NEW ISSUE BOOK-ENTRY-ONLY

Rating: S&P: "Applied For"
(See "OTHER PERTINENT INFORMATION-RATING", "INSURANCE" and "BOND INSURANCE GENERAL RISK" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: April 30, 2019

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

The City will designate the Bonds as "Qualified Tax-Exempt Obligations"
See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.

$4,240,000*
CITY OF SULPHUR SPRINGS, TEXAS
(Hopkins County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

Dated Date: May 15, 2019 **Due: September 1, as shown on page ii**

The City of Sulphur Springs, Texas (the "City" or the "Issuer") $4,240,000* General Obligation Refunding Bonds, Series 2019 (the "Bonds") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council on May 7, 2019, and the City's Home Rule Charter. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City (See "THE BONDS - Security for Payment" herein.)

Interest on the Bonds will accrue from May 15, 2019 (the "Dated Date") as shown above and will be payable on March 1, 2020, and on each September 1 and March 1 thereafter, until 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 the principal amount of $5,000 or any integral multiple thereof. 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 BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, 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 to (i) refund a portion of the City's outstanding debt as identified in Schedule I hereto (the "Refunded Obligations"), for debt service savings, and (ii) pay the costs of issuance of the Bonds. (See "THE BONDS - Use of Bond Proceeds" herein.)

The Issuer reserves the right to redeem the Bonds maturing on and after September 1, 2030, on September 1, 2029, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS - Redemption Provisions" herein.)

The City is considering qualifying the Bonds for municipal bond insurance and has made application to municipal bond insurance companies in connection with such consideration. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

STATED MATURITY SCHEDULE
(On Page ii)

The Bonds are offered for delivery, when, as and if issued and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP., San Antonio, Texas, as counsel to the Underwriter. The legal opinion of Bond Counsel will be printed on, or attached to, the Bonds. (See Appendix C - Form of Legal Opinion of Bond Counsel.) It is expected that the Bonds will be available for delivery through DTC on or about June 6, 2019.

RAYMOND JAMES

* *Preliminary, subject to change.*

STATED MATURITY SCHEDULE
(Due September 1)
Base CUSIP – 865525[(a)]

Stated Maturity September 1	Principal Amount*	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(a)]
2020	$ 445,000			
2021	490,000			
2022	515,000			
2023	120,000			
2024	120,000			
2025	125,000			
2026	135,000			
2027	140,000			
2028	140,000			
2029	150,000			
2030	155,000			
2031	160,000			
2032	165,000			
2033	175,000			
2034	180,000			
2035	185,000			
2036	200,000			
2037	205,000			
2038	215,000			
2039	220,000			

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on and after September 1, 2030, on September 1, 2029, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS - Redemption Provisions" herein.)

[(a)] *CUSIP numbers are included solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for services provided by CGS. The City, the Financial Advisor, and the Underwriter are not responsible for the selection or correctness of the CUSIP numbers set forth herein.*

* *Preliminary, subject to change.*

CITY OF SULPHUR SPRINGS, TEXAS
201 North Davis
Sulphur Springs, Texas 75482
(903) 885-7541

ELECTED OFFICIALS

	Name	Position	On Council Since	Term Expires May	Occupation
	John Sellers	Mayor	2011	2020	Marketing-City National Bank
*	Emily Glass	Mayor Pro Tem	2013	2019	Compliance Officer - Alliance Bank
	Erica Armstrong	Council Member	2018	2021	Co-Owner-Snap Fitness
	Jimmy D. Lucas	Council Member	2018	2021	Dr. Pepper Account Manager
	Norman Sanders	Council Member	2018	2021	Police Officer – SSISD
*	Freddie Taylor	Council Member	2004	2019	Business Manager – VF Outlet
*	Doug Moore	Council Member	2018	2019	Retired

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** Running for re-election on May 4, 2019.*

ADMINISTRATION

Name	Position	Length of Service With the City
Marc Maxwell	City Manager	22 Years
Lesa Smith	Finance Director	1 Year
Gale Roberts	City Secretary	12 Years
Jim McLeroy	City Attorney	25 Years
Tory Niewiadomski	Development Director	2 Years
Kathie Steele	Business Manager	30 Years
Dave Reed	City Engineer	30 Years
James Sanders	Police Chief	3 Years
Robert Lee	Director of Utilities	5 Years

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Certified Public Accountants	Evans & Knauth, PLLC Frisco, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

Ms. Lesa Smith
Finance Director
City of Sulphur Springs
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Sulphur Springs, Texas 75482
(903) 439-3755
lsmith@sulphurspringstx.org

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760
mmcliney@samcocapital.com

Mr. Andrew Friedman
Managing Director
SAMCO Capital Markets, Inc.
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San Antonio, Texas 78209
(210) 832-9760
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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 qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

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

The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities 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 Underwriter has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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.

None of the City, the Underwriter or the Financial Advisor makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System or any municipal bond insurer provider, if any, or its policy described under "BOND INSURANCE" herein, as such information was provided by DTC and the insurer (if any), respectively.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the 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 WITH RESPECT TO THE BONDS.

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the 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 Sulphur Springs, Texas (the "Issuer" or "City") is a political subdivision of the State of Texas and is located 80 miles east of Dallas in Hopkins County (the "County"). The Issuer is a Home Rule City which operates under a Council-Manager form of government, with the City Council comprised of seven members including the Mayor. All members are elected by place number and at-large for three-year staggered terms. The City's population according to the 2010 census was 15,449, an increase of 6.17% since 2000. (See "Appendix B - General Information Regarding the City of Sulphur Springs and Hopkins County, Texas" herein.)
The Bonds	The Bonds are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council on May 7, 2019, and the City's Home Rule Charter. (See "THE BONDS - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas.
Security	The Bonds constitute direct general obligations of the Issuer payable from a levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City. (See "THE BONDS - Security for Payment" herein.
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature on and after September 1, 2030, on September 1, 2029, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. (See "THE BONDS - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Bonds, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding a portion of the City's outstanding debt to achieve debt service savings (see Schedule I attached hereto) and (ii) paying costs associated with the issuance of the Bonds. (See "PLAN OF FINANCING FOR THE BONDS - Purpose" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Bond Insurance	The City is considering qualifying the Bonds for municipal bond insurance and has made application to municipal bond insurance companies in connection with such consideration. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Rating	S&P Global Ratings ("S&P") has assigned an underlying, unenhanced rating of "A+" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. (See "OTHER PERTINENT INFORMATION - Rating" herein.)
Qualified Tax Exempt Obligations	The City will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
Issuance of Additional Debt	Other than the $445,000 (preliminary amount) Limited Tax Note, Series 2019 being sold by private placement simultaneously with the Bonds, the City currently does not anticipate the issuance of additional debt during the remainder of this fiscal year.
Payment Record	The City has not defaulted since 1921, when there was a slight delay due to an error in bookkeeping.
Delivery	When issued, anticipated on or about June 6, 2019.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Sulphur Springs, Texas (the "City" or the "Issuer") of its $4,240,000* General Obligation Refunding Bonds, Series 2019 (the "Bonds") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a home-rule municipality under the statutes and the constitution of the State of Texas (the "State"). The Bonds are being issued pursuant to the Constitution and general laws of the State, an ordinance (the "Ordinance") to be adopted by the City Council on May 7, 2019 authorizing the issuance of the Bonds, and the City's Home Rule Charter. (See "THE BONDS - Authority for Issuance" herein.)

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 from the Issuer or the Financial Advisor noted on page iii hereof.

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless otherwise specified, references to websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds	
Par Amount	
Net Reoffering Premium	
Accrued Interest	
Total Sources of Funds	
Uses of Funds	
Deposit to Escrow Fund	
Cost of Issuance (Including insurance premium, if any)	
Underwriter's Discount	
Accrued Interest Deposit to Debt Service Fund	
Contingency	
Total Uses of Funds	

PLAN OF FINANCING FOR THE BONDS

Purpose

The Bonds are being issued (i) to refund all or a portion of the outstanding debt obligations described in Schedule I to this Official Statement (the "Refunded Bonds") to achieve debt service savings (see "SCHEDULE I - SCHEDULE OF REFUNDED BONDS"); and (ii) to pay the costs related to the issuance of the Bonds.

Refunded Bonds

A description and identification of the Refunded Bonds appears in Schedule I attached hereto. The Refunded Bonds, and interest due thereon, are to be paid from funds deposited with BOKF, NA, Dallas, Texas (the "Escrow Agent") or its successor. The Ordinance approves and authorizes the execution of a special escrow agreement (the "Escrow Agreement") between the City and the Escrow Agent. The Ordinance further provides that, from a portion of the proceeds of the sale of the Bonds, and other lawfully available funds of the City, if any, the City will deposit with the Escrow Agent the amount, together with investment earnings thereon, sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such amount will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and used to purchase direct noncallable obligations of the United States of America and/or 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 as not less than AAA or its equivalent (collectively, the "Escrowed Securities").

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* *Preliminary, subject to change.*

Ritz & Associates, PA will verify the mathematical accuracy of schedules provided by SAMCO Capital Markets, Inc. at the time of delivery of the Bonds to the Underwriter and that the Escrowed Securities will mature at such times and yield interest in amount, together with uninvested funds, if any, in the Escrow Fund, to provide sufficient funds to pay the principal of and interest on the Refunded Obligations as the same will become due by reason of stated maturity or earlier redemption. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. **Such maturing principal of and interest on the Escrowed Securities will not be available to pay principal of or interest on the Bonds**. (See "OTHER PERTINENT INFORMATION - Verification of Arithmetical and Mathematical Calculations" herein.)

By such deposit of the funds with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations pursuant to the terms of Chapter 1207 (hereinafter defined) and the Ordinance. As a result of such defeasance and in reliance upon the report of Ritz & Associates, PA, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the funds held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt, and the City will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time.

THE BONDS

General

The Bonds will be dated May 15, 2019 (the "Dated Date"). The Bonds are stated to mature on September 1 in the years and in the principal amounts set forth on page ii hereof. The Bonds shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable on March 1, 2020, and on each September 1 or March 1 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Bonds, initially BOKF, NA, Dallas, Texas. Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, 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.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Bonds. Such Book-Entry-Only System may change the method and timing of payment for the Bonds and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), the Ordinance and the City's Home Rule Charter.

Security for Payment

The Bonds constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City (See "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.)

Redemption Provisions

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2030 on September 1, 2029, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Not less than thirty (30) days prior to a redemption date for the Bonds, the City shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners 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. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. 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 any other condition to redemption satisfied, all as provided herein, the Bonds or portion thereof which are to be 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.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

Payment Record

The City has not defaulted since 1921, when there was a slight delay due to an error in bookkeeping.

