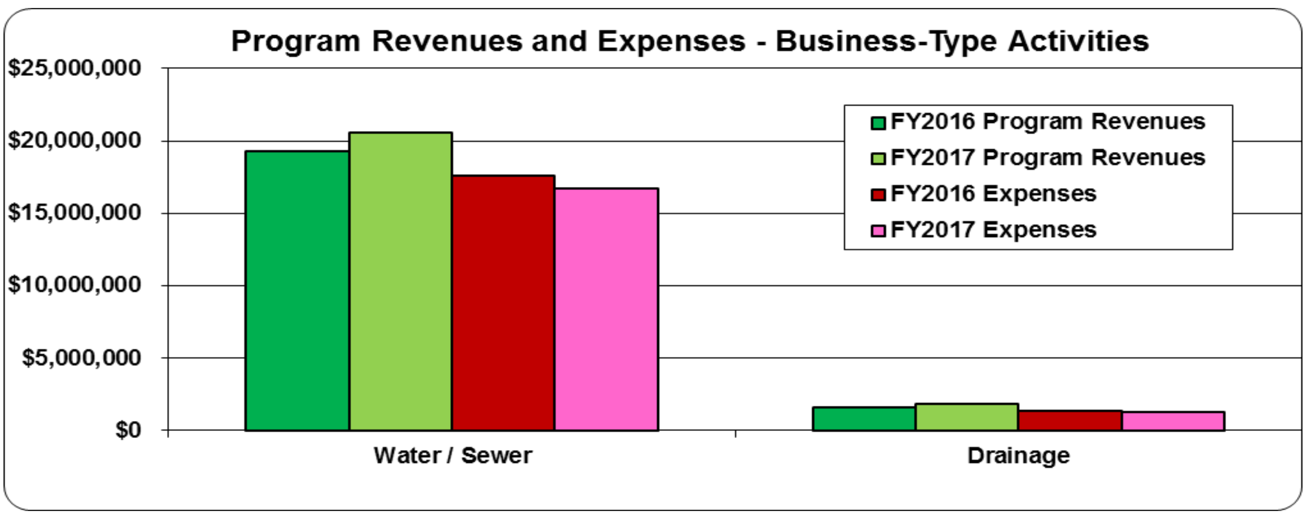


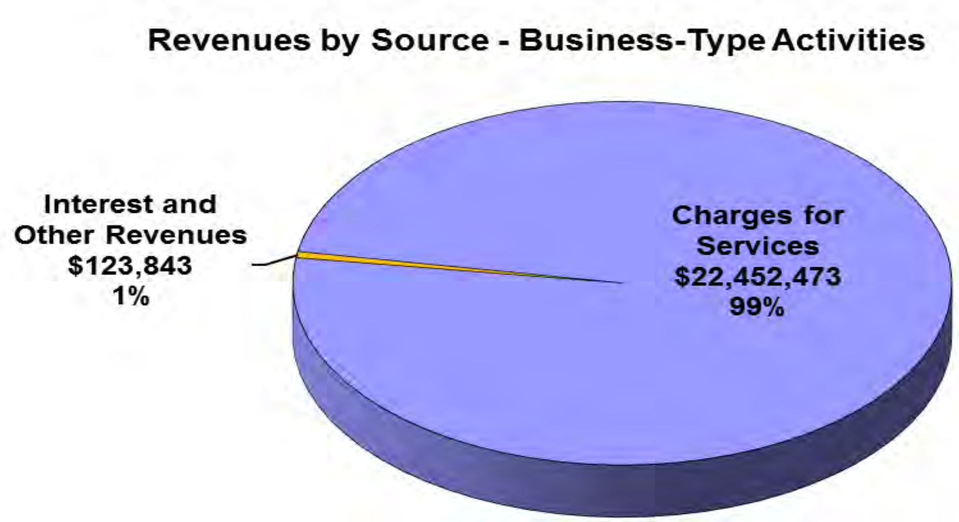
Business-type activities

The net position of business-type activities at end of Fiscal Year 2017 was at $51.4 million compared to $47.3 million for prior year. This was an increase in net position of $4 million, or 8% over the prior fiscal year. The City generally can only use the net position to finance the continuing operations of the business-type activities. Total revenues for business-type activities increased by about $1.3 million (6%) from $21.3 million to $22.6 million. The increase was mainly due to increase in Water and Sewer Rates. Total expenses for FY2017 decreased by $1 million when compared to FY2016. The decrease was mainly due to lower water and sewer payments to City of Fort Worth.

Water and Sewer Fund
• The Water and Sewer Fund program revenues increased by $1.3 million (6%) mainly due to the increase in water and sewer rates.
• Expenses for Water and Sewer Fund decreased by about $0.9 million (5%). This reduction is due to lower water and sewer cost.

Drainage Fund
• Program revenues increased by $0.2 million (14%) due to increase in drainage fee rate.
• Drainage expenses decreased by $0.06 million (5%) mainly due to savings in staff turnovers.





Analysis of City's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of about $24.5 million, an increase of $5.9 million (32%) in comparing to the prior year. About $10 million (41%) of this fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance of $14.5 million (59%), is not available for general spending.

The General Fund fund balance increased by about $0.7 million (7%) this fiscal year. For FY2017, total General Fund revenues increased by $3.2 million (14%). Major revenue increases were from taxes and Charges for services. Total tax revenues increased by $3.4 million (18%). Major tax increase is from sales tax. An increase of $2.7 million (40%). This is due to higher sales activities as well as an increase of 3/8% allocation to General Fund. Property tax also increased by $0.6 million (7%) due to increase in assessed property value. Charges for services increased by $135,158 (7%) primarily due to increase in Fleet Service Fees. Major reduction in revenues includes Licenses and Permits as well as Fines and Fees. Licenses and permits were lower by $176,096 (22%) due to exception high building activities in FY2016. Fines and Fees reduced by $92,963 (7%) due to fewer citations issued.

General Fund expenditures were similar to prior year with a slight decrease of $96,593 (0.4%). Most departments maintained similar expenditure amounts as FY2016. There was salary increase in FY2017. For sworn employees, there was a 2% market adjustment and the scheduled step increase. As for non-sworn (general) employees, there was a 2% increase. Even with the salary increase, there were salary savings due to staff turnovers and department reorganizations. Department with slight increase in expenditures include Police, Fire, Streets, Parks, Finance and non-department.

The Debt Service Fund has a fund balance of $385,467 all of which is restricted for the payment of debt. The City is to limit general obligation annual debt requirements to 25% of general government expenditures. The FY2017 debt requirement was about 21% of the General Fund expenditures.

The fund balance of Street Reconstruction Capital Project Fund ended the year at $9,818,276. The fund balance is restricted for street capital projects. This fund balance was $4.2 million (75%) more than the prior year due to the issuance of $2 million bonds, timing of expenditures and progress of construction projects. Total expenditures for FY2017 amounted to $769,915.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City of Haltom City's business-type activities.

General Fund Budgetary Highlights

General Fund fund balance increase by $0.7 million for FY2017. This increase was due to actual revenues and transfers were higher than the actual expenditures and transfers out for the year.

When comparing to the budget, actual total revenues was $1.3 million higher than the budget due to increase in almost every revenue category except Fines and Fees. It was encouraging to see increases in Taxes and Licenses and Permits which showed a better economic outlook. Income from Oil and Gas Lease was higher than budget due to higher oil prices and activities. Income from Fines and Fees were lower due to fewer citations issued.

The actual total expenditures were lower than the budget by $1.2 million. Most departments spend less than the budget. Expenditures for Fire Department was $55,959 over budget due to overtime for deployment to the

Hurricane Harvey projects. The City Secretary Department expenditure was also over the budget by $7,391 due to addition special election cost.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At September 30, 2017, the City had $138 million (net of accumulated depreciation) invested in capital assets including police and fire equipment, buildings, park facilities, roads, water, sewer, and storm water facilities. This amount represents a net decrease of $2 million (2.3%) over last year. Details of capital assets are listed below.

	Governmental Activities		Business Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Land	$18,506,376	$18,506,376	$6,125,273	$6,125,273	$24,631,649	$24,631,649
Buildings	18,179,525	18,179,525	10,585,874	10,585,874	28,765,399	28,765,399
Water & sewer system	-	-	51,903,411	50,647,462	51,903,411	50,647,462
Improvements other than buildings	66,640,516	61,415,873	-	-	66,640,516	61,415,873
Machinery and equipment	12,703,953	12,247,068	5,911,519	5,803,206	18,615,472	18,050,274
Construction in progress	25,110,879	29,367,858	12,273,721	13,593,843	37,384,600	42,961,701
Accumulated depreciation	(57,737,305)	(54,318,533)	(32,113,498)	(30,571,991)	(89,850,803)	(84,890,524)
Total	$83,403,944	$85,398,167	$54,686,300	$56,183,667	$138,090,244	$141,581,834

There were no major changes in most of the capital asset groups except Improvements Other Than Buildings and Construction in Progress. Major construction projects completed or in progress during the current fiscal year were Highway 820/Backage Roads, Realignment of US377 at Belknap Street, Clay Avenue, Cheryl Street, Spring Lake Sanitary Sewer and Big Fossil Creek Drainage Project.

Additional information on the City of Haltom City's capital assets can be found in Note 6 of this report.

Long-term Liabilities - At the end of the current fiscal year, the City had total general obligation bonds, refunding bonds, certificates of obligation, tax notes, premium on bonds, compensated absences, net pension obligation liabilities outstanding of $75.4 million. Of this amount, $58.3 million was from governmental activities and $17.1 million were business-type activities.

The City had total bonded debt outstanding of $48.7 million. Of this amount, $35 million was comprised of debt backed by the full faith and credit of the City and $13.7 million represents bonds secured by the full faith and credit of the City but, being serviced by specific revenue sources from the proprietary funds. The City's underlying General Obligation Bond rating is AA- by Standard & Poor's.

	Governmental Activities		Business Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Certificates of obligations	$6,605,000	$12,015,000	7,330,000	8,605,000	$13,935,000	$20,620,000
General obligation bonds	26,790,000	22,240,000	-	-	26,790,000	22,240,000
General obligation refunding bonds	-	-	$6,200,000	$6,630,000	6,200,000	6,630,000
Tax notes	845,000	1,230,000	-	-	845,000	1,230,000
Premium on bond issuance	791,648	447,088	180,933	142,744	972,581	589,832
Total Bonded Debts	35,031,648	35,932,088	13,710,933	15,377,744	48,742,581	51,309,832
Compensated absence obligations	3,117,891	2,623,055	341,903	323,643	3,459,794	2,946,698
Net pension obligations	19,952,966	19,509,605	3,042,508	2,904,448	22,995,474	22,414,053
Net pension obligations	215,106	(16,936)	36,156	(3,227)	251,262	(20,163)
Total Long-Term Liabilities	$58,317,611	$58,047,812	$17,131,500	$18,602,608	$75,449,111	$76,650,420

Additional information on the City's long-term debt can be found in note 8 of this report.

V. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budgetary flexibility remains very strong with solid fund reserves. The City's economy remains weak despite the strong economy of the Dallas Fort Worth Metroplex. The City's elected and appointed officials considered many factors when setting the fiscal year 2018 budget especially tax rates, and fees that will be charged for the business-type activities.

Highlights of the 2018 budget include:

- Balanced budget
- Reduce property tax rate from $0.69999 to $0.66818
- Increase in water and sewer rate by 8% to cover cost increase
- Salary increase for full time employees
- Total City budget over $84.8 million

VI. REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Finance Department at 5024 Broadway Avenue, Haltom City, Texas.

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BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development	Crime Control District
ASSETS					
Cash and investments	$ 24,230,658	$ 13,332,983	$ 37,563,641	$ 1,285,814	$ 383,452
Receivables, net:					
Taxes	623,182	-	623,182	-	-
Accounts receivable	-	2,045,843	2,045,843	-	-
Intergovernmental	2,558,885	-	2,558,885	45,191	304,071
Accrued Interest	65,083	28,545	93,628	2,744	832
Other	1,328,111		1,328,111	-	1,716
Inventory	197,561	85,665	283,226	-	-
Prepaids	18,711	423	19,134	-	-
Capital assets					
Land	18,506,376	6,125,273	24,631,649	-	-
Building and improvements	18,179,525	10,585,874	28,765,399	-	-
Improvements other than Buildings	66,640,516	-	66,640,516		
Water and sewer system	-	51,903,411	51,903,411	-	-
Machinery and equipment	12,703,953	5,911,519	18,615,472	-	-
Construction-in-progress	25,110,879	12,273,721	37,384,600	-	-
Less: accumulated depreciation	(57,737,305)	(32,113,498)	(89,850,803)	-	-
Total assets	112,426,135	70,179,759	182,605,894	1,333,749	690,071
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on bond refunding	201,528	44,632	246,160	-	-
Deferred outflow related to pensions	5,243,411	799,536	6,042,947	100,956	87,868
Total deferred outflows of resources	5,444,939	844,168	6,289,107	100,956	87,868
LIABILITIES					
Accounts payable	1,300,602	1,023,421	2,324,023	293,697	93,482
Accrued liabilities	1,777,358	257,945	2,035,303	25,807	-
Retainage payable	-	35,933	35,933	340,375	-
Accrued interest payable	181,992	72,808	254,800	-	-
Customer deposits	-	1,052,544	1,052,544	-	-
Noncurrent liabilities:					
Due within one year					
Compensated absences	623,578	68,381	691,959	-	4,020
General obligation debt	2,916,363	-	2,916,363	-	-
Revenue supported bonds	-	1,731,258	1,731,258	-	-
Tax Notes	390,000	-	390,000	-	-
Certificates of obligations	945,000	-	945,000	-	-
Claims and judgements	-	-	-	-	-
Due in more than one year					`
Certificates of obligations	5,660,000	-	5,660,000	-	-
Compensated absences	2,494,313	273,522	2,767,835	-	16,080
Net pension liability	19,952,966	3,042,508	22,995,474	384,169	334,367
Net other postemployment obligation	215,106	36,156	251,262	-	2,765
General obligation debt	24,665,285	-	24,665,285	-	-
Tax Notes	455,000	-	455,000	-	-
Claims and judgements	112,872	-	112,872	-	1,837
Revenue supported bonds	-	11,979,675	11,979,675	-	-
Total liabilities	61,690,435	19,574,151	81,264,586	1,044,048	452,551
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow related to pensions	556,793	84,901	641,694	10,719	9,331
Total deferred inflows of resources	556,793	84,901	641,694	10,719	9,331
NET POSITION					
Net investment in capital assets	48,573,824	41,019,999	89,593,823	-	-
Restricted for:			-		
Capital projects	12,398,506	-	12,398,506	-	-
Donor restrictions for libraries, parks and law enforcement	682,057		682,057	-	-
Debt service	463,549	-	463,549	-	-
Promotion of tourism and business	115,445	-	115,445	-	-
Economic development	-	-	-	379,938	-
Public safety	673,077	-	673,077	-	-
Unrestricted	(7,282,612)	10,344,876	3,062,264	-	316,057
Total net position	$ 55,623,846	$ 51,364,875	$ 106,988,721	$ 379,938	$ 316,057

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

CITY OF HALTOM CITY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 6,583,493	$ 2,728,039	$ 37,938	$ -
Public safety	18,763,690	2,272,328	252,691	17,186
Streets	3,062,161	3,992	-	-
Culture and recreation	3,209,288	217,862	68,934	-
Interest on long-term debt	1,250,237	-	-	-
Total governmental activities	32,868,869	5,222,221	359,563	17,186
Business-type activities:				
Water and sewer services	16,670,152	20,591,084	-	-
Drainage services	1,309,625	1,861,389	-	-
Total business-type activities	17,979,777	22,452,473	-	-
Total primary government	50,848,646	27,674,694	359,563	17,186
Component units				
Economic Development	2,158,999	-	-	-
Crime Control District	1,252,471	-	-	-
Total component units	$ 3,411,470	$ -	$ -	$ -

General revenues:

Property taxes, penalty and interest

Sales taxes

Franchise taxes

Occupancy taxes

Oil and gas leases

Mixed beverage taxes

Interest

Miscellaneous

Gain on sale of capital assets

Grants and contributions not restricted to specific programs

Transfers

Total general revenues and transfers

Change in net position

Net position

Net position - end of year

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Economic Development	Crime Control District
$(3,817,516)	$ -	$(3,817,516)	$ -	$ -
(16,221,485)	-	(16,221,485)	-	-
(3,058,169)	-	(3,058,169)	-	-
(2,922,492)	-	(2,922,492)	-	-
(1,250,237)	-	(1,250,237)	-	-
(27,269,899)	-	(27,269,899)	-	-
-	3,920,932	3,920,932	-	-
-	551,764	551,764	-	-
-	4,472,696	4,472,696	-	-
(27,269,899)	4,472,696	(22,797,203)	-	-
-	-	-	(2,158,999)	-
-	-	-	-	(1,252,471)
-	-	-	(2,158,999)	(1,252,471)
12,706,964	-	12,706,964	-	-
12,025,312	-	12,025,312	1,212	1,662,630
4,078,235	-	4,078,235	-	-
44,308	-	44,308	-	-
67,466	-	67,466	-	-
11,174	-	11,174	-	-
244,718	123,843	368,561	20,830	1,283
384,156	-	384,156	-	-
18,356	-	18,356	-	-
615,685	-	615,685	-	-
580,000	(580,000)	-	-	-
30,776,374	(456,157)	30,320,217	22,042	1,663,913
3,506,475	4,016,539	7,523,014	(2,136,957)	411,442
52,117,371	47,348,336	99,465,707	2,516,895	(95,385)
$ 55,623,846	$ 51,364,875	$ 106,988,721	$ 379,938	$ 316,057

CITY OF HALTOM CITY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General	Debt Service	Street Reconstruction Capital Projects	Other Governmental	Total Governmental Funds
ASSETS					
Cash and investments	$ 10,085,950	$ 381,384	$ 9,300,526	$ 4,462,798	$ 24,230,658
Receivables (net of allowance)					
Taxes	375,751	247,431	-	-	623,182
Intergovernmental	1,862,519	6,982	679,441	9,943	2,558,885
Accrued interest	35,823	816	19,997	8,447	65,083
Other	1,067,578	-	-	260,533	1,328,111
Due from other funds	60,530	-	-	-	60,530
Prepaids	3,177	-	-	15,534	18,711
Inventory	197,561	-	-	-	197,561
Total assets	13,688,889	636,613	9,999,964	4,757,255	29,082,721
LIABILITIES					
Accounts payable	768,275	400	172,361	359,566	1,300,602
Accrued liabilities	1,495,023	-	-	282,335	1,777,358
Accrued interest payable	-	13,839	9,327	-	23,166
Due to other funds	-	-	-	60,530	60,530
Total liabilities	2,263,298	14,239	181,688	702,432	3,161,657
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	337,433	236,907	-	-	574,340
Unavailable revenue - court fines	820,773	-	-	-	820,773
Unavailable revenue - street assessments	22,886	-	-	-	22,886
Total deferred inflows of resources	1,181,092	236,907	-	-	1,417,999
FUND BALANCES					
Nonspendable:					
Inventory	197,561	-	-	-	197,561
Prepaids	3,177			15,534	18,711
Restricted for:					
Construction of capital assets	-	-	9,818,276	2,580,230	12,398,506
Promotion of tourism	-	-	-	115,445	115,445
Purpose of grantors, trustees and donors	-	-	-	682,057	682,057
Public safety	-	-	-	673,077	673,077
Debt service	-	385,467	-	-	385,467
Unassigned	10,043,761	-	-	(11,520)	10,032,241
Total fund balances	10,244,499	385,467	9,818,276	4,054,823	24,503,065
Total liabilities, deferred inflows of resources, and fund balances	$ 13,688,889	$ 636,613	$ 9,999,964	$ 4,757,255	$ 29,082,721