Legality

The Bonds are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. 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 the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized entity, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that 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 being defeased, and thereafter, the City will have no further responsibility with respect to amounts available to such paying agent (or other entity permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other entity permitted by applicable law) to receive payment when due on the Defeasance Securities. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance 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 "Defeasance 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 the City authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that, on the date the City authorizes the defeasance of the Bonds, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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 or redemption of Bonds have been made as described above, all rights of the City to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such 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

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

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

Default and Remedies

The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on any of the Bonds when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Bonds, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. 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. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, S.W. 3d (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, owners of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the 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 owners of the Bonds 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Bonds will be Cede & Co., as nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Bonds.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, 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 bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of 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 to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or draft mailed on September 1, 2019, and on each March 1 and September 1 thereafter until maturity or prior redemption of the Bonds, by the Paying Agent/Registrar to the last known address of the registered owner 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 of a Bond will be paid to the registered owner at its stated maturity or its prior 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 designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Bond on any Interest Payment Date means the fifteenth day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest 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 (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 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

The Bonds are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Bonds and thereafter, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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 Bonds being transferred or exchanged at the designated 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. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner 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 initially utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer or Exchange of Bonds

The Paying Agent/Registrar shall not be required to transfer or exchange any Bonds or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or with respect to any Bond or portion called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption.

Replacement Bonds

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the 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.

BOND INSURANCE

The Issuer is considering qualifying the Bonds for municipal bond insurance and has made application to several bond insurance companies in connection with such consideration. No representation is hereby made that the Issuer will use municipal bond insurance in connection with the issuance of the Bonds. If the City accepts a bid for the Bonds that incorporates the acquisition of a municipal bond insurance policy (the "Policy") from a qualified bond insurance company (the "Insurer"), the final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Policy.

BOND INSURANCE GENERAL RISKS

General

As stated above, the City has applied for a Policy to guarantee the Bonds. If a Policy is purchased as a result of the City accepting a bid for the Bonds that incorporate the acquisition of such a policy, the following are risk factors relating to the bond insurance.

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Beneficial Owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable from the ad valorem taxes further described under "THE BONDS – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the enhanced long-term rating on the Bonds will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Bonds, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. See the disclosure described in "OTHER PERTINENT INFORMATION – Ratings" herein.

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Underwriter, or the City's Financial Advisor have made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P Global Ratings and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, in recent years, downgraded and/or placed on negative watch the claims-paying and financial strength of many providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, events in the credit markets over the past ten years have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the investment.

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 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 and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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 Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment on the Bonds 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 Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

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

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.

THE SYSTEM

Water Supply

The City has ownership in two surface water sources in the Hopkins County area. The main source of water is Cooper Lake Reservoir. The City has contracted with the U.S. Army Corps of Engineers for 13.3 million gallons of raw water per day from that reservoir.

The City can also obtain raw water from Lake Sulphur Springs, with a firm yield of 8.75 million gallons per day (mgd), pursuant to a water purchase contract (the "Contract") entered into on April 10, 1970 with the Sulphur Springs Water District (the "District"). Under the terms of the Contract, the District issued Water Revenue Bonds for the sole purpose of construction of a reservoir and all other facilities necessary to supply water to the City of Sulphur Springs. Payments by the City to the District began on August 1, 1972 and were equal to the District's ensuing semiannual debt service payments. No debt remains outstanding. The City operates the District's facilities and pays all of the District's operating and maintenance expenses. All payments made by the City under the Contract are operating expenses of the City's System within the meaning of V.T.C.A., Government Code, Chapter 1502, as amended.

Raw water is treated at the City's water treatment plant with an estimated treatment capacity of 10 million gallons per day. The plant is a conventional classification plant utilizing rapid mixing, flocculation, sedimentation, filtration, and disinfection. The City has ground storage capacity for treated water in the amount of three million gallons at the water plant site. Elevated storage capacity is provided by three elevated storage tanks located throughout the City with a total capacity of 2.25 million gallons.

Sewer System

The City owns and operates its wastewater treatment facilities under NPDES permit number TX 0058955. The System consists of two trunk lines of 27-inch diameter entering the plant. High flows are equalized in a 3.5 million gallon influent storage basin. Treatment consists of screening, grit collection, primary clarification, activated sludge treatment, final clarification, tertiary filtration, chlorination, and de-chlorination. The average rated plant capacity is 5.4 million gallons per day and average daily flow is 2.99 million gallons.

The City currently has an $18,200,000 loan with the Texas Water Development Board to upgrade the wastewater treatment plant to be able to properly treat the current organic loading of the plant with additional capacity for an estimated twenty years of residential growth. The flow capacity will remain at 5.4 million gallons per day, which is adequate for the estimated growth. Construction is underway at this time.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The City invests funds in instruments authorized by Texas law in accordance with investment policies approved by the City Council. The City Council appoints the City Manager as the "Investment officer" of the City. Both State law and the City's investment policies are subject to change.

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State 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 Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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 (8) 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 (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Governmental bodies in the State such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body 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.

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

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 City’s designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Authorized Investments

The City maintains portfolios which utilize specific investment strategy consideration, designed to address the unique characteristics of the following fund groups represented in the investment portfolios:

- Operating Funds and Commingled Pools Containing Operating Funds
- Debt Service Funds
- Debt Service Reserve Funds
- Capital Projects and Special Purpose Funds

All investment instruments must be approved by resolution of the City Council. Assets of funds of the City may be invested in the following instruments:

- US Treasury obligations with stated maturities not to exceed three (3) years and not to exceed 100% of the overall portfolio;
- Obligations of US Government agencies and instrumentalities with stated maturities not to exceed three (3) years and not to exceed 60% of the overall portfolio;
- Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas of the United States or its agencies and instrumentalities with stated maturity not to exceed three years;
- Repurchase agreements and reverse repurchase agreements as defined by Public Funds Investment Act and collateralized by US Government Obligations and obligations of US Government Agencies and Instrumentalities, undertaken under an executed Master Repurchase Agreement with primary dealer and not to exceed six (6) months. The portfolio may not contain more than 40% repurchase agreements;
- Certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or secured by obligation that are described in investment vehicles above and not to exceed 40% of the overall portfolio;
- Constant dollar investment pools as defined by the Public Funds Investment Act rated no lower than AAA or AAA-m or its equivalent by at least one national rating agency and with a weighted average maturity not to exceed sixty (60) days. All investment pools must be approved by resolution from the City Council; and
- No-load money market mutual funds as permitted by the Public Funds Investment Act.

Current Investments

As of February 28, 2019 (unaudited), the following percentages of the City's investable funds were invested in the following categories of investments.

Fund and Investment Type	Amount	Percentage of Portfolio
Checking Account	$ 866,987	4.98%
Certificate of Deposit (Consolidated Cash)	500,000	2.87%
TexPool	16,052,288	92.15%
Total Investments	**$17,419,275**	**100.00%**

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

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("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 both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Sulphur Springs participates as one of 860 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 includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may 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 payment options. Member may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the city were as follows:

	Plan Year 2018	Plan Year 2017
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility		
(expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0% Transfers	0% Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	112
Inactive employees entitled to but not yet receiving benefits	65
Active employees	143
	320

Contributions

Under the state law governing TMRS, the contribution rate for each government is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that government. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The government contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the government make contributions monthly. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Employees for the City of Sulphur Springs were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.40% and 7.19% in calendar year 2018 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $576,057 and were equal to required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan fiduciary net position (b)	Net Pension liability (a) – (b)
Balance at 12/31/2016	$ 39,045,311	$ 35,274,906	$ 3,770,405
Changes for the year:			
Service Cost	1,067,537	-	1,067,537
Interest	2,605,150	-	2,605,150
Change of Benefit Terms	-	-	-
Diff. Between Expected/Actual Experience	(235,957)	-	(235,957)
Changes of Assumptions	-	-	
Contributions - Employer	-	574,089	574,089
Contributions - Employee	-	479,074	479,074
Net investment income	-	4,888,366	4,888,366
Benefit payments, including refunds of employee contributions	(1,968,528)	(1,968,528)	-
Administrative Expense	-	(25,337)	25,337
Other Changes	-	(1,284)	1,284
Net Changes	1,468,202	3,946,380	(2,478,178)
Balance at 12/31/2017	$ 40,513,513	$ 39,221,286	$ 1,292,227

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 have been 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 (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
City's Net Pension Liability	$ 6,260,848	$ 1,292,227	$ (2,866,593)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended September 30, 2018, the City recognized pension expense in the amount of $932,919. At September 30, 2018, 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 & Actual Economic Experience (net of current year amortization)	$ 22,882	$ 318,966
Changes in Actuarial Assumptions	234,270	-
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	990,832
Contributions Subsequent to the Measurement Date	432,834	-
Total	$ 689,986	$ 1,309,798

$432,834 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2019	$ 95,523
2020	(38,157)
2021	(569,982)
2022	(537,030)
2023	-

AD VALOREM TAX PROCEDURES

Property Tax Code and Countywide Appraisal District

Title I, Texas Tax Code, as amended (the "Property Tax Code"), provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Hopkins County Appraisal District (the "Appraisal District") is responsible for appraising property within the City, generally, as of January 1 of each year. Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law 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 for the most recent tax year that the market value was determined by the appraisal office, or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board (the "Appraisal Review Board") consisting of five members, which are appointed by the Board of Directors of the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the City in establishing its tax roll and tax rate. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

The Property Tax Code 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. Article VIII, Section 21 of the Texas Constitution provides that, subject to any exception prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed in the preceding year unless a notice of intent to consider an increase in taxes is given and two public hearings on the proposed increase are held before the total taxes are increased. See "AD VALOREM TAX PROCEDURES - Effective Tax Rate and Rollback Tax Rate", herein.

Property Subject to Taxation by the Issuer

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

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

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

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

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

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

Homestead Tax Limitation: Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or older or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead and to the surviving spouse living in such homestead if (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was disabled or was 55 or older when the deceased spouse died and (3) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following year. Once established such freeze cannot be repealed or rescinded.

Disabled/Deceased Veterans Exemption: State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs, or its successor, 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

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

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

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

Goods in Transit: Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation of "goods-in-transit", which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) 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.

Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 1, 2011, to provide for the taxation of the goods-in-transit. After holding a public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking such official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body of the taxing units rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt, taxes may continue to be imposed on goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligations of the contract by which the debt was created.

For a discussion of how the various exemptions described above are applied by the City, see "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.

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

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

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

Effective Tax Rate and Rollback Tax Rate

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt its annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides that the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures for the next year, and (2) a rate to fund debt service for the next year. Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate".

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

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

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.

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Property within the City is generally assessed as of January 1 of each year based upon the valuation of property within the City as of the preceding January 1. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process, which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Property Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and final installment due on August 1.

Penalties and Interest

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

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

[(a)] *After July, the penalty remains at 12% and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee not to exceed 20% of the amount of delinquent tax, penalty, and interest collected. Under certain circumstances, taxes, which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.*

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, annual direct ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limit prescribed by law. Article XI, Section 5, of the Texas Constitution applicable to home-rule cities is applicable to the City, and limits the maximum ad valorem tax rate of the City to $2.00 per $100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.33 of the $2.00 maximum tax rate for all general obligation debt, as calculated at the time of issuance and based on 90% tax collection factor.

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 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

Pending Legislation Affecting Ad Valorem Taxation

The 86th Regular Legislative Session convened on January 8, 2019 and will conclude on May 27, 2019. Thereafter, the Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

On January 31, 2019, House Bill 2 and Senate Bill 2 (collectively referred to herein as the "Property Tax Reform and Relief Act of 2019") were filed as companion bills in each chamber of the legislature. The Texas Senate Research Center has described the

Property Tax Reform and Relief Act of 2019, as filed, as having the following goals: (1) lowering the rollback rate from the existing 8 percent for the largest taxing units in the State; (2) requiring an automatic tax ratification election if the rollback rate is exceeded, eliminating the petition requirement in current statute; (3) making information about the tax rates proposed by local taxing units more accessible to property owners and more timely; and (4) making it easier for property owners to express their opinions about proposed tax rates to local elected officials before tax rates are adopted.

No assurance can be given as to what, if any, tax reforms will be considered and adopted by the Legislature or when such legislation will be made into law and be effective, or the effect such legislation may have on the City's local tax revenues.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants an exemption of $10,000 to the market value of the residence homestead of persons 65 years of age or older.

The City does not grant the additional up to 20% of the market value of residence homesteads.
The City taxes only business personal property.

The City collects its own property taxes and does not allow discounts.

The City took action in December 1989 to tax Article VIII, Section 1-j property ("freeport property"), but may elect to exempt freeport property anytime in the future.

The City does not grant an exemption for "goods-in-transit".

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004, as described above under "Homestead Tax Limitation" herein.

The City created a Tax Increment Reinvestment Zone ("TIRZ") in December 2007. The 2007 property values were used as the "base values" for the TIRZ and the first year for property value to be captured by the TIRZ was the 2008 tax year. The TIRZ expires December 31, 2032.

The City has entered into tax abatement agreements with Saputo, Ocean Spray, CMH, and BEF and has adopted criteria therefore, which are prerequisites to the execution of abatement agreements. For the 2018 Tax Year, the total aggregate amount of the City's assessed valuation loss due to abatement agreements equals $54,271,707 and the latest expiration date for any of the agreements is 2027.

ADDITIONAL TAX COLLECTIONS

Municipal Sales Tax Collections

The City has adopted the provisions of Chapter 321 of the Tax Code, as amended, which provides for the maximum levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of obligations or other indebtedness.

Optional Sales Tax

The Tax Code provides certain cities and counties 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 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.

At a special election held on January 19, 1991 the City's registered voters approved an additional one-half percent (½%) sales tax to be collected for economic development purposes in accordance with Section 4A, Article 5190.6 of Vernon's Annotated Texas Civil Statutes. Collections of the 4A sales tax began July 1, 1991.

The City has not held an election regarding an additional sales tax for the purpose of 4B economic development or reduction of its ad valorem taxes.

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the projects financed or refinanced with the proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The City will provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement. The information to be updated includes the information in Tables 1, 2, 3, 11, 12, 13, and 14 of Appendix A. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in 2019. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Website or filed with the SEC, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements for the Issuer, if the Issuer 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 information of the type described in the preceding paragraph by the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer’s annual financial statements, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer’s current fiscal year end is September 30. Accordingly, it must provide its Annual Operating Report by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are yet available) must be provided by the last day in September in each year by the last day in March in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the 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; (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 trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. (Neither the Bonds or the Ordinance make provisions for debt services reserves, liquidity enhancement or credit enhancement.) In addition, the City will provide timely notice of any failure by the City to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) of 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. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a Afinancial obligation@ shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information from MSRB

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

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of specified events only as described above. The Issuer 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 Issuer 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 Issuer 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 Issuer to comply with its agreement.

The Issuer may amend its 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 Issuer, 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, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer 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.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule, with the following qualifications. The City's 2010 Comprehensive Annual Financial Report (CAFR) did not appear on EMMA, although the City received a confirmation of its submission to EMMA on March 24, 2011. On November 4, 2014 the 2010 CAFR was re-submitted and now appears on EMMA. Due to an administrative oversight, some of the City's financial information and operating data tables were not included in the City's Rule 15c2-12 filing for Fiscal Year ended September 30, 2014. All the missing information has since been filed, including a notice of late filing. The City's Rule 15c2-12 filing for Fiscal Year ended September 30, 2015 was made on time and included all the required tables. The Notice of Late Filing related to this event was filed on April 6, 2016.

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; nor 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.

Litigation

In the opinion of the City Attorney, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the City.

Future Debt Issuance

Other than the $445,000 (preliminary amount) Limited Tax Note, Series 2019, being sold by private placement simultaneously with the Bonds, the City currently does not anticipate the issuance of additional debt during the remainder of this fiscal year.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes. Additionally, with respect to the Bonds, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

Legal Opinions and No-Litigation Certificate

The Issuer will furnish 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 Bonds are valid and legally binding obligations 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 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 excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Bonds. 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. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Though it may represent the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds.

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 from the transaction.

Rating

A municipal bond rating application for the Bonds has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. An explanation of the significance of such ratings may be obtained from S&P. The rating of the Bonds by S&P reflects only the views of S&P at the time the rating is given, and the Issuer makes no representation as to the appropriateness of the ratings. There is no assurance that the rating will continue for any given period of time, or that the ratings will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the 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 Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

Verification of Arithmetical and Mathematical Calculations

Ritz & Associates, PA will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of and interest on the Refunded Obligations which will be relied upon by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Ritz & Associates, PA will be solely based upon data, information and documents provided to Ritz & Associates, PA by the City and its representatives. Ritz & Associates, PA has restricted its procedures to recalculating the computations provided by the City and its representatives and has not evaluated or examined the assumptions of information used in the computations.

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public, as shown on page ii of this Official Statement, less an underwriting discount of $___________, plus accrued interest from the Dated Date to the date of initial delivery. The Underwriter will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Links to Websites

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

Forward-Looking Statements Disclaimer

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

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

Concluding Statement

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

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

CITY OF SULPHUR SPRINGS, TEXAS

ATTEST:

____
Mayor
City of Sulphur Springs, Texas

____
City Secretary
City of Sulphur Springs, Texas

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS

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SCHEDULE I
SCHEDULE OF REFUNDED BONDS *

SULPHUR SPRINGS, TEXAS

Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2009
(Redemption Date 09-01-19 @ par)
Current Interest Bonds

Original Dated Date	Original Maturity (September 1)	Original Principal Amount		Principal Being Refunded	Interest Rate
July 1, 2009	2020	$ 95,000.00	[a]	$ 95,000.00	5.500%
	2021	100,000.00	[a]	100,000.00	5.500%
	2022	105,000.00	[a]	105,000.00	5.500%
	2023	110,000.00	[a]	110,000.00	5.500%
	2024	115,000.00	[a]	115,000.00	5.500%
	2025	120,000.00	[a]	120,000.00	5.500%
	2026	130,000.00	[a]	130,000.00	5.500%
	2027	135,000.00	[a]	135,000.00	5.500%
	2028	140,000.00	[b]	140,000.00	5.500%
	2029	150,000.00	[b]	150,000.00	5.500%
	2030	160,000.00	[b]	160,000.00	5.500%
	2031	165,000.00	[b]	165,000.00	5.500%
	2032	175,000.00	[b]	175,000.00	5.500%
	2033	185,000.00	[b]	185,000.00	5.500%
	2034	195,000.00	[b]	195,000.00	5.500%
	2035	205,000.00	[c]	205,000.00	5.500%
	2036	220,000.00	[c]	220,000.00	5.500%
	2037	230,000.00	[c]	230,000.00	5.500%
	2038	245,000.00	[c]	245,000.00	5.500%
	2039	255,000.00	[c]	255,000.00	5.500%
		$ 3,235,000.00		$ 3,235,000.00	

* *Preliminary, subject to change.*

[a] Represents a sinking fund redemption of a term bond that matures September 1, 2027.
[b] Represents a sinking fund redemption of a term bond that matures September 1, 2034.
[c] Represents a sinking fund redemption of a term bond that matures September 1, 2039.

General Obligation Refunding Bonds, Series 2009
(Redemption Date 06-10-19 @ par)
Current Interest Bonds

Original Dated Date	Original Maturity (July 1)	Original Principal Amount	Principal Being Refunded	Interest Rate
July 1, 2009	2020	$ 370,000.00	$ 370,000.00	4.000%
	2021	380,000.00	380,000.00	4.000%
	2022	400,000.00	400,000.00	4.000%
		$ 1,150,000.00	$ 1,150,000.00	

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION		TABLE 1
2018 Actual Market Value of Taxable Property (100% of Actual)[(a)]		$ 1,176,382,951
Less Exemptions:		
Local, Optional Over-65 or Disabled Homestead Exemptions	16,357,180	
Disabled and Deceased Veterans' Exemptions	870,370	
Pollution Control	2,345,425	
Productivity Loss/Agricultural Use	19,760,300	
Abatement Loss	54,271,707	
Homestead Cap Adjustment	149,310	
$500 Minimum Value Loss	11,188	
Totally Exempt Property	155,472,523	
Certified Value Captured by the Tax Increment Reinvestment Zone 4 ("TIRZ")	7,711,835	256,949,838
2018 Net Taxable Assessed Valuation Excluding Value Captured by the TIRZ		$ 919,433,113

(a) *See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE TEXAS TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*
Source: Hopkins County Appraisal District and the Issuer.