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

CITY OF HALTOM CITY, TEXAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO THE STATEMENT OF NET POSITION

AS OF SEPTEMBER 30, 2017

Amounts reported for governmental activities in the Statement of Net Position is different because:

Total Governmental Fund Balances		$ 24,503,065
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		83,403,944
Deferred outflows of resources are not reported in the governmental funds.		
Deferred charges on debt refundings	$ 201,528	
Pension related liabilities	5,243,411	5,444,939
Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.		1,417,999
Long-term liabilities, including bonds payable, compensated absences, and claims and judgments are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(33,395,000)	
Tax notes payable	(845,000)	
Premium on bond issuance	(791,648)	
Accrued interest payable	(158,825)	
Net pension obligation	(19,952,966)	
Net OPEB obligation	(215,106)	
Compensated absences	(3,117,891)	
Claims and judgements	(112,872)	(58,589,308)
Deferred inflows of resources are not reported in the governmental funds.		
Pension related liabilities		(556,793)
Net position of government activities		$ 55,623,846

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

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

	General	Debt Service	Street Reconstruction Capital Projects	Other Governmental	Total Governmental Funds
REVENUES					
Taxes	$ 22,102,399	$ 4,352,034	$ 2,577,863	$ 44,545	$ 29,076,841
Licenses and permits	638,032	-	-	-	638,032
Intergovernmental	209,938	-	-	44,062	254,000
Fines and fees	1,278,977	-	-	273,022	1,551,999
Charges for services	1,997,338	-	-	123,949	2,121,287
Oil and gas lease	67,466	-	-	-	67,466
Contributions	5	375,263	-	373,571	748,839
Special assessments	-	-	-	3,183	3,183
Interest	121,977	7,823	81,078	33,800	244,678
Miscellaneous	384,659	-	176,860	106,116	667,635
Total revenues	26,800,791	4,735,120	2,835,801	1,002,248	35,373,960
EXPENDITURES					
Current:					
General government	5,678,372	-	39,082	87,256	5,804,710
Public safety	16,320,959	-	-	283,531	16,604,490
Streets	844,234	-	440,623	-	1,284,857
Cultural and recreation	2,355,605	-	-	92,043	2,447,648
Debt service:					
Principal	-	4,105,000	-	-	4,105,000
Interest and other	-	1,200,021	-	-	1,200,021
Bond issuance costs	-	88,265	59,024	-	147,289
Capital outlay	-	-	231,186	1,364,269	1,595,455
Total expenditures	25,199,170	5,393,286	769,915	1,827,099	33,189,470
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,601,621	(658,166)	2,065,886	(824,851)	2,184,490
OTHER FINANCING SOURCES (USES)					
Premium on Issuance of Debt	-	291,899	139,024		430,923
Issuance of debt	-	4,195,000	2,000,000	920,000	7,115,000
Payment to refunded bond escrow agent	-	(4,403,034)	-	-	(4,403,034)
Sale of capital assets	18,356	-	-	-	18,356
Transfers in	668,200	466,713	-	1,150,000	2,284,913
Transfers out	(1,616,713)	-	-	(88,200)	(1,704,913)
Total other financing sources and uses	(930,157)	550,578	2,139,024	1,981,800	3,741,245
NET CHANGE IN FUND BALANCES	671,464	(107,588)	4,204,910	1,156,949	5,925,735
FUND BALANCES, BEGINNING	9,573,035	493,055	5,613,366	2,897,874	18,577,330
FUND BALANCES, ENDING	$ 10,244,499	$ 385,467	$ 9,818,276	$ 4,054,823	$ 24,503,065

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

CITY OF HALTOM CITY, TEXAS

RECONCILIATION OF THE CHANGES IN GOVERNMENTAL FUND BALANCES TO THE CHANGE IN NET POSITION OF GOVERNMENT ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds:	$	5,925,735
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital assets used in governmental activities are not reported in the funds.		1,424,549
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(	3,418,772)
Contribution of capital assets from component units.		-
Changes in revenues in the statement of activities that does not provide current financial resources.		390,993
Interest on long-term debt is not accrued at the fund level.		38,216
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.		
Bonds payable		1,393,034
Bonds premiums	(	344,560)
Compensated absences	(	494,836)
Net pension obligation	(	1,148,336)
Other post employment obligations	(	232,042)
Loss on bond refundings are recorded as expenditures in the fund financial statements but are capitalized and amortized in the government-wide financial statements.	(	27,506)
Change in net position of governmental activities	$	3,506,475

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

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

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES:			
Taxes:			
Property taxes	$ 8,412,585	$ 8,432,040	$ 19,455
Penalties and interest	110,000	83,275	(26,725)
City sales taxes	8,742,554	9,447,449	704,895
Mixed beverage tax	14,000	11,174	(2,826)
Franchise taxes	4,100,000	4,128,461	28,461
	21,379,139	22,102,399	723,260
Licenses and permits:			
Electric	32,000	43,090	11,090
Plumbing A/C	47,800	51,013	3,213
Building/mobile home	18,200	231,548	213,348
Street/general contractor	26,500	43,315	16,815
Certificates of occupancy	12,985	14,505	1,520
Oil and gas	130,000	200,000	70,000
Garage sales permits	22,000	19,816	(2,184)
Special events permits	18,000	5,200	(12,800)
Alarm permits	30,000	29,545	(455)
	337,485	638,032	300,547
Intergovernmental:			
State surtax on fines	30,000	44,006	14,006
Grants from other governments	-	165,932	165,932
	30,000	209,938	179,938
Fines and fees:			
Municipal court	1,450,200	1,129,864	(320,336)
Library	15,050	11,276	(3,774)
Warrants	210,000	129,484	(80,516)
Public hearing	7,500	8,293	793
False alarms	-	60	60
	1,682,750	1,278,977	(403,773)
Charges for services:			
Record duplication	6,000	7,086	1,086
Grass cutting	15,000	25,598	10,598
Recreational activities/concessions	140,000	135,543	(4,457)
Kennel fees/vaccination	12,000	13,335	1,335
Admin/building/fleet services fees	1,468,876	1,785,276	316,400
Developer test/fire inspection	30,000	30,500	500
	1,671,876	1,997,338	325,462
Oil and gas lease	50,000	67,466	17,466
Contributions	5	5	-
Interest	86,200	121,977	35,777
Miscellaneous	193,127	384,659	191,532
Total revenues	$ 25,430,582	$ 26,800,791	$ 1,370,209

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

CITY OF HALTOM CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Original and Final Budget	Actual	Variance with Final Budget
EXPENDITURES:			
General government:			
Administrative	$ 655,028	$ 596,057	$ 58,971
City secretary	209,976	217,367	(7,391)
Human resources	578,733	507,648	71,085
Planning	511,509	490,348	21,161
City council	28,750	25,257	3,493
Finance	600,475	579,749	20,726
Fleet services	592,642	498,250	94,392
Building maintenance	554,209	435,235	118,974
Nondepartmental	2,642,451	2,328,461	313,990
Total general government	6,373,773	5,678,372	695,401
Public safety:			
Police	9,551,177	9,318,178	232,999
Fire	6,456,804	6,512,763	(55,959)
Municipal court	633,818	490,018	143,800
Total public safety	16,641,799	16,320,959	320,840
Streets	911,342	844,234	67,108
Culture and Recreation:			
Library	1,213,024	1,165,402	47,622
Parks and recreation	1,265,590	1,190,203	75,387
Total culture and recreation	2,478,614	2,355,605	123,009
Total Expenditures	26,405,528	25,199,170	1,206,358
Revenues under expenditures	(974,946)	1,601,621	2,576,567
OTHER FINANCING SOURCES (USES):			
Transfers in	743,200	668,200	(75,000)
Transfers out	(966,713)	(1,616,713)	(650,000)
Sale of capital assets	-	18,356	18,356
Total other financial sources (uses)	(223,513)	(930,157)	(706,644)
Net change in fund balance	(1,198,459)	671,464	1,869,923
Fund balance - beginning of year	9,573,035	9,573,035	-
Fund balance - end of year	$ 8,374,576	$ 10,244,499	$ 1,869,923