GENERAL OBLIGATION BONDED DEBT		TABLE 2	
General Obligation Debt Principal Outstanding: (As of September 30, 2018)			
General Obligation Refunding Bonds, Series 2009 (Excludes the Refunded Obligations)	$	480,000	
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2009 (Excludes the Refunded Obligations)		90,000	
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2011		3,490,000	
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2012		5,615,000	
General Obligation Refunding Bonds, Series 2012		730,000	
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2014		4,170,000	
General Obligation Refunding Bonds, Series 2015		465,000	
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016		17,510,000	
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2017		4,885,000	
General Obligation Refunding Bonds, Series 2017		1,410,000	
Total Gross General Obligation Debt Principal Outstanding:	$	38,845,000	
Current Issue General Obligation Debt Principal:			
General Obligation Refunding Bonds, Series 2019 (the "Bonds")	$	4,240,000	
Limited Tax Note, Series 2019 (the "Notes") [(c)]		445,000	*
	$	4,685,000	
Total **Gross** General Obligation Debt Principal Outstanding Following the Issuance of the Bonds	$	43,530,000	*
Less: Self-Supporting General Obligation Debt Principal [(a)]			
General Obligation Refunding Bonds, Series 2009 (aprox. 54.85%)	$	263,280	
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2011 (100%)		3,490,000	
General Obligation Refunding Bonds, Series 2012 (100%)		730,000	
General Obligation Refunding Bonds, Series 2015 (100%)		465,000	
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016 (100%)		17,510,000	
Combination Tax and Revenue Certificates of Obligation, Series 2017 (the "Certificates") (aprox. 80%%)		3,934,425	*
Total Self-Supporting General Obligation Debt Principal	$	26,392,705	
Total **Net** General Obligation Debt Outstanding (Following the issuance of the Bonds):	$	17,137,295	*
General Obligation Interest and Sinking Fund Balance as of September 30, 2018	$	-	
Ratio of Gross General Obligation Debt Principal to 2018 TIRZ Adjusted Net Taxable Assessed Valuation		4.73%	*
Ratio of Net General Obligation Debt Principal to 2018 TIRZ Adjusted Net Taxable Assessed Valuation		1.86%	
2018 TIRZ Adjusted Net Taxable Assessed Valuation [(b)]	$	919,433,113	
Population: 1980 -12,804; 1990 - 14,007; 2000 - 14,551; 2010 - 15,449; Current Estimate		16,162	
Per Capita 2018 TIRZ Adjusted Net Taxable Assessed Valuation -	$	56,889	
Per Capita **Gross** General Obligation Debt Principal -	$	2,693	*
Per Capita **Net** General Obligation Debt Principal -	$	1,060	*

(a) *Self-supporting percentages are based on the original portion of the bond issue dedicated to water and sewer purposes. Although the City intends to pay such self-supporting debt from water and sewer revenues, in the event such revenues are not sufficient or the City determines not to appropriate or otherwise provide for payment of such obligations from water and sewer revenues or other sources, the City will be required to levy an ad valorem tax to pay such debt.*

(b) *See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE TEXAS PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*

(c) *Being sold through a private placement concurrently with the sale of the Bonds.*

* *Preliminary, subject to change.*

OTHER OBLIGATIONS - CAPITAL LEASES AND NOTES PAYABLE — TABLE 3

Notes Payable:

During the year ended September 30, 2018, the following changes occurred in liabilities reported for the EDC:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	$ 4,025,277	$ 5,576,886	$ (190,706)	$ 9,411,457	$5,771,719
	$ 4,025,277	$ 5,576,886	$ (190,706)	$ 9,411,457	$5,771,719

On October 31, 2005, the Corporation purchased four tracts of land totaling approximately 286 acres from the Hopkins County Industrial Fund, Inc. The land was fully financed by the Fund through a note that bears no interest and is payable upon sale of the land by the Corporation. On August 23, 2006, the Corporation purchased another 248 acres of land that was also financed by the Hopkins County Industrial Fund, Inc. under the same terms as the previous note.

On May 18, 2017, the Corporation borrowed $2,236,847 from Southside Bank. The loan is being repaid in 113 monthly payments of $21,051 (beginning June 1, 2017 and 24 monthly payments of $8,611 (beginning November 1, 2026), including interest computed at 3.05 percent. The note will be paid in full after the final payment on January 1, 2029.

On February 20, 2018, the Corporation obtained a non-revolving construction line of credit (LOC) from Guaranty Bank. The LOC has maximum allowable funds of $7,800,000. The principal amount will be advanced upon draw requests, until February 20, 2019 at which point, the balance is due in full. During construction, monthly interest only payments will be made (effective March 20, 2018) at an interest rate of 4.75%.

TAXABLE ASSESSED VALUATION HISTORY FOR TAX YEARS 2009-2018 — TABLE 4

Year	Net Taxable Assessed Valuation	Change From Preceding Year Amount ($)	Change From Preceding Year Percent
2009-10	846,416,505	12,296,035	1.47%
2010-11	811,616,884	(34,799,621)	-4.11%
2011-12	813,778,975	2,162,091	0.27%
2012-13	822,588,145	8,809,170	1.08%
2013-14	839,678,857	17,090,712	2.08%
2014-15	850,758,123	11,079,266	1.32%
2015-16	878,179,613	27,421,490	3.22%
2016-17	887,649,352	9,469,739	1.08%
2017-18	912,204,964	24,555,612	2.77%
2018-19	919,433,113	7,228,149	0.79%

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas and Hopkins County Appraisal District.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 5

Fiscal Year 30-Sep	Currently Outstanding Debt Service [(a)]	Less: Refunded Debt Service	The Bonds* Principal	The Bonds* Interest	The Bonds* Total	The Notes [(d)]* Principal	The Notes [(d)]* Interest	The Notes [(d)]* Total	Combined Debt Service[(a)]*	Less: Debt Paid from Utility Fund[(b)]	Less: Debt Supported From other Funds[(c)]	Net General Obligation Debt Service[(b)]*
2019	$ 4,075,118	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,075,118	$ 2,353,346	$ 1,173,835	$ 547,936
2020	3,954,657	688,925	445,000	219,538	664,538	145,000	11,960	156,960	4,087,229	2,288,007	1,111,807	687,415
2021	3,714,862	683,900	490,000	151,800	641,800	150,000	6,975	156,975	3,829,737	2,050,913	1,093,261	685,564
2022	3,728,056	688,200	515,000	132,200	647,200	150,000	3,600	153,600	3,840,656	2,057,985	1,095,616	687,055
2023	2,921,010	271,425	120,000	111,600	231,600	-	-	-	2,881,185	1,536,826	981,438	362,922
2024	2,929,066	270,375	120,000	106,800	226,800	-	-	-	2,885,491	1,544,437	976,720	364,334
2025	2,649,300	269,050	125,000	102,000	227,000	-	-	-	2,607,250	1,443,888	795,764	367,598
2026	2,522,172	272,450	135,000	97,000	232,000	-	-	-	2,481,722	1,443,760	669,432	368,531
2027	2,534,045	270,300	140,000	91,600	231,600	-	-	-	2,495,345	1,447,582	677,404	370,359
2028	2,038,458	267,875	140,000	86,000	226,000	-	-	-	1,996,583	1,280,120	350,039	366,424
2029	2,045,221	270,175	150,000	80,400	230,400	-	-	-	2,005,446	1,281,259	353,937	370,250
2030	1,809,991	271,925	155,000	74,400	229,400	-	-	-	1,767,466	1,281,403	352,374	133,689
2031	1,804,181	268,125	160,000	68,200	228,200	-	-	-	1,764,256	1,280,393	350,292	133,570
2032	1,811,736	269,050	165,000	61,800	226,800	-	-	-	1,769,486	1,288,198	348,389	132,898
2033	1,512,349	269,425	175,000	55,200	230,200	-	-	-	1,473,124	989,911	350,661	132,551
2034	1,516,721	269,250	180,000	48,200	228,200	-	-	-	1,475,671	991,108	352,462	132,101
2035	1,509,071	268,525	185,000	41,000	226,000	-	-	-	1,466,546	986,183	348,815	131,547
2036	1,455,218	272,250	200,000	33,600	233,600	-	-	-	1,416,568	990,780	312,397	113,391
2037	1,446,753	270,150	205,000	25,600	230,600	-	-	-	1,407,203	984,665	309,294	113,243
2038	1,206,881	272,500	215,000	17,400	232,400	-	-	-	1,166,781	743,256	310,761	112,763
2039	1,198,432	269,025	220,000	8,800	228,800	-	-	-	1,158,207	744,282	304,701	109,224
2040	929,230	-	-	-	-	-	-	-	929,230	745,105	75,491	108,634
2041	928,660	-	-	-	-	-	-	-	928,660	745,723	75,004	107,933
2042	927,695	-	-	-	-	-	-	-	927,695	746,133	74,441	107,121
2043	746,333	-	-	-	-	-	-	-	746,333	746,333	-	-
2044	746,322	-	-	-	-	-	-	-	746,322	746,322	-	-
2045	746,098	-	-	-	-	-	-	-	746,098	746,098	-	-
2046	745,658	-	-	-	-	-	-	-	745,658	745,658	-	-
	$ 54,153,289	$ 6,652,900	$ 4,240,000	$ 1,613,138	$ 5,853,138	$ 445,000	$ 22,535	$ 467,535	$ 53,821,062	$ 34,229,673	$ 12,844,336	$ 6,747,053

[(a)] *Includes general obligation self-supporting debt. Excludes the Refunded Obligations.*

[(b)] *Includes debt being paid from water and sewer system revenues. See Table 2, page A-1 for more detailed information.*

[(c)] *Includes transfers from Capital Projects fund, TIRZ funds, General Fund and others in order to maintain a near constant I&S Tax Rate. Future amounts will be determined by future debt issuances and Budget Requirements.*

[(d)] *Being sold through a private placement concurrently with the sale of the Bonds.*

* *Preliminary, subject to change. Interest calculated at an assumed rate for illustration purposes only.*

TAX ADEQUACY (Includes Self-Supporting Debt)

TABLE 6

2018 Certified Net Taxable Assessed Valuation	$ 919,433,113	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2020*)	$ 4,087,229	*
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.45361	*

* *Preliminary, subject to change.*

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

TAX ADEQUACY (Excludes Self-Supporting Debt)

TABLE 7

2018 Certified Net Taxable Assessed Valuation	$ 919,433,113	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2020*)	$ 687,415	*
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.07629	*

* *Preliminary, subject to change.*

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

INTEREST AND SINKING FUND MANAGEMENT INDEX **TABLE 8**

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2018	$ 11,238	
2018 Interest and Sinking (I&S) Fund Tax Levy of $0.568 at 100% Collections Produces	526,618	
2018-19 Budgeted for Late Taxes, Penalties and Interest Income	22,600	
2018-19 Budgeted Fund Transfers for General Obligation Debt Service	3,527,181	(a)
Total Available for Debt Service	$ 4,087,638	
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-19	4,075,118	(b)
Estimated Surplus at Fiscal Year Ending 9-30-19	$ 12,520	

(a) *A portion of general fund debt is being paid from a budgeted transfer of $1,447,775 from the Capital Projects Fund, General Fund and surplus revenues of the Waterworks and Sewer System.*
NO BOND FUNDS ARE USED FOR DEBT SERVICE.