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

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

	Water and Sewer Fund	Drainage Fund	Total
ASSETS			
Current assets:			
Cash and investments	$ 11,313,858	$ 2,019,125	$ 13,332,983
Receivables:			
Accounts receivable, net	1,870,992	174,851	2,045,843
Accrued interest	24,246	4,299	28,545
Inventory	85,665	-	85,665
Prepaids	423	-	423
Total current assets	13,295,184	2,198,275	15,493,459
Noncurrent assets:			
Land	522,999	5,602,274	6,125,273
Buildings and improvements	5,023,351	5,562,523	10,585,874
Water and sewer system	51,903,411	-	51,903,411
Machinery and equipment	4,822,646	1,088,873	5,911,519
Construction-in-progress	4,995,956	7,277,765	12,273,721
Accumulated depreciation	(28,832,589)	(3,280,909)	(32,113,498)
Net capital assets	38,435,774	16,250,526	54,686,300
Total noncurrent assets	38,435,774	16,250,526	54,686,300
Total assets	51,730,958	18,448,801	70,179,759
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	44,632	-	44,632
Deferred outflow related to pensions	707,305	92,231	799,536
Total deferred outflows of resources	751,937	92,231	844,168
LIABILITIES			
Current liabilities:			
Accounts payable	1,005,512	17,909	1,023,421
Accrued liabilities	160,349	97,596	257,945
Retainage payable	35,933	-	35,933
Accrued interest payable	63,743	9,065	72,808
Customer deposits	1,052,544	-	1,052,544
Due within one year			
Compensated absences	66,419	1,962	68,381
Revenue bonds payable	1,506,258	225,000	1,731,258
Total current liabilities	3,890,758	351,532	4,242,290
Noncurrent liabilities:			
Compensated absences	265,677	7,845	273,522
Net pension liability	2,691,540	350,968	3,042,508
Net other postemployment obligation	33,510	2,646	36,156
Revenue bonds payable	10,154,675	1,825,000	11,979,675
Total noncurrent liabilities	13,145,402	2,186,459	15,331,861
Total liabilities	17,036,160	2,537,991	19,574,151
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	75,108	9,793	84,901
Total deferred inflows of resources	75,108	9,793	84,901
Net position:			
Net investment in capital assets	26,819,473	14,200,526	41,019,999
Unrestricted	8,552,154	1,792,722	10,344,876
Total net position	$ 35,371,627	$ 15,993,248	$ 51,364,875

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

CITY OF HALTOM CITY, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Water and Sewer Fund	Drainage Fund	Total
Operating revenues:			
Water and sewer sales	$ 19,684,728	$ -	$ 19,684,728
Drainage fee revenue	-	1,799,554	1,799,554
Service fees	834,739	61,835	896,574
Other	71,617	-	71,617
Total operating revenues	20,591,084	1,861,389	22,452,473
Operating expenses:			
General and administrative	1,673,646	151,440	1,825,086
Construction	1,141,693	-	1,141,693
Water and sewer maintenance	1,109,381	-	1,109,381
Collection and distribution	7,740,259	-	7,740,259
Drainage maintenance	-	494,816	494,816
Depreciation	1,308,502	245,258	1,553,760
Nondepartmental	1,929,064	232,173	2,161,237
Franchise fees	1,400,000	132,000	1,532,000
Total operating expenses	16,302,545	1,255,687	17,558,232
Operating income	4,288,539	605,702	4,894,241
Non-operating revenues (expenses):			
Interest	104,842	19,001	123,843
Interest expense	(367,607)	(53,938)	(421,545)
Total non-operating expenses	(262,765)	(34,937)	(297,702)
Income before transfers	4,025,774	570,765	4,596,539
Transfers:			
Transfers out	(460,000)	(120,000)	(580,000)
Change in net position	3,565,774	450,765	4,016,539
Net position - beginning of year	31,805,853	15,542,483	47,348,336
Net position - end of year	$ 35,371,627	$ 15,993,248	$ 51,364,875

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

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

	Water and Sewer Fund	Drainage Fund	Total
Cash flows from operating activities			
Receipts from customers and users	$ 20,548,967	$ 1,776,717	$ 22,325,684
Payments to suppliers	(12,183,676)	(439,369)	(12,623,045)
Payments to employees	(2,962,822)	(341,578)	(3,304,400)
Net cash provided by operating activities	5,402,469	995,770	6,398,239
Cash flows from noncapital financing activities			
Transfer to governmental funds	(460,000)	(120,000)	(580,000)
Net cash provided (used) by noncapital financing activities	(460,000)	(120,000)	(580,000)
Cash flow from capital and related financing activities			
Debt principal payments	(1,441,811)	(225,000)	(1,666,811)
Interest payments	(373,925)	(54,895)	(428,820)
Purchases of property and equipment	(52,757)	(3,636)	(56,393)
Net cash used by capital and related financing activities	(1,868,493)	(283,531)	(2,152,024)
Cash flows from investing activities			
Interest on investments	94,554	17,680	112,234
Net cash provided (used) by investing activities	94,554	17,680	112,234
Net increase (decrease) in cash and cash equivalents	3,168,530	609,919	3,778,449
Cash and investments - beginning of year	8,145,328	1,409,206	9,554,534
Cash and investment - end of year	11,313,858	2,019,125	13,332,983
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	4,288,539	605,702	4,894,241
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,308,502	245,258	1,553,760
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	126,130	(22,456)	103,674
Decrease in inventory and prepaid	(19,171)	-	(19,171)
(Increase) decrease in due from other funds	-	107,128	107,128
(Increase) decrease in deferred outflows of resources	124,809	9,942	134,751
Increase (decrease) in accounts payable and accrued expenses	(527,112)	28,640	(498,472)
Increase (decrease) in compensated absences	26,042	(7,782)	18,260
Increase (decrease) in deferred inflows of resources	(32,815)	(3,624)	(36,439)
Increase (decrease) in customer deposits	93,946	-	93,946
Increase (decrease) in retainage payable	(130,882)	-	(130,882)
Increase in pension obligation	108,257	29,803	138,060
Increase in other postemployment obligation	36,224	3,159	39,383
Net cash provided by operating activities	5,402,469	995,770	6,398,239
Noncash activity			
Decrease in fair value of investments	(27,534)	(3,523)	(31,057)

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

CITY OF HALTOM CITY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2017

	Postemployment Benefits Trust Fund
ASSETS	
Cash and cash equivalents	$ 2,401,580
Other receivable	200,000
Total assets	2,601,580
NET POSITION	
Held in trust for other postemployment benefits	2,601,580
Total net position	$ 2,601,580

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

CITY OF HALTOM CITY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Postemployment Benefits Trust Fund
ADDITIONS:	
Contributions	$ 200,000
Interest	265,412
Total additions	465,412
DEDUCTIONS:	
Benefits	6,543
Total deductions	6,543
Change in net position	458,869
Net position held in trust - beginning of year	2,142,711
Net position held in trust - end of year	$ 2,601,580

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City adopted a Home Rule Charter on October 10, 1955 and operates under a Council/Manager form of government. The City Council consists of eight members: a mayor, and seven council members elected by the City's residents. All powers of the City are vested in an elected council that enacts local legislation, adopts budgets, determines policies, and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City.

The financial statements of the City of Haltom City, Texas (the "City") are presented in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

Financial Reporting Entity

The City's basis financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement No. 61 and defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either (a) the primary government must be able to impose its will, or (b) the primary government may potentially benefit financially or be financially responsible for the component unit.

Blended component units are part of the City's operations and therefore data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize it is legally separate from the City.

Based on these criteria, the financial information of the following entities is discretely presented as single columns in the government-wide financial statements. Separate financial statements for the Economic Development Corporation and the Crime Control District are not prepared.

Haltom City Economic Development Corporation (the "Corporation") was incorporated on September 11, 1995 under the Development Corporation Act of 1979. The Corporation is used to account for the accumulation and use a half-cent sales tax proceeds and is legally separate from the City. The Corporation operates under a seven-member Board of Directors appointed by the City Council. The majority of the Board consists of non-council members. The Corporation was created to stimulate economic development activities within the City. The City is able to impose its will on the Corporation. The Corporation does not provide services entirely, or almost entirely, to the primary government or exclusively benefits the primary government. Complete financial statements for the component unit may be obtained at the City's office; 5024 Broadway Avenue, Haltom City, Texas.

Haltom City Crime Control and Prevention District (the "District") was officially created on November 13, 1995 with the provision of Chapter 323, as amended, Texas Tax Code and the Act. The District is used to account for the accumulation and use of half-cent sales tax proceeds designed for crime reduction and is legally separate from the City. The District operates under a seven-member Board of Directors appointed by the City Council. The Board consists of non-council members. The City is able to impose its will on the District. The District does not provide services entirely, or almost entirely, to the primary government or exclusively benefit the primary government. Complete financial statements for the component unit may be obtained at the City's office; 5024 Broadway Avenue, Haltom City, Texas.

Resource flows (except those that affect the statement of net position only, such as loans and repayments) between the primary government and the discretely presented component units are reported as external transactions – that is, as revenues and expenses.

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 the non-fiduciary activities of the primary government. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary activities are not reported in the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statement for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Elimination of these shares would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are represented as general revenues.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major fund rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue such as property taxes, sale tax, franchise tax, and charges for service to be available if they are collected within 60 days of the end of the current fiscal period. Permits and municipal court fines and fees are not susceptible to accrual because generally they are not measureable until received in cash. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measureable.

The following is a brief description of the major funds used by the City:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of financial resources. The City reported the following major governmental funds:

The ***General Fund*** is the primary operating fund of the City. It is used to account for all financial resources except those required to be account for in another fund.

The ***Debt Service Fund*** is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs from taxes levied by the City.

The ***Street Reconstruction Fund*** is a capital project fund used to account for projects financed with resources from governmental funds and tax-supported debt. Proceeds are used for construction, renovation, and major improvement to various City facilities, and other large non-recurring projects.