(b) *Excludes self-supporting general obligation debt being paid from surplus revenues of the Waterworks and Sewer System. Based on the City's 2018-19 Budget*

COMPUTATION OF WATERWORKS AND SEWER SYSTEM SELF-SUPPORTING DEBT **TABLE 9**

Net System Revenues Available, Fiscal Year End September 30, 2018	$ 4,739,901
Less: 2018 Annual Debt Service Requirement on Outstanding Revenue Bonds	$ 2,340,712
Balance Available for Other Purposes	$ 2,399,189
Estimated System General Obligation Debt for Fiscal Year Ended September 30, 2019	$ 547,936

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 10**

	Principal Repayment Schedule					Bonds	Percent of
Fiscal Year Ending 9-30	Outstanding Principal	Less Refunded Debt Service	The Bonds*	The Notes(a)*	Total *	Unpaid at End of Year*	Principal Retired (%)*
2019	$ 3,060,000		$ -	$ -	$ 3,060,000	$ 40,470,000	7.03%
2020	3,000,000	$ 465,000	445,000	145,000	3,125,000	37,345,000	14.21%
2021	2,820,000	480,000	490,000	150,000	2,980,000	34,365,000	21.05%
2022	2,900,000	505,000	515,000	150,000	3,060,000	31,305,000	28.08%
2023	2,165,000	110,000	120,000	-	2,175,000	29,130,000	33.08%
2024	2,225,000	115,000	120,000	-	2,230,000	26,900,000	38.20%
2025	2,000,000	120,000	125,000	-	2,005,000	24,895,000	42.81%
2026	1,920,000	130,000	135,000	-	1,925,000	22,970,000	47.23%
2027	1,980,000	135,000	140,000	-	1,985,000	20,985,000	51.79%
2028	1,535,000	140,000	140,000	-	1,535,000	19,450,000	55.32%
2029	1,580,000	150,000	150,000	-	1,580,000	17,870,000	58.95%
2030	1,385,000	160,000	155,000	-	1,380,000	16,490,000	62.12%
2031	1,415,000	165,000	160,000	-	1,410,000	15,080,000	65.36%
2032	1,460,000	175,000	165,000	-	1,450,000	13,630,000	68.69%
2033	1,200,000	185,000	175,000	-	1,190,000	12,440,000	71.42%
2034	1,235,000	195,000	180,000	-	1,220,000	11,220,000	74.22%
2035	1,260,000	205,000	185,000	-	1,240,000	9,980,000	77.07%
2036	1,240,000	220,000	200,000	-	1,220,000	8,760,000	79.88%
2037	1,265,000	230,000	205,000	-	1,240,000	7,520,000	82.72%
2038	1,060,000	245,000	215,000	-	1,030,000	6,490,000	85.09%
2039	1,080,000	255,000	220,000	-	1,045,000	5,445,000	87.49%
2040	840,000	-	-	-	840,000	4,605,000	89.42%
2041	855,000	-	-	-	855,000	3,750,000	91.39%
2042	870,000	-	-	-	870,000	2,880,000	93.38%
2043	705,000	-	-	-	705,000	2,175,000	95.00%
2044	715,000	-	-	-	715,000	1,460,000	96.65%
2045	725,000	-	-	-	725,000	735,000	98.31%
2046	735,000	-	-	-	735,000	-	100.00%
	$ 43,230,000	$ 4,385,000	$ 4,240,000	$ 445,000	$ 43,530,000		

(a) *Being sold through a private placement concurrently with the sale of the Bonds.*
* *Preliminary, subject to change.*

CLASSIFICATION OF ASSESSED VALUATION

TABLE 11

Category	2018-2019	% of Total	2017-2018	% of Total	2016-2017	% of Total	2015-2016	% of Total	2014-2015	% of Total
Real, Residential, Single-Family	$ 390,365,990	33.18%	$ 384,341,350	33.36%	$ 377,227,550	33.38%	$ 370,410,140	33.43%	$ 369,303,420	34.08%
Real, Residential, Multi-Family	33,481,310	2.85%	33,513,430	2.91%	31,799,090	2.81%	28,400,900	2.56%	28,410,410	2.62%
Real, Vacant Lots/Tracts	11,047,060	0.94%	10,623,650	0.92%	10,746,860	0.95%	11,022,370	0.99%	11,374,760	1.05%
Real, Acreage (Land Only)	20,679,730	1.76%	20,752,490	1.80%	20,700,060	1.83%	20,330,130	1.83%	20,351,910	1.88%
Farm & Ranch Improvements	15,336,230	1.30%	15,017,700	1.30%	14,805,340	1.31%	14,964,920	1.35%	14,681,620	1.35%
Real, Commercial	212,254,711	18.04%	200,697,890	17.42%	192,854,550	17.06%	189,356,500	17.09%	186,979,460	17.25%
Real, Industrial	38,717,910	3.29%	38,617,810	3.35%	38,510,720	3.41%	35,835,430	3.23%	35,289,410	3.26%
Real & Tangible, Personal Utilities	22,297,067	1.90%	21,407,490	1.86%	21,107,392	1.87%	21,312,394	1.92%	19,686,582	1.82%
Tangible Personal, Business	103,061,195	8.76%	104,515,720	9.07%	98,132,960	8.68%	106,864,540	9.64%	103,887,240	9.59%
Tangible Personal, Industrial	170,127,918	14.46%	171,690,609	14.90%	170,515,782	15.09%	163,797,945	14.78%	150,479,238	13.89%
Mobile Homes	2,187,441	0.19%	1,297,590	0.11%	1,247,530	0.11%	1,252,700	0.11%	1,144,950	0.11%
Real / Special Inventory	9,100,369	0.77%	8,864,810	0.77%	8,684,450	0.77%	7,139,210	0.64%	5,100,640	0.47%
Totally Exempt Property	147,726,020	12.56%	140,871,780	12.23%	143,922,730	12.73%	137,370,210	12.40%	137,050,960	12.65%
Total Appraised Value	$ 1,176,382,951	100.00%	$ 1,152,212,319	100.00%	$ 1,130,255,014	100.00%	$ 1,108,057,389	100.00%	$ 1,083,740,600	100.00%
Less Exemptions:										
Over -65 or Disabled Homestead	$ 16,357,180		$ 12,824,320		$ 12,677,260		$ 12,243,130		$ 12,000,320	
Disabled and Deceased Veterans	870,370		852,370		3,692,270		3,368,330		3,206,000	
Pollution Control	2,345,425		2,432,537		2,258,853		2,907,072		3,228,171	
Productivity Value Loss/Ag Use	19,760,300		19,934,180		19,906,470		19,580,560		19,639,950	
Abatement Loss	54,271,707		48,368,177		46,762,659		43,806,052		48,721,183	
Homestead Cap Adjustment	149,310		319,220		884,070		299,260		728,540	
$500 Minimum Value Loss	11,188		10,400		9,220		9,570		10,290	
Exempt Property	155,472,523		148,524,481		151,205,140		144,332,732		142,456,713	
Total Exemptions	$ 249,238,003		$ 233,265,685		$ 237,395,942		$ 226,546,706		$ 229,991,167	
Net Taxable Valuation	$ 927,144,948		$ 918,946,634		$ 892,859,072		$ 881,510,683		$ 853,749,433	
Value Captured by Tax Increment Reinvestment Zone (TIRZ)	$ (7,711,835)		$ (6,741,670)		$ (5,209,720)		$ (3,331,070)		$ (2,991,310)	
Net Taxable Assessed Valuation After TIRZ Adjustment	$ 919,433,113		$ 912,204,964		$ 887,649,352		$ 878,179,613		$ 850,758,123	

Source: Hopkins County Appraisal District. Figures represent Certified Appraisal Rolls and do not inclue property values under review or arbitration.

Note: Assessed Valuations shown are Certified Values and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

PRINCIPAL TAXPAYERS 2018-2019 **TABLE 12**

Name	Type of Business		2018 Assessed Valuation	% of Total 2018 Assessed Valuation
Saputo Dairy Foods USA LLC	Manufacturing		$ 15,636,126	1.70%
Saputo Dairy Foods USA LLC	Manufacturing		15,447,306	1.68%
Wal-Mart Stores Inc.	Retail Sales		12,900,600	1.40%
Flowserve US Inc.	Food Processing		11,745,158	1.28%
Ocean Spray Cranberries	Food Service / Processing		11,464,381	1.25%
BEF Foods Inc.	Retail Sales		11,364,484	1.24%
Oncor Electric Delivery	Utility		9,308,542	1.01%
Grocery Supply Company	Grocery supply		7,445,340	0.81%
Jeld-Wen Inc.	Food Processing		7,132,470	0.78%
Flowserve US Inc.	Food Processing		5,760,038	0.63%
		Total	$ 108,204,445	11.77%

Based on a 2018 Certified Net Taxable Assessed Valuation of $919,433,113

Source: Hopkins County Appraisal District.

PROPERTY TAX RATES AND COLLECTIONS [(a)] **TABLE 13**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections Current	% Collections Total	Year Ended
2008-09	$ 834,120,470	$ 0.440000	$ 3,670,280	97.40%	99.90%	9/30/2009
2009-10	846,416,805	0.440000	3,722,293	97.70%	99.90%	9/30/2010
2010-11	811,616,884	0.440000	3,571,114	97.40%	99.90%	9/30/2011
2011-12	813,778,975	0.439200	3,558,832	98.00%	99.90%	9/30/2012
2012-13	824,633,437	0.440000	3,671,928	97.90%	99.50%	9/30/2013
2013-14	842,233,437	0.440000	3,756,497	98.60%	99.40%	9/30/2014
2014-15	853,749,433	0.440000	3,878,647	97.40%	98.10%	9/30/2015
2015-16	881,510,683	0.440000	3,921,008	98.30%	98.40%	9/30/2016
2016-17	892,859,072	0.440000	3,928,580	96.80%	96.80%	9/30/2017
2017-18	918,946,634	0.440000	4,043,365	97.40%	97.40%	9/30/2018
2018-19	927,144,948	0.440000	4,079,438	94.29%	94.82%	9/30/2019

[(a)] *See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE TEXAS TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*

Source: The Issuer.

TAX RATE DISTRIBUTION **TABLE 14**

	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
General Fund	$0.383200	$0.379400	$0.379400	$0.377694	$0.377694
I & S Fund	0.056800	0.060600	0.060600	0.062306	0.062306
TOTAL	$0.440000	$0.440000	$0.440000	$0.440000	$0.440000

Source: The Issuer.

MUNICIPAL SALES TAX **TABLE 15**

The Issuer has adopted the provision of Chapter 321, as amended, Texas Tax Code. The voters of the City of Sulphur Springs approved a ½% sales tax for the benefit of the Sulphur Springs-Hopkins County Economic Development Corporation on January 19, 1991. Collection began on July 1, 1991. Net collections on a calendar year basis are as follows:

Calendar Year	Total Collected	1.00% City	City Collections as % of Ad Valorem Tax Levy	($) Equivalent of Ad Valorem Tax Rate	0.50% EDC
2009	4,286,558.00	2,857,705.33	81.60%	0.34	1,428,852.67
2010	4,174,100.00	2,782,733.33	75.82%	0.33	1,391,366.67
2011	4,208,885.00	2,805,923.33	75.38%	0.33	1,402,961.67
2012	4,414,565.00	2,943,043.33	82.41%	0.36	1,471,521.67
2013	4,928,977.00	3,285,984.67	92.33%	0.41	1,642,992.33
2014	5,160,969.66	3,440,646.44	93.70%	0.41	1,720,323.22
2015	5,286,182.99	3,524,121.99	93.81%	0.41	1,762,061.00
2016	5,670,544.28	3,780,362.85	96.41%	0.42	1,890,181.43
2017	5,601,068.14	3,734,045.43	95.05%	0.42	1,867,022.71
2018	6,217,781.90	4,145,187.93	102.52%	0.45	2,072,593.97
2019	1,657,159.79 [(a)]	1,104,773.19	27.08%	0.12	552,386.60

[(a)] *Current year collections are through February 2019.*
Source: Texas Comptroller of Public Accounts, the City's 2018 CAFR and the Issuer.

Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the City, which is two months after they are generated/collected. The City accrues sales tax revenues to the month in which they are earned.

OVERLAPPING DEBT DATA AND INFORMATION **TABLE 16**

(As of September 30, 2018)

Taxing Body	Gross Debt Principal Outstanding	% Overlapping	Amount Overlapping
Hopkins County	$ 14,952	36.21%	$ 5,414
Sulphur Springs ISD	53,940	59.50%	32,094
Hopkins County Hospital District	26,430	36.21%	9,570
Total Gross Overlapping Debt			$ 47,079
City of Sulphur Springs	43,530,000 [(a)]	100.00%	43,530,000 [(a)]
Total **Gross** Direct and Overlapping Debt			$ 43,577,079 [(a)]
Ratio of Gross Direct and Overlapping Debt to 2018 TIRZ Adjusted Net Taxable Assessed Valuation			4.74% [(a)]
Ratio of Direct and Overlapping Debt to 2018 Actual Value			3.70% [(a)]
Per Capita Direct and Overlapping Debt			$ 2,696 [(a)]

Note: The above figures show **Gross** General Obligation Debt Principal for the City of Sulphur Springs, Texas
The Issuer's Net General Obligation Debt Principal is $ 17,137,295
Calculations on the basis of Net General Obligation Debt Principal would change the above figures as follows:

Total **Net** Direct and Overlapping Debt Principal	$ 17,184,374
Ratio of Gross Direct and Overlapping Debt to 2018 TIRZ Adjusted Net Taxable Assessed Valuation	1.87% [(a)]
Ratio of Direct and Overlapping Debt to 2018 Actual Value	1.46% [(a)]
Per Capita Direct and Overlapping Debt	$ 1,063 [(a)]

[(a)] *Includes the Bonds.*
Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas and the Issuer.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES **TABLE 17**

Governmental Entity	2018 Assessed Valuation	% of Actual	2018 Tax Rate
Hopkins County	$ 1,884,714,353	100%	$ 0.625000
Sulphur Springs ISD	1,294,355,213	100%	1.351000

Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS
OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES **TABLE 18**

Taxing Body	Date of Authorization	Purpose		Amount Authorized	Issued To Date	Unissued
Hopkins County	N/A			$ -	$ -	$ -
City of Sulphur Springs	N/A			-	-	-
Sulphur Springs ISD	N/A			-	-	-
			Total	$ -	$ -	$ -

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

FUND BALANCES **TABLE 19**

		Balance As of 9/30/2018	Balance As of 2/28/2019
General Operating Fund		$ 3,075,844.00	$ 4,748,784.00
General Obligation Interest and Sinking Fund (Debt Service)		11,238	650,581
Special Revenue Fund		499,107	443,508
Water and Sewer Interest and Sinking Fund		498,021	780,014
Waterworks and Sewer System Operating Fund		5,835,765	6,196,609
Meter Deposit Fund		501,281	515,545
Internal Service Fund		844,813	771,320
Capital Projects Fund (General Fund Projects)		386,213	529,454
Capital Projects Fund (Wastewater Plant)		4,590,911	2,614,893
Tourism Fund		177,492	205,026
	Total	$ 16,420,685.00	$ 17,455,734.00

Source: The Issuer.

GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES **TABLE 20**

	Fiscal Year Ended September 30				
	2018	**2017**	**2016**	**2015**	**2014**
Revenues:					
Taxes:					
Property	$ 3,536,514	$ 3,437,869	$ 3,405,007	$ 3,316,460	$ 3,246,315
Sales	4,102,033	3,703,431	3,722,191	3,557,109	3,405,201
Franchise	1,115,734	1,148,633	1,131,471	1,396,380	1,204,456
Alcoholic Beverage	42,226	36,892	30,522	30,123	28,574
Licenses and Permits	196,412	133,202	92,351	151,489	185,753
Intergovernmental	179,500	179,500	179,500	179,500	177,625
Charges for Services	9,838	1,995	2,889	9,281	2,401
Fines & Forfeitures	896,479	926,805	869,004	983,681	950,108
Interest	76,281	17,305	10,098	2,667	2,242
Contributions	-	-	-	-	-
Miscellaneous	450,051	301,495	152,630	195,956	312,018
Total Revenues	$ 10,605,068	$ 9,887,127	$ 9,595,663	$ 9,822,646	$ 9,514,693
Expenditures:					
Current:					
General Government	$ 2,462,792	$ 2,432,065	$ 2,489,486	$ 2,499,358	$ 2,433,039
Public Safety	5,193,186	5,203,985	4,955,109	4,795,844	4,738,635
Transportation	590,145	696,006	701,051	711,417	850,748
Culture & Recreation	1,260,434	1,309,559	1,268,557	1,222,817	863,863
Capital Outlay	649,331	643,560	208,013	466,019	490,110
Debt Service:					
Principal	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Total Expenditures	$ 10,155,888	$ 10,285,175	$ 9,622,216	$ 9,695,455	$ 9,376,395
Excess (Deficit) of Revenues Over Expenditures	$ 449,180	$ (398,048)	$ (26,553)	$ 127,191	$ 138,298
Other Financing Sources (Uses):					
Bond Proceeds	$ -	$ 1,140,000	$ -	$ 1,017,496	$ -
Transfers In	1,747,633	1,751,035	1,621,041	1,590,272	1,459,872
Transfers Out	(1,943,867)	(1,900,628)	(2,072,323)	(2,196,852)	(1,746,039)
Total Other Financing Sources (Uses)	$ (196,234)	$ 990,407	$ (451,282)	$ 410,916	$ (286,167)
Net Change in Fund Balances	252,946	592,359	(477,835)	538,107	(147,869)
Fund Balance - Beginning	2,822,898	2,230,539	2,708,374 *	2,324,095	2,471,964
Fund Balance - Ending	$ 3,075,844	$ 2,822,898	$ 2,230,539	$ 2,862,202	$ 2,324,095

Source: The Issuer's Comprehensive Annual Financial Reports
* Restated

CONDENSED WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT — TABLE 21

	Fiscal Year Ended September 30				
	2018	**2017**	**2016**	**2015**	**2014**
Revenues	$ 10,143,915	$ 9,414,662	$ 9,298,273	$ 9,239,705	$ 8,592,373
Expenses	5,404,014	5,356,721	4,871,498	4,517,481	5,101,231
Net Available for Debt Service	$ 4,739,901	$ 4,057,941	$ 4,426,775	$ 4,722,224	$ 3,491,142
Annual Revenue Bond Debt Service Requirements	$ -	$ -	$ -	$ -	$ -
Coverage of Annual Revenue Bond Requirements	N/A	N/A	N/A	N/A	N/A
Annual Requirements on all Bonds Paid from System Revenues	$ 2,340,712	$ 1,552,404	$ 1,306,980	$ 1,311,682	$ 1,352,199
Coverage of Annual Requirements on all Bonds Paid from System Revenues	2.02 x	2.61 x	3.39 x	3.60 x	2.58 x
Customer Count:					
Water	6,554	6,525	6,441	6,448	6,429
Sewer	5,864	5,841	5,759	5,754	5,754

Note: All revenues and expenses associated with sanitation services are EXCLUDED from these figures.
Source: The City's Comprehensive Annual Financial Reports and the Issuer.

WATER RATES — TABLE 22

Existing Rates
(Rates Effective October 1, 2018)

Residential Rates			
Meters Less Than Four inches in Size			
Monthly Demand Charge	$	7.63	
Usage Fee	$	3.85	/1,000 Gallons
Commercial Rates			
Meters Four inches in Size or Larger			
0 to 230,000 Gallons (minimum)	$	829.27	
above 230,000		3.6	/1,000 Gallons

Previous Rates
(Rates Effective October 1, 2017)

Residential Rates			
Meters Less Than Four inches in Size			
Monthly Demand Charge	$	7.48	
Usage Fee	$	3.77	/1,000 Gallons
Commercial Rates			
Meters Four inches in Size or Larger			
0 to 230,000 Gallons (minimum)	$	813.01	
above 230,000	$	3.53	/1,000 Gallons

PRINCIPAL WATER CUSTOMERS 2018-19 — TABLE 23

Name of Customer	Average Monthly Consumption (Gallons)	Average Monthly Bill
North Hopkins Water Supply District	17,417,267	$ 57,197
Saputo Foods, Inc	14,651,800	51,865
Ocean Spray, Inc.	6,634,433	23,421
BEF Foods, Inc.	6,442,800	22,754
Brashear Water District	4,026,725	14,283
Shady Grove Water District	2,859,792	7,889
Christus Hospital	1,593,583	5,901
Brinker Water Supply District	1,534,608	5,590
Kalashine Holdings Apartments	1,338,450	5,076
Carriage House Manor	1,055,825	4,529
Totals	57,555,283	$ 198,505

SEWER RATES — TABLE 24

Existing Rates

(Rates Effective October 1, 2018)

Avg. of 0-4000 Gal.	$ 27.01	
Avg. of 4000+ Gal.	$ 27.01	+$3.92 per 1000 Gal. over 4000+

Previous Rates

(Rates Effective October 1, 2017)

Avg. of 0-4000 Gal.	$ 26.48	
Avg. of 4000-8000 Gal.	$ 26.48	+$3.08 per 1000 Gal. 4000+

PRINCIPAL SEWER CUSTOMERS 2018-2019 — TABLE 25

Name of Customer	Average Monthly Consumption (Gallons)	Average Monthly Bill
Saputo Foods, Inc	14,651,800	$ 56,317
BEF Foods, Inc.	6,442,800	24,744
Ocean Spray, Inc.	6,634,433	14,852
Kalashine Holdings Apartments	1,338,450	5,172
Flowserve	644,717	5,003
Carriage House Manor Nursing Home	1,055,825	4,577
Christus Hospital	1,593,583	4,158
Canyon Creek Apartments	626,975	2,424
Sulphur Springs High School	1,017,592	2,038
Rahman Properties	514,775	1,985
Totals	34,520,950	$ 121,270

Source: Information from the Issuer

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF SULPHUR SPRINGS AND HOPKINS COUNTY, TEXAS

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GENERAL INFORMATION REGARDING THE CITY OF SULPHUR SPRINGS AND HOPKINS COUNTY, TEXAS

CITY OF SULPHUR SPRINGS, TEXAS

Location

The City of Sulphur Springs (the "City") is 80 miles east of Dallas, 100 miles west of Texarkana, 65 miles north of Tyler and 40 miles south of Paris.