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City has presented the following proprietary funds.

The ***Water and Sewer Fund*** is used to account for the City's water and sewer operations that are financed and operated in a manner similar to private business enterprise – where the intent is that costs (expenses including depreciation) of providing services are financed or recovered through user charges.

The ***Drainage Fund*** is used to account for the City's storm water management program.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

There were no non-major proprietary funds for the fiscal year ended September 30, 2017.

Fiduciary/Trust Funds

Fiduciary/Trust funds are used to account for assets held by the City in a trustee capacity for others or for other funds. Fiduciary/Trust funds use the economic resources measurement focus. The Postemployment Benefits Trust Fund is the Fiduciary/Trust fund currently recognizing the assets held in trust, by Public Agency Retirement Services (PARS), for the City's post-employment benefits.

Cash, Cash Equivalents, and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Interest income relating to consolidated investments is allocated to the individual funds monthly based on the funds' prorated share of the investment principal, which was allocated to the funds based on the funds' prorated cash balance at the date the investment was purchased.

For purposes of reporting cash flows, Enterprise Funds consider cash and all highly liquid investments with maturity of three months or less to be 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. Investments for the City are reported at fair value, except for the position in investment pools.

Excess cash may be invested in certificates of deposit, United States treasury bills, notes, and bonds, government agencies, repurchase agreements, Texas local government investment pools, and local government general obligation or revenue bonds. Maturities on all investments are consistent with the City's cash flow requirements.

Inventories and Prepaid Items

Inventories consist of expendable supplies and automotive parts held for consumption. Inventories are valued at cost, which approximates market, using the first-in/first-out method. Inventories are recognized as expenditures as they are consumed.

Payments made to vendors for services that will benefit periods subsequent to September 30, 2017 are recorded as prepaid items.

Interfund Receivables/Payables and Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from funds” (i.e., the non-current portion of interfund loans). All other outstanding balances are reported as either “due to/from other funds” or “advances to/from other funds.”

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financials statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at historical records are available and at an estimated historical cost where not historical records exist. Donated capital assets are recorded at acquisition value, which is the price to acquire an asset with equivalent service potential at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Intangible assets with definite lives are recorded at cost and amortized over the useful lives. Intangible assets with indefinite lives are recorded at cost and no amortization is taken. Intangible assets of the City consist of right of ways and easements.

Depreciation is recorded for each major class of depreciable property utilizing the straight-line method over the following estimated useful lives of the assets:

Buildings	50 years
Waterworks and sewer system	10-50 years
Improvements other than building	10-30 years
Machinery and equipment	3-10 years

Capitalization of Interest

The City capitalizes interest costs for business-type activities only from the date of the borrowing until projects acquired with those funds are ready for their intended use. The total interest incurred for the year ended September 30, 2017, in the enterprise funds was $421,545. Of these amounts, $13,661, in interest costs were capitalized as capital assets as part of the cost of constructing various projects.

Accrued Vacation/Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Vacation leave will be paid on termination as long as the employee has worked a minimum of five years.

Sick leave is accrued for each permanent full-time employee at the rate of one day for each month of employment in the calendar year. A total of thirty days of sick leave is the maximum that may be carried over from one year to the next. Any accumulated sick leave over thirty days shall be paid at the regular employee hourly base rate once each year during the month of November.

Vest compensated absences (unpaid to employees terminated before year-end) that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Vest or accumulated benefits within proprietary funds, and for governmental activities at the government-wide level, are recorded as an expense and liability of those funds as the benefits accrue to employees.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from 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.

Deferred Outflows/Inflows of Resources

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Fund Equity

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

- Nonspendable fund balance – amounts that are not in the spendable form (such as inventory) or are required to be maintained intact;

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision, or by enabling legislation;

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

- Assigned fund balance – this classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Charter gives the City Council the authority to constrain amounts to be used for a specific purpose or to delegate this responsibility to the City Manager.

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentive). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt services, or for other purposes).

The City maintains an unallocated fund balance to be used for unanticipated emergencies of at least 20% of the expenditure budgets of the major operation fund (General, Water & Sewer, and Drainage Utility Funds).

When fund balance resources are available for a specific purpose more than one classification, it is the City's policy to use the most restrictive funds first in the following order; restricted, committed, assigned, and unassigned as they are needed.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitation imposed on their use either through the enabling legislations adopted by the City of through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, Debt Service, and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for all funds.

The City Manager submits to the City Council, not less than 45 days prior to the beginning of each fiscal year, a proposed budget for most City funds. At the meeting of the City Council at which the budget is submitted, the City Council establishes the time and place of the public hearing on the budget and publishes a notice of the budget hearing. Upon adoption, the budget is filed with the City Secretary for public inspection.

During the fiscal year, the City Manager authorized to transfers budgeted amount between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budget amendments were made during the year and appropriately approved by the City Council. Unused appropriations lapse at year-end.

III. BANK DEPOSITS AND INVESTMENTS

Bank Deposits

The City's funds (exclusive of the Postemployment Benefits Trust) are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with its agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The City's deposits were fully insured or collateralized as required by States statutes as of September 30, 2017. The collateral is held in the City's name by the Federal Reserve Bank of Dallas, an agent of the City's financial institution.

The deposits and investments of the Postemployment Benefits Trust are held separately from those of those City funds by an outside trustee appointed by the City. Postemployment Benefits Trust Fund deposits of $2,401,580 at September 30, 2017, representing money market mutual funds, are held by a bank trust and are managed by independent investment managers for the ultimate benefit of city employees who participate. These investments are reported at fair value.

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the following table as of September 30, 2017:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	3 years	100%	None
U.S. Agency obligations	3 years	75%	None
State of Texas securities	3 years	75%	None
Certificates of deposit	3 years	50%	None
Repurchase agreements	3 years	50%	None
No-load money market mutual funds	3 years	50%	None
Public funds investment pool	N/A	70%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

Governmental activities	$	24,230,658
Business-type activities		13,332,983
Total primary government		37,563,641
Economic development		1,285,814
Crime Control District		383,452
Total component units		1,669,266
Fiduciary funds		2,401,580
Total	$	41,634,487

Cash and investments as of September 30, 2017 consist of the following:

Cash deposits	$	6,346,691
Investments		35,287,796
	$	41,634,487

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. One of the ways that the City managers its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. City policy limits the weighted average maturity of its portfolio to a period less than 720 days. Presented below is the weighted average maturity in days of the types of investment the City held at September 30, 2017.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assigned of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

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

Investment Type		Amount	Weighted Average Maturity (Days)	Minimum Legal Rating	Rating as of September 30, 2017
TexPool	$	123,616	37	AAA	AAAm
Texas CLASS		11,444,603	53	AAA	AAAm
Texas Term		429,285	1	AAA	AAAf
Certificate of deposits		4,952,343	87	N/A	N/A
FHLB		1,987,521	45	AA	AA+
FHLMC		8,934,561	164	AA	AA+
FNMA		6,465,865	107	AA	AA+
Municipal bonds		950,000	1	AA	AA-/AA3 or higher
Total	$	35,287,794			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2017:

U.S. Agency Bonds of $1,992,790 are valued using a documented trade history in exact security (Level 1 inputs).

U.S. Agency Bonds of $6,431,208 are valued using a documented trade history in exact security (Level 2 inputs).

Municipal bonds of $9,913,952 are valued using an option-adjusted discounted cash flow model (Level 2 inputs).

U.S. Agency Bonds of $4,952,433 are valued using a present value of expected future cash flow model (Level 2 inputs).

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2017, other than external investment pools and securities guaranteed by the U.S. Government, the City did not have 5% or more of its investment with one issuer. The City's investment policy allows up to 100% to be invested in U.S. Treasury Bills/Notes/Bonds, and U.S. Agencies and Instrumentalities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the vent of the failure of a depository financial institution, a government will not be able to receive its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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

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

Investment in State Investment Pools

The City is a voluntary participant in various investment pools. These pools included the following: TexPool, Texas Term, and Texas CLASS.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. TexPool has a redemption period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets general banking moratorium or national state of emergency that affects the pool's liquidity.

Texas Term is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. A seven member advisory board governs the Pool. As required by the Public Funds Investment Act, the Advisory Board is composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Under agreement with the Texas Term Advisory Board, PFM Asset Management LLC provides administrative and investment services to the pool. The Pool purchases only investments of the type in which Texas local governments are permitted to invest their own funds. The fair value of the position in Texas Term is the same as the value of Texas Term shares. Texas Term has a redemption period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets general banking moratorium or national state of emergency that affects the pool's liquidity.

The Texas CLASS investment pool was organized in March 1996 in accordance with the Texas Public Funds Investment Act and Texas Government Code. MBIA Municipal Investors Service Corp. serves as investment adviser and administrator to the Pool. All investments are made in securities that are allowed by the Texas Public Funds Investment Act and are overseen by a Texas CLASS participant board of directors. The board is made up of seven trustees and seven advisory positions, which meet twice a year with one participant meeting, held annually. The board has the power to administer the affairs of the Pool and to enter into controls and agreements on behalf of the Pool. Texas CLASS also has a fair value position that is the same as the value of its shares. Texas CLASS has a redemption period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets general banking moratorium or national state of emergency that affects the pool's liquidity.