Population:

Census Report	City of Sulphur Springs	Hopkins County
Current Estimate	16,162	36,496
2010	15,449	35,161
2000	14,551	31,960
1990	14,062	28,833
1980	12,804	25,257
1970	10,642	20,170

Sources: United States Bureau of the Census and the Issuer.

Major Employers within the City for 2018

Employer	Type of Business	Approximate Number of Employees 2018
Sulphur Springs ISD	Public Education	687
Grocery Supply Company	Wholesale Grocery	533
Hopkins County Hospital	Health Care Services	481
Saputo Foods, Inc.	Dairy Products	430
Wal-Mart Stores, Inc.	Retail Sales	336
CMH Manufacturing	Mobil Home Construction	264
Hopkins County	Government	229
BEF Foods	Grocery	201
Flowserve Inc.	Manufacturing	194
City of Sulphur Springs	Government	182

Source: Issuer's 2018 Comprehensive Annual Financial Report

Residential and Commercial Building Construction

Fiscal Year Ended 9-30	Residential Number of Permits	Residential Property Value $ Amount	Commercial Number of Permits	Commercial Property Value $ Amount	Total Number of Permits	Total Property Value $ Amount
2009	11	1,682,307	4	5,870,000	15	7,552,307
2010	10	1,917,618	7	42,300,000	17	44,217,618
2011	18	9,067,677	8	8,792,000	26	17,859,677
2012	12	33,560,160	11	2,010,580	23	35,570,740
2013	12	32,379,200	4	1,727,551	16	34,106,751
2014	4	719,000	19	6,817,600	23	7,536,600
2015	16	2,772,300	19	4,496,200	35	7,268,500
2016	13	1,746,400	10	3,745,600	23	5,492,000
2017	18	2,894,000	7	10,705,500	25	13,599,500
2018	24	5,730,587	11	8,607,854	35	14,338,441

** Fiscal Year 2018 figures are as of February 28, 2019.*

Sources: The Issuer

HOPKINS COUNTY, TEXAS

General

Hopkins County (the “County”) is a northeast Texas county with an economy based on agriculture. The Texas Almanac designates dairy cattle, beef cattle, hay, and wheat as principal sources of agricultural income. Hopkins County is the second leading dairy county in Texas and the Southwest United States. Minerals produced in the County include oil, gas, and lignite. The County was created in 1846 from Lamar and Nacogdoches Counties. Sulphur Springs, Texas is the County seat (current population estimate, 16,162) and has an economy based on dairy farming, food processing and distribution, varied manufacturing and tourism. Other towns include Como, Cumby and Tira. The 2010 census for the County was 35,161, an increase of 10.02% since 2000.

**Source: Latest Texas Municipal Report published by the Municipal Advisory Council of Texas, the U.S. Census Report and the Issuer.*

Labor Force Statistics

	Hopkins County January 2019	Hopkins County January 2018	State of Texas January 2019	State of Texas January 2018
Civilian Labor Force	17,335	17,111	13,987,561	13,689,852
Total Employed	16,692	16,510	13,397,655	13,107,157
Total Unemployed	643	601	589,906	582,695
% Unemployed	3.7%	3.5%	4.2%	4.3%
% Unemployed (United States)	4.4%	4.5%	4.4%	4.5%

Source: Texas Workforce Commission, Labor Market Information.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

McCALL
PARKHURST & HORTON

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

CITY OF SULPHUR SPRINGS, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

IN THE AGGREGATE PRINCIPAL AMOUNT OF $4,240,000

AS BOND COUNSEL FOR THE CITY OF SULPHUR SPRINGS, TEXAS, (the "*Issuer*") in connection with the issuance of the General Obligation Refunding Bonds described above (the "*Bonds*"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds and in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "*Ordinance*"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Bonds, including executed Bond Number T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to sovereign immunity of political subdivisions, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "*Code*"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the ordinance adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the projects being refinanced and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds and the report of Ritz & Associates, PA, verifying the sufficiency of the amounts deposited to the escrow fund to pay the principal of and interest on the refunded obligations on their respective due dates, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. 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.

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

Respectfully,

APPENDIX D

ISSUER'S GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

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CITY OF SULPHUR SPRINGS, TEXAS

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2018

Prepared by:

Department of Finance

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TABLE OF CONTENTS
(continued)

INTRODUCTORY SECTION

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January 29, 2019

To the Honorable Mayor, Members of the Governing Council, and Citizens of
the City of Sulphur Springs, Texas

State law requires that every general-purpose local government publish and file in the office of the municipal secretary within 120 days of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Evans & Knauth, PLLC, CPA's and Consultants, have issued an unmodified ("clean") opinion on the City of Sulphur Springs, Texas financial statements for the year ended September 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Sulphur Springs, Texas, incorporated in 1859, is located in the northeastern part of the state. It currently occupies 25 square miles and serves a population of 16,162. The City of Sulphur Springs, Texas is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Sulphur Springs, Texas has operated under the council-manager form of government since 1947. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and six other members, all elected on a non-partisan basis. The Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve three-year terms. The mayor is appointed each year by vote of the City Council. The mayor and council members are elected at large.

The City of Sulphur Springs, Texas provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational and cultural activities. The City of Sulphur Springs, Texas also is financially accountable for a legally separate economic development corporation which is reported separately within the City of Sulphur Springs, Texas financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Sulphur Springs, Texas financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the City Manager.

Local Economy

The economic outlook for Sulphur Springs and Hopkins County continues to remain positive. Over the years, the economy of Sulphur Springs has included a rich history of dairy farming and now includes 3 major food processing industries and 20 manufacturing businesses. The combined efforts of the SS/Hop Co EDC and local governments has brought the area two new manufacturers in the past 2 years that will eventually provide 200 new jobs. In addition to these industrial businesses, Sulphur Springs has seen tremendous growth in restaurant and retail industries. In the past 5 years alone, the City has added a Panda Express, Schlotzsky's, Taco Bueno, Wendy's, Dairy Queen, Starbucks, KFC, and this spring a Chick-Fil-A restaurant will open. In addition to business growth, the City has experienced residential growth as well. In 2018, 23 new single-family residences were added along with 12 multi-family units. The City's revitalization efforts downtown continue to serve as an attractant to businesses and new citizens because of the value it adds to the quality of life here in Sulphur Springs. With the combination of our vibrant downtown, parks, schools, new jobs, and expansion along the I-30 corridor, the City expects to see our local economy flourish in the coming years.

At the end of 2018, the unemployment rate for the area was 3.6% with a slight increase in wages over December 2017. In 2018, the City benefitted from the positive economic growth occurring locally, statewide and nationwide. Sales tax revenue increased in 2013 by 10.7%, 3.4% in 2014, 4.3% in 2015 and 5.1% in 2016 but showed no increase in 2017. In 2018, sales tax revenue increased by 10.17% and as of January 2019, sales tax is up 10.83%.

Long-Term Financial Planning

In 1998, the City of Sulphur Springs started budgeting significant resources for its Capital Improvement Plan (CIP). The annual CIP was part of a long-term planning document which had been finalized in 1997. Funding was designed to be ongoing year by year. Significant progress was made from 2008-2016 on capital projects but has been scaled back in recent years due to budgetary constraints and increase in the cost of materials over time. In 2018, a new CIP was adopted that includes the reconstruction of 10 streets, and associated utilities and drainage. Along with the 10 streets being reconstructed over the next 5 years, 24 streets are a part of the Street Improvement Plan (SIP) in which they will receive maintenance and overlays. The CIP and SIP are budgeted in conjunction with the annual adopted operating budget. In the past, the City has used debt to fund a significant portion of the capital projects. Our new 5-year plan does not include the issuance of any new debt for these projects.

In December 2018, the City Council approved a Street Maintenance Fee (SMF). A Street Maintenance Fee (SMF) is a fee collected from benefitted properties within the city limits for the purpose of maintaining the street system. The collected fees will go into a separate fund named a Street Improvement Fund. Monies collected will be separate from the General Fund and can only be applied to activities related to maintaining the street system. January 2019 marked the first month of collection of the SMF. The City initially planned to spend roughly $560,000 annually over the next five years which would allow us to maintain about 2 miles of street network a year. With the SMF, we anticipate an additional $500,000 annually that will allow the City to essentially double our efforts for street maintenance but still be well short of what is needed. In the overall picture, we will still be about $500,000 (in today's dollars) short of properly funding street maintenance.

During FY 2008, the City of Sulphur Springs created a Tax Increment Financing Reinvestment Zone to redevelop its downtown core. The Project and Financial Plan was adopted in 2009 and financially guided that work through its completion. Work on the downtown started in the latter part of 2009 and continued through 2012. Work was completed in 2013. At this point the city is diligently working to increase commercial activity in its downtown district. Since 2007, taxable values of properties located in the TIFRZ have increased 55%.

Major Initiatives

In 2010, the State completed construction on a new section of highway linking Hwy 154 with Hwy 19 by extending Hwy 11, essentially completing a long anticipated southern section of a loop around Sulphur Springs. The section continues a road upon which both Walmart and Lowes have frontage, creating the opportunity for additional commercial development. Six years ago, the school district opened a new Middle School on that highway. In 2012, two new apartment complexes were started on that highway and completed as of 2014. Development in that area had been largely stalled because of a Pro Rata agreement that the school district had for the water and sewer lines that they paid for. The agreement will end February 1, 2019 and allow the opportunity for more development to occur.

The City Council is currently in the process of annexing two industrial parks into the City limits. If successful, it is anticipated that businesses located in the parks will provide the City with an increase in property tax revenue of $63,500 annually.