IV. RECEIVABLES

Accounts receivable and the related allowance for doubtful accounts for the governmental funds and the enterprise funds at September 30, 2017 are as follows:

Fund	Outstanding Balance	Allowance for Doubtful Accounts	Accounts Receivable, Net
Governmental	$ 7,321,284	$ 2,845,975	$ 4,475,309
Enterprise	$ 2,582,540	$ 508,152	$ 2,074,388

V. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 and are levied for appropriation for the fiscal year beginning on October 1. Property taxes are accrued based on the period for which they are levied and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year-end are recorded as deferred revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue in the period to which they apply. Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as provided by City ordinance and the Texas Property Tax Code. The City's charter provide that general property taxes are limited to $1.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation bonds. Article XI, Section 5 of the State of Texas Constitution limits property taxes for cities, including those applicable to debt service, to $2.50 per $100 of assessed valuation. The City's 2017 tax rate was $0.699990 per $100 of assessed valuation.

VI. CAPITAL ASSETS

The following is a summary of changes in the governmental activities capital assets during the fiscal year ended September 30, 2017:

	9/30/2016	Additions	Deletions	Transfers	9/30/2017
Capital assets, not being depreciated:					
Land	$ 18,506,376	$ -	$ -	$ -	$ 18,506,376
Construction in progress	29,367,858	338,816	-	(4,595,795)	25,110,879
Total capital assets not being depreciated	47,874,234	338,816	-	(4,595,795)	43,617,255
Capital assets, being depreciated:					
Buildings	18,179,525	-	-	-	18,179,525
Improvements other than building	61,415,873	792,242	(163,394)	4,595,795	66,640,516
Machinery and equipment	12,247,068	630,959	(174,074)	-	12,703,953
Total capital assets being deprecated	91,842,466	1,423,201	(337,468)	4,595,795	97,523,994
Less accumulated deprecation for:					
Buildings	(7,238,704)	(717,351)	-	-	(7,956,055)
Improvements other than building	(37,864,861)	(1,976,063)	-	-	(39,840,924)
Machinery and equipment	(9,214,968)	(725,358)	-	-	(9,940,326)
Total accumulated deprecation	(54,318,533)	(3,418,772)	-	-	(57,737,305)
Total capital assets being deprecated deprecated, net	37,523,933	(1,995,571)	(337,468)	4,595,795	39,786,689
Governmental capital assets, net	$ 85,398,167	$(1,656,755)	$(337,468)	$ -	$ 83,403,944

Depreciation was charged to functions as follows:

Governmental activities:		
General government	$	117,223
Public safety		847,466
Highway and streets		1,846,621
Culture and recreation		607,462
Total	$	3,418,772

The following is a summary of the changes is business-type activities capital assets during the fiscal year ended September 30, 2017:

	9/30/2016	Additions	Deletions	Transfers	9/30/2017
Capital assets, not being depreciated:					
Land	$ 6,125,273	$ -	$ -	$ -	$ 6,125,273
Construction in progress	13,593,843	37,127	(1,160)	(1,356,089)	12,273,721
Total capital assets not being depreciated	19,719,116	37,127	(1,160)	(1,356,089)	18,398,994
Capital assets, being depreciated:					
Building and improvements	10,585,874	-	-	-	10,585,874
Machinery and equipment	5,803,206	120,566	(12,253)	-	5,911,519
Water works and sewer system	50,647,462	-	(100,140)	1,356,089	51,903,411
Total capital assets being depreciated	67,036,542	120,566	(112,393)	1,356,089	68,400,804
Less accumulated depreciation for:					
Buildings and improvements	(3,109,335)	(356,637)	-	-	(3,465,972)
Machinery and equipment	(5,074,785)	(230,220)	12,252	-	(5,292,753)
Water works and sewer system	(22,387,871)	(966,902)	-	-	(23,354,773)
Total accumulated depreciation	(30,571,991)	(1,553,759)	12,252	-	(32,113,498)
Total capital assets being depreciated, net	36,464,551	(1,433,193)	(100,141)	1,356,089	36,287,306
Total business-type capital assets, net	$ 56,183,667	$(1,396,066)	$(101,301)	$ -	$ 54,686,300

Interest incurred in 2017 during the construction phase of proprietary fund assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capitalized interest of $11,924 and $1,737 has been recorded for the water sewer and drainage funds, respectively.

VII. INTERFUND ASSETS/LIABILITIES AND TRANSACTIONS

Due from/to other funds outstanding as of September 30, 2017 and 2016 are as follows:

Receivable Fund	Payable Fund	
General Fund	Nonmajor governmental fund	$ 60,530
		$ 60,530

The Special Revenue Grant Fund borrowed $60,530 from the General to cover a temporary deficit due to expenditures that had not yet been reimbursed from the grantor. It is anticipated that these short-term liabilities will be repaid within one year or less. In 2017, the General Fund charged the Water nd Sewer Proprietary Fund and the Drainage Utility Proprietary Fund a franchise fee equal to 8.5% of gross revenues based upon budgeted amounts. The franchise fee is recorded as tax revenue by the General Fund and an operating expense by both the Water and Sewer Fund and Drainage Utility Fund. The amount of the franchise fees charged in 2017 are as follows:

Fund	Franchise Fees
Water and Sewer Proprietary Fund	$ 1,400,000
Drainage Utility Proprietary Fund	$ 132,000

The General Fund charges various funds an administrative fee for certain general and administrative services. Administrative charges are recorded as service revenue by the General Fund and operating expenses by the paying funds. The 2017 administrative fees were as follows:

Fund	Administrative Charges
Water and Sewer Fund	$ 780,000
Drainage Utility Fund	$ 151,440
Discretely Presented Component Units	
Crime Control Prevention District	$ 39,600
Economic Development Corporation	$ 194,280

Interfund transfers during the year ended September 30, 2017 were as follows:

	Transfers In:			
Transfer Out:	General	Debt Service	Nonmajor Governmental	Total
Water and Sewer Fund	$ 460,000	$ -	$ -	$ 460,000
Drainage Fund	120,000	-	-	120,000
Nonmajor governmental funds	88,200	-	-	88,200
General Fund	-	466,713	1,150,000	1,616,713
Total	$ 668,200	$ 466,713	$ 1,150,000	$ 2,284,913

Transfers are primarily used to move funds from:

- The Water and Sewer and Drainage Utility Fund to the General Fund for a payment in lieu of taxes.
- The Juvenile Case Fund to the General Fund to reimburse for a case manager that is paid out of the General Fund.
- The Court Security Fund to the General Fund to cover part of the salary and benefits for the Marshals.
- The Court Technology Fund to the General Fund to pay for a portion of the interest and principal payments related to a certificate of obligation.
- The General Fund to the Debt Service Fund to cover a portion of general obligation principal and interest payments.
- The General Fund to the Capital Replacement Fund for future purchase of vehicles and equipment.

Interfund receivables, payables, and transfers are reported in the governmental activities and business-type activities fund financial statements. In the entity-wide statements, interfund receivables, payables, and transfers are eliminated within the governmental and business-type activities columns, as appropriate.

VIII. LONG-TERM LIABILITIES

Changes in Outstanding Debt

During the year ending September 30, 2017, the following changes in liabilities occurred:

Governmental Activities:	9/30/2016	Increases	Reductions	9/30/2017
Certificates of obligation	$ 12,015,000	$ -	$ 5,410,000	$ 6,605,000
Tax notes	1,230,000	-	385,000	845,000
General obligation bonds	22,240,000	7,115,000	2,565,000	26,790,000
Premium on bond issuances	447,088	430,923	86,363	791,648
Compensated absence obligations	2,623,055	2,082,020	1,587,184	3,117,891
Net pension liability	19,509,605	3,038,939	2,595,578	19,952,966
Net OPEB obligation (asset)	(16,936)	428,201	196,159	215,106
	$ 58,047,812	$ 13,095,083	$ 12,825,284	$ 58,317,611
Business-Type Activities:				
General obligation refunding bonds	$ 6,630,000	$ 855,000	$ 1,285,000	$ 6,200,000
Certificates of obligation	8,605,000	-	1,275,000	7,330,000
Premium on bond issuances	142,744	59,447	21,258	180,933
Compensated absence obligations	323,643	283,196	264,936	341,903
Net pension liability	2,904,448	533,844	395,784	3,042,508
Net OPEB obligation (asset)	(3,227)	70,058	30,675	36,156
	$ 18,602,608	$ 1,801,545	$ 3,272,653	$ 17,131,500
Component Units:				
Economic Development				
Compensated absence obligations	$ 40,843	$ -	$ 40,843	$ -
Net pension liability	360,729	73,414	49,974	384,169
Net OPEB obligation	821	-	821	-
Total economic development	402,393	73,414	91,638	384,169
Crime Control District				
Compensated absence obligations	91,995	16,420	88,315	20,100
Net pension liability	498,038	43,496	207,167	334,367
Net OPEB obligation	1,650	2,062	947	2,765
Total crime control district	591,683	61,978	296,429	357,232
Total component units	$ 994,076	$ 135,392	$ 388,067	$ 741,401

The ordinances authorizing the issuance of the Combination Tax and Limited Pledge Revenue Certificates of Obligation, and the General Obligation Refunding Bonds require that the City's ad valorem tax revenues be enough to generate net revenues sufficient to provide for the payment of the debt service requirements of the bonds issued. The City is in compliance with all requirements of the ordinances for the year ended September 30, 2017.

Long-term debt of the City consists of refunding bonds, certificates of obligation, contractual obligations, tax notes, pension liabilities, OPEB obligations, and obligations under compensated absence agreements. At September 30, 2017, total outstanding debt consisted of the following:

	Governmental Activities	Due Within One Year	Business-Type Activities	Due Within One Year
$2,000,000 Series 2006 General Obligation Bonds, dated September 25, 2006; due in annual installments of $50,000 to $140,000; through February 1, 2025; interest at 4.00%	$ 925,000	$ 100,000	$ -	$ -
$5,450,000 Series 2006 Certificates of Obligation, dated September 25, 2006; due in annual installments of $180,000 to $490,000; through February 1, 2026; interest at 4.00%	555,000	50,000	2,000,000	185,000
$1,850,000 Series 2006 General Obligation Refunding Bonds, dated November 1, 2006; due in annual installments of $15,000 to $210,000; through February 1, 2020; interest at 3.84%	595,000	190,000	-	-
$6,500,000 Series 2007 Certificates of Obligation, dated October 18, 2007; due in annual installments of $250,000 to $635,000; through February 1, 2027; interest at 3.90%	2,510,000	210,000	510,000	40,000
$5,870,000 Series 2008 General Obligation Refunding Bonds, dated March 5, 2008; due in annual installments of $540,000 to $620,000; through February 1, 2018; interest at 2.94%	370,000	370,000	210,000	210,000
$8,400,000 Series 2008 Certificates of Obligation, dated September 23, 2008; due in annual installments of $75,000 to $805,000; through February 1, 2028; interest at 4.29%	320,000	320,000	65,000	65,000

	Governmental Activities	Due Within One Year	Business-Type Activities	Due Within One Year
$4,820,000 Series 2009 Combination Tax and Revenue Refunding Bonds, dated November 17, 2009; due in annual installments of $470,000 to $605,000; through February 1, 2019; interest at 3.14%	$ -	$ -	$ 1,190,000	$ 585,000
$3,795,000 Series 2010 Certificates of Obligation, dated September 2, 2010; due in annual installments of $175,00 to $725,000; through February 1, 2030; interest at 2.00% to 4.00% issued at a premium of $87,364	-	-	2,370,000	-
$5,385,000 Series 2010 General Obligation Refunding Bonds, dated October 7, 2010; due in annual installments of $30,000 to $280,000; through February 1, 2022, interest at 2.00% to 4.00% issued at a premium of $96,607	1,385,000	340,000	755,000	195,000
$2,345,000, Series 2011 Combination Tax and Limited Pledge Revenue Certificates of Obligation, dated August 22, 2011; due in annual installments of $125,000 to $235,000; through February 1, 2026; interest at 2.00% to 3.50%, issued at a premium of $29,831	1,125,000	125,000	-	-
$7,655,000, Series 2011 General Obligation Bonds, dated April 11, 2011; due in annual installments of $75,000 to $685,000; through February 1, 2032; interest at 3.75% at 4.35%, issued at a premium of $113,275	6,900,000	155,000	-	-
$4,380,000, Series 2012 Combination Tax and Limited Pledge Revenue Certificates of Obligation, dated August 15,2012; due in annual installments of $150,000 to $340,000; through February 1, 2032; interest at 2.00% to 3.00%, issued at a premium of $113,275	325,000	95,000	2,385,000	130,000
$3,615,000 Series 2012 General Obligation Refunding Bonds, dated February 1, 2012; due in annual installments of $40,000 to $285,000; through February 1, 2028, interest at 2.00% to 3.00%, issued at a premium of $264,753	1,935,000	150,000	590,000	120,000

	Governmental Activities	Due Within One Year	Business-Type Activities	Due Within One Year
$2,995,000 Series 2013 General Obligation Bonds, dated April 11, 2013; due in annual installments of $100,000 to $220,000; through February 1, 2033, interest at 3.00% to 3.50%, issued at a premium of $79,715	$ 2,595,000	$ 100,000	$ -	$ -
$2,300,000 Series 2013 Combination Tax and Limited Pledge Revenue Certificates of Obligation, dated April 1, 2013; due in annual installments of $100,000 to $175,000; through February 1, 2033, interest at 3.00% to 3.50%, issued at a premium of $108,245	1,770,000	145,000	-	-
$2,035,000 Series 2013 Tax Notes, dated August 15, 2013; due in annual installments of $225,000 to $355,000; through February 1, 2020, interest at 2.50%, issued at a premium of $69,494	750,000	295,000	-	-
$4,955,000 Series 2013 General Obligation Refunding Bonds, dated December 19, 2013; due in annual installments of $420,000 to $495,000; through February 1, 2025, interest at 2.29%, issued at par value	3,650,000	420,000	-	-
$3,900,000 Series 2014 General Obligation Refunding Bonds, dated May 14, 2014; due in annual installments of $50,000 to $455,000; through February 1, 2029, interest at 2.16%, issued at par value	635,000	55,000	2,605,000	175,000
$1,575,000 Series 2014 General Obligation Bonds, dated September 25, 2014; due in annual installments of $105,000; through September 30, 2029, interest at 2.39%, issued at par value	1,260,000	105,000	-	-
$365,000 Series 2014 Tax Notes, dated October 16, 2014; due in annual installments of $90,000 to 95,000; through September 30, 2018, interest at 1.00% to 1.250%, issued at a par value.	95,000	95,000	-	-

	Governmental Activities	Due Within One Year	Business-Type Activities	Due Within One Year
$7,970,000 Series 2017 General Obligation and Refunding Bonds, dated January 9, 2017; due in annual installments of $530,000 to $965,000; through August 1, 2028; interest at 3.00% to 4.00%	$ 6,540,000	$ 845,000	$ 850,000	$ 5,000
Premium on issuance of debt	791,648	86,363	180,933	21,258
Total bonds and notes outstanding	$ 35,031,648	$ 4,251,363	$ 13,710,933	$ 1,731,258

Repayment of Long-Term Obligations

Retirement of the notes, bonds, certificates of obligation, and contractual obligations used in governmental activities is provided from taxes allocated for debt service together with interest earned within the debt service fund. Revenue bonds are retired from net revenues of the enterprise fund and certain certificates of obligation and tax notes are retired through sales taxes. The retirement of compensated absence debt and pension obligations are provided by financial resources of the general and proprietary funds. Annual debt service requirements to amortize all obligations outstanding, except employee benefits, as of September 30, 2017, follow:

Governmental Activities

Due Fiscal Year Ending	General Obligation Refunding Bonds	General Obligation Bonds	Certificate of Obligation	Tax Notes	Interest	Total
2018	$ 2,370,000	$ 460,000	$ 945,000	$ 390,000	$ 1,071,878	$ 5,236,878
2019	1,580,000	485,000	640,000	230,000	964,167	3,899,167
2020	1,695,000	500,000	625,000	225,000	873,479	3,918,479
2021	1,885,000	510,000	565,000	-	784,857	3,744,857
2022	1,440,000	800,000	575,000		687,928	3,502,928
2023-2027	5,365,000	4,320,000	2,655,000	-	2,137,767	14,477,767
2028-2032	775,000	4,385,000	500,000	-	556,684	6,216,684
2033-2034	-	220,000	100,000	-	5,600	325,600
Total	$ 15,110,000	$ 11,680,000	$ 6,605,000	$ 845,000	$ 7,082,360	$ 41,322,360

Business-Type Activities

Due Fiscal Year Ending	General Obligation Refunding Bonds	Certificate of Obligation	Interest	Total
2018	$ 1,290,000	$ 420,000	$ 403,932	$ 2,113,932
2019	1,340,000	375,000	353,680	2,068,680
2020	765,000	560,000	307,968	1,632,968
2021	755,000	585,000	266,562	1,606,562
2022	575,000	610,000	226,554	1,411,554
2023-2027	1,370,000	3,130,000	613,479	5,113,479
2028-2032	105,000	1,650,000	116,626	1,871,626
Total	$ 6,200,000	$ 7,330,000	$ 2,288,801	$ 15,818,801

Component Units

There are no debt service requirements for debt obligations for the Economic Development and Crime Control District funds.

Defeased Bonds Outstanding

In years past, the City issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity. The City has no outstanding defeased debt as of September 30, 2017.

Reserve Requirement

Water and Sewer System Revenues bond ordinances establish a Reserve Fund that must be maintained by the City. The total amount to be accumulated in the Reserve Fund is the average principal and interest on said bonds or equal parity bonds. The City issued surety bond insurance policies for the substitution of the reserve requirement as set forth in the bond ordinances. These bonds were paid off during 2014.

As of September 30, 2017, the City had $5,183,000 in general obligation bonds, which were authorized and unissued.

IX. DEFINED BENEFIT PENSION POLICIES

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

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

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

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

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

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	195
Inactive employees entitled to but not yet receiving benefits	148
Active employees	262
	605

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year 2017. The contribution rates for the City were 18.72% and 18.76% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were $3,094,631, and were equal to the required contributions.

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

Actuarial assumptions:

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on a gender-distinct RP2000 Combined Healthy Mortality Tables 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 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustments are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year-set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 106,655,809	$ 83,382,989	$ 23,272,820
Changes for the year:			
Service cost	2,898,328	-	2,898,328
Interest	7,140,222	-	7,140,222
Change of benefit terms	-	-	-
Difference between expected and actual experience	216,371	-	216,371
Changes of assumptions	-	-	-
Contributions - employer	-	3,089,790	(3,089,790)
Contributions - employee	-	1,155,370	(1,155,370)
Net investment income	-	5,635,642	(5,635,642)
Benefit payments, including refunds of employee contributions	(4,647,814)	(4,647,814)	-
Administrative expense	-	(63,642)	63,642
Other changes	-	(3,429)	3,429
Net changes	5,607,107	5,165,917	441,190
Balance at 12/31/2016	$ 112,262,916	$ 88,548,906	$ 23,714,010

Of the net pension liability, $22,995,474 belongs to the primary government, $384,169 belongs to the Economic Development Corporation and $334,367 belongs to the Crime Control District.

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 40,525,723	$ 23,714,010	$ 10,008,326

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the City recognized pension expense of $4,402,338.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 168,181	$ 457,618
Changes in actuarial assumptions	-	204,126
Difference between projected and actual investment earnings	3,826,099	-
Contributions subsequent to the measurement date	2,237,491	-
Total	$ 6,231,771	$ 661,744

$2,237,491 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 expenses as follows:

Year Ended September 30,	
2016	$ 1,080,439
2017	1,129,047
2018	1,100,893
2019	22,157
2020	-
Thereafter	-
Total	$ 3,332,536

Of the deferred outflows of resources realted to pensions, $6,042,947 belong to the primary government, $100,956 belongs to the Economic Development Fund and $87,868 belong to the Crime Control District. Of the deferred inflows of resources related to pensions, $641,694 belongs to the primary government, $10,719 belongs to the Economic Development Fund and $9,331 belongs to the Crime Control District.

X. SUPPLEMENTAL DEATH BENEFITS

Plan Description

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.

Benefits

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

Contributions

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 fund policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015 were $30,274, $30,158, and $28,719, respectively, which equaled the required contributions each year.

XI. OTHER POST EMPLOYMENT BENEFITS – OPEB

Plan Description

Full-time employees of the City who retire from the Texas Municipal Retirement System are eligible to participate in the retiree health care plan. Under State law, the City must offer health insurance to full-time employees that retire through our pension system, the Texas Municipal Retirement System. This affords the option to continue insurance but the retiree must pay the full premiums for coverage unless eligible for additional coverage as outlined below. The City established by ordinance a single-employer defined benefit post-employment, healthcare plan that covers retired employees of the City. The City established an irrevocable trust and contracted with an administrator, as well as a custodial bank, to manage the plan's assets. The trust does not issue a separate audited financial report. However, the trust is audited as part of the City's annual audit and an account statement prepared by the administrator is available upon request by contacting the City's Finance Department, 5024 Broadway Avenue, Haltom City, Texas 76117.

A retiree who worked as a full-time employee for a minimum of twenty years may receive up to $200 per month as reimbursement for retiree health care. The retiree can remain on the City's health plan and receive up to $200 per month or purchase insurance elsewhere and provide proof of coverage and cost in order to receive up to $200 per month for the cost of health care coverage. If the actual monthly cost is less than $200 per month, then the payment is capped at the total monthly cost. The maximum contribution by the City for retirees with twenty years of full-time service is $200 per month.

Funding Policy and Annual OPEB Cost

The City's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The calculation of the Net OPEB Obligation for the primary government as of September 30, 2017 is summarized below:

	Primary Government
Annual Required Contribution (ARC)	$ 499,958
Interest on OPEB obligation	(1,590)
Adjustment to ARC	790
Annual OPEB cost (expense) end of year	499,158
Net estimated employer contributions	(226,834)
(Increase) decrease in net OPEB obligation	272,324
Net OPEB obligation/(asset) beginning of year	(20,162)
Net OPEB obligation/(asset) end of year	$ 252,162

The calculation of the Net OPEB Obligation for the component units as of September 30, 2017 is summarized below:

	Component Units	
	Economic Development	Crime Control District
Annual Required Contribution (ARC)	$ -	$ 2,057
Interest on OPEB obligation	-	(4)
Adjustment to ARC	-	9
Annual OPEB cost (expense) end of year	-	2,062
Net estimated employer contributions	(821)	(947)
(Increase) decrease in net OPEB obligation	(821)	1,115
Net OPEB obligation/(asset) beginning of year	821	1,650
Net OPEB obligation/(asset) end of year	$ -	$ 2,765

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017 and the preceding two fiscal years were as follows:

Fiscal Year End	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Asset
September 30, 2015	$ 374,070	$ 384,282	100.3%	$(196,837)
September 30, 2016	385,233	206,085	53.5%	(17,689)
September 30, 2017	501,915	230,199	45.9%	254,027

Funding Status and Funding Progress

The funded status of Haltom City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2016, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
12/31/2016	$ 2,153,725	$ 7,133,304	$ 4,979,579	30.2%	$ 16,562,414	30.1%

Under the reporting parameters, the City's retiree health care plan is 30.2% funded with an estimated actuarial accrued liability exceeding actuarial assets by $4,979,579 at December 31, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 30.1%.

Actuarial Methods and Assumptions

The Individual Entry Age Normal Cost Method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

Inflation rate	2.50% per annum
Investment rate of return	5.05% per annum, net of expenses
Actuarial cost method	Individual Entry Age Normal Cost Method
Amortization method	Level as percentage of employee payroll
Amortization period	30-year, open amortization
Payroll growth	3.00% per annum
Medical trend	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

XII. RISK MANAGEMENT

The City is self-insured for workers compensation and general liability claims. Actual claims are billed directly to the fund that incurred the claim. An excess coverage insurance policy through Texas Municipal League Intergovernmental Risk Pool cover claims in excess of $25,000 for general, auto, law enforcement, and error/omissions liability, $1,000 for property claim damage, $10,000 for auto damage and $100,000 for workers compensation. As of September 30, 2017, the Risk Pool was self-sustaining, based on premiums charges, so that total contributions plus compounded earnings on these contributions will be sufficient to satisfy claims and liabilities and other expenses. Premiums are assessed based on the rates set by the Texas State Board of Insurance and may be adjusted, on an annual basis, by the Risk Pool's Board of Trustees for each participating political subdivision's experience. The City is not liable for payments beyond the annual contributions. There were no significant reductions in insurance coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three years.

Liabilities are reported when it is probably that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not report. Claim liabilities are calculated considering the effects of inflation, recent claim settlement rends, including frequency and amount of payouts and other economic and social factors. The liabilities are due within one year of the date of the statement of net position. Changes in the claims liability for fiscal year 2017 and 2016 are listed as follows:

	2017	2016
Claims payable, beginning of year	$ 304,223	$ 207,719
Current year claims and changes in estimates	294,384	217,782
Payments on claims	136,894	121,278
Claims payable, end of year	$ 461,713	$ 304,223

XIII. COMMITMENTS AND CONTINGENT LIABILITIES

In 2010, the City entered into a twenty-year contract for the purchase of water. Under the terms of the contract, the City is obligated to make a minimum annual payment, subject to adjustment under certain conditions as provided in the contract, of approximately $50,000. Payments under this contract were approximately $3,965,181 in 2017 and are included as operating expenses of the Water and Sewer Fund.

In 1987, the City entered into a thirty-year contract for the treatment and transportation of sanitary sewage. Payments under this contract are on a per connection basis and were approximately $3,219,593 in 2017, and are also included as operating expenses of the Water and Sewer Fund.

At September 30, 2017, the City was committed to several long-term construction contracts. The governmental funds were contractually committed to approximately $1,193,824, the business-type funds were committed to $892,145.

The City is a defendant in several legal actions involving various claims incident to the conduct of the City's operations. Management does not expect the City to suffer any material liability by reason of such actions.

The City has participated in a number of state and federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

XIV. RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government and the Corporation and the District during the year ended September 30, 2017:

Purpose		
Corporation provided funding for construction of economic development related projects to primary government.	$	240,421
Corporation provided assistance with principal and interest payments for proceeds that were used to construct assets to stimulate economic development.		375,263
Administration Fees paid by Corporation to Primary Government		194,280
Administration Fees paid by District to Primary Government		39,600
Total	$	849,564

XV. PROPERTY TAX ABATEMENTS

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The abatement agreements authorize the appraisal district to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement.

On June 26, 2008, the City entered into a tax abatement agreement that established project requirements that must be met as conditions of granting a 50% abatement of taxes for Hillshire Brands Company Mixing Center annually for ten (10) years beginning January 1, 2008.

The Hillshire Brands abatement is a ten (10) year abatement exempting 50% of the value of improvements. The period of exemption began January 1, 2008 and will terminate December 31, 2017. The Tarrant County Tax Record shows that the 2016 Improvement value was $9,686,562 with an exemption value of $4,843,281. The abated value for Haltom City was $33,898.

XVI. 380 AGREEMENTS

At times when alternate incentives may be preferable to a tax abatement, the City Council has the authority under Chapter 380 of the Texas Local Government Code to create a custom incentive in order to accomplish specific economic development goals. These incentives are considered on a case-by-case basis and may be considered based on: a certain number of net new jobs with wages above the City's median household; the relocation of a company promoting growth of targeted industry clusters such as high-tech companies; aviation/aerospace industry, or supply chain clusters supporting the City's existing primary employers; incentives for businesses causing infill redevelopment or other desirable development objectives; and/or any other activity which the City Council determines meets a specific public purpose for economic development.

- Lasiter and Lasiter Plumbing – The Company can purchase plumbing supplies through a Texas Direct Payment Permit which generates local sales tax revenue for the City that would otherwise no be available to the City. The agreement is set for a ten year period. The tax rebate amount for the current fiscal year was approximately $20,000.

XVII. SUBSEQUENT EVENTS

On December 11, 2017, the City issued $6,720,000 of Combination Tax and Limited Pledge Certificates of Obligation, Series 2008. 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) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system, including the purchase and installation of smart water meters; (2) the purchase of materials, supplies, equipment, and machinery, landscaping, land, and right-of-way of authorized needs and purposes related to the aforementioned capital improvements; and (3) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects.

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