In October 2018, the City signed a development agreement with Luminant Mining Company that will lead to the City owning 4,901 acres located just outside of the City limits. It is anticipated that Luminant will begin deeding portions of the land over to the City within 12-18 months. Part of the agreement is that the City will annex the land into the City limits. The donation of this land provides the City and its citizens with significant possibilities in the near future.

In FY 2015 Garver Engineering was hired to engineer a complete overhaul of the Wastewater Plant. In 2016 that project went out for bid with a construction cost of $17.4 million. The city received funding assistance from the Texas Water Development Board with 30 year bonds with an overall interest rate of 1.38%. As of January 2019, roughly 82.18% of that project has been completed and is expected to be completed during 2019.

Awards & Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sulphur Springs, Texas for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2017. This was the twenty-eighth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period on one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Sulphur Springs, Texas finances.

Respectfully submitted,

Marc Maxwell
City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sulphur Springs

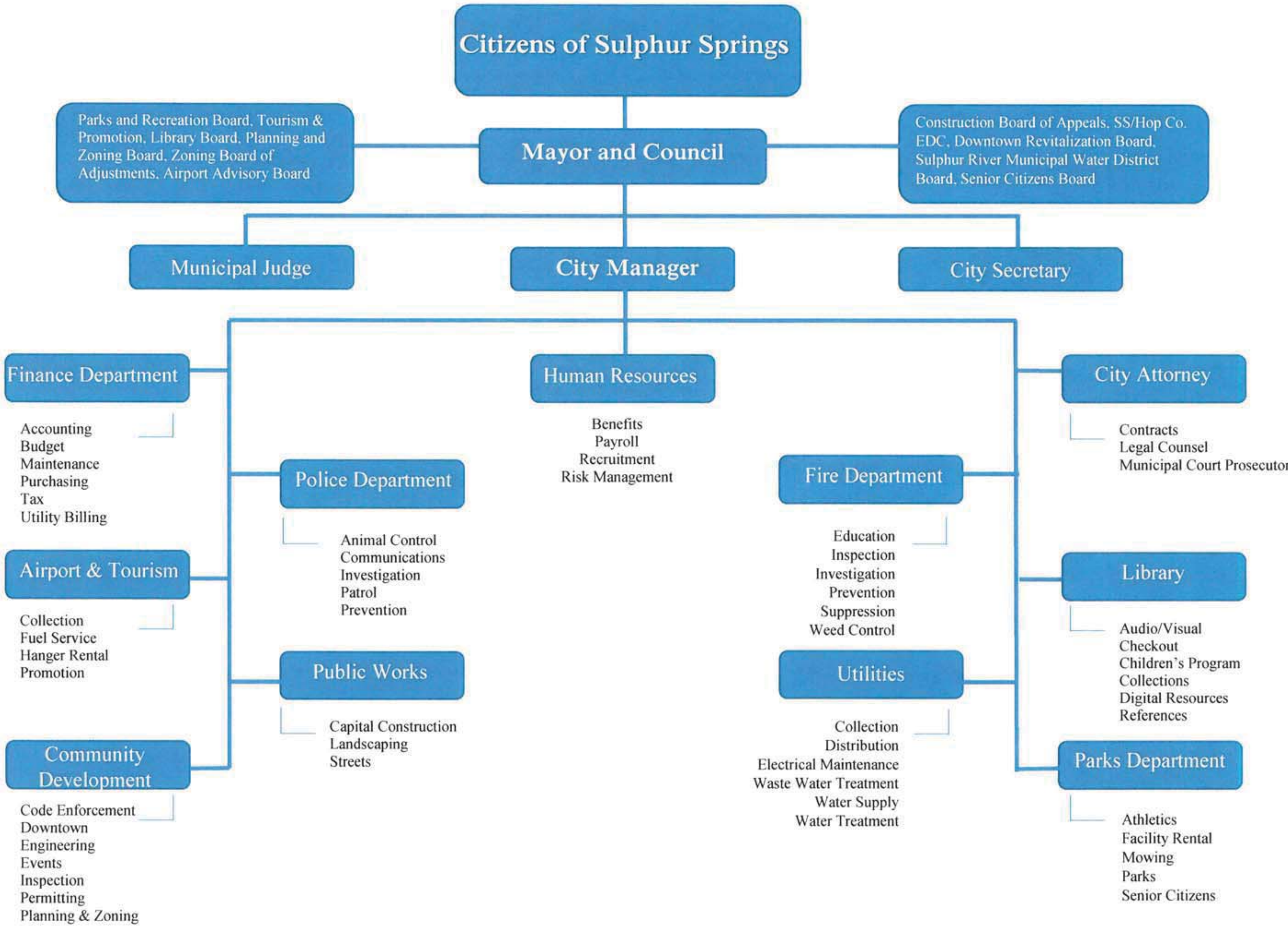
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO


Citizens of Sulphur Springs
Parks and Recreation Board, Tourism & Promotion, Library Board, Planning and Zoning Board, Zoning Board of Adjustments, Airport Advisory Board
Mayor and Council
Construction Board of Appeals, SS/Hop Co. EDC, Downtown Revitalization Board, Sulphur River Municipal Water District Board, Senior Citizens Board
Municipal Judge
City Manager
City Secretary
Finance Department
Accounting
Budget
Maintenance
Purchasing
Tax
Utility Billing
Airport & Tourism
Collection
Fuel Service
Hanger Rental
Promotion
Community Development
Code Enforcement
Downtown
Engineering
Events
Inspection
Permitting
Planning & Zoning
Police Department
Animal Control
Communications
Investigation
Patrol
Prevention
Public Works
Capital Construction
Landscaping
Streets
Human Resources
Benefits
Payroll
Recruitment
Risk Management
Fire Department
Education
Inspection
Investigation
Prevention
Suppression
Weed Control
Utilities
Collection
Distribution
Electrical Maintenance
Waste Water Treatment
Water Supply
Water Treatment
City Attorney
Contracts
Legal Counsel
Municipal Court Prosecutor
Library
Audio/Visual
Checkout
Children's Program
Collections
Digital Resources
References
Parks Department
Athletics
Facility Rental
Mowing
Parks
Senior Citizens

CITY OF SULPHUR SPRINGS, TEXAS

List of Principal Officials
September 30, 2018

Title	Name
Mayor	John Sellers
Mayor Pro-Tem	Emily Glass
Councilman	Doug Moore
Councilwoman	Erica Armstrong
Councilman	Freddie Taylor
Councilman	Norman Sanders
Councilman	Jimmy Lucas
City Manager	Marc Maxwell
City Secretary	Gale Roberts
City Attorney	Jim McLeroy
Finance Director	Lesa Smith
City Engineer	David Reed
Community Development Director	Tory Niewiadomski
Director of Public Safety	Jay Sanders
Director of Human Resources	Gordon Frazier
Library Director	Hope Cain
Parks and Recreation Director	Kevin McCarty
Director of Airport and Tourism	Joseph Baker
Utilities Director	Robert Lee

FINANCIAL SECTION

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EVANS & KNAUTH, PLLC
CPA's & CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of Sulphur Springs, Texas

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 City of Sulphur Springs, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sulphur Springs, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4433 Punjab Way, Suite 102, Frisco, TX 75033
P: 972.335.9754 F: 972.335.9758
www.ekcpas.com

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sulphur Springs, Texas' basic financial statements. The combining and individual fund financial statements and schedules and other information such as the introductory section 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 fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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.

Evans & Knauth, PLLC

Evans & Knauth, PLLC
Frisco, TX
January 29, 2019

Management's Discussion & Analysis

As management of the City of Sulphur Springs, we offer readers of the City of Sulphur Springs' financial statements this narrative overview and analysis of the financial activities of the City of Sulphur Springs for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 – 5 of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets of the City of Sulphur Springs exceeded its liabilities at the close of the most recent fiscal year by $45,279,510 (net position). Of this amount, $16,354,549, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net position increased by $2,385,036. The primary reason for the increase in net position was positive results from business-type activities.

- As of the close of the current fiscal year, the City of Sulphur Springs governmental funds reported combined ending fund balances of $4,149,894, an increase of $505,861 in comparison with the prior year. The reason for the increase in fund balances is a reduction in capital outlay purchases.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $3,075,844 or 30 percent of total general fund expenditures.

- The City of Sulphur Springs long-term debt decreased by $5,011,060 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Sulphur Spring's basic financial statements. The City of Sulphur Springs basic financial statements comprise 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 themselves.

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

The *statement of net position* presents information on all of the City of Sulphur Springs' assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Sulphur Springs is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sulphur Springs that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities)*. The governmental activities of the City of Sulphur Springs include general government, public safety, highways and streets, culture and recreation. The business-type activities of the City of Sulphur Springs include the water treatment plant and distribution system, wastewater treatment plant and collection system, as well as sanitation collection and disposal.

The government-wide financial statements include not only the City of Sulphur Springs itself (known as the primary government), but also a legally separate economic development corporation. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The economic development corporation issues separate financial statements.

The government-wide financial statements can be found on pages 23 – 25 of this report.

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

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

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

The City of Sulphur Springs maintains eight governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, debt service fund and three capital projects funds, all of which are considered to be major funds. Data from the four other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form at *combining statements* elsewhere in this report.

The City of Sulphur Springs adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 24 – 34 of this report.

Proprietary Funds. The City of Sulphur Springs maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Sulphur Springs uses enterprise funds to account for its Water, Sewer and Sanitation operations. *Internal Services Funds* are an accounting device used to accumulate and allocate costs internally among the City of Sulphur Springs' various functions. The City of Sulphur Springs uses internal services funds to account for its various type of insurance program including its' partially self funded employee health plan.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Sanitation operations, which is considered to be a major fund of the City of Sulphur Springs.

The basic proprietary fund financial statements can be found on pages 35 – 39 of this report.

Private Purpose Trust Funds. Private Purpose Trust funds are used to account for resources held for the benefit of parties outside the government. Private Purpose Trust funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sulphur Springs own programs. The accounting used for Private Purpose Trust funds is much like that used for proprietary funds.

The basic Private Purpose Trust funds financial statements can be found on pages 40 – 41 of this report.

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 on pages 42 – 66 of this report.

Other Information: The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. The individual fund schedule provides a budgetary comparison schedule for the enterprise fund. Combining and individual fund statements and schedules can be found on pages 73 – 77 of this report.

Government – Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sulphur Springs, assets exceed liabilities by $45,279,510 at the close of the most recent fiscal year.

A portion of the City of Sulphur Springs' net position (63 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Sulphur Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sulphur Spring's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF SULPHUR SPRINGS – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current & Other Assets	$ 5,530,740	5,204,982	13,530,872	20,297,404	19,061,612	25,502,386
Capital Assets	35,304,117	35,227,995	39,322,687	33,117,864	74,626,804	68,345,859
Total Assets	40,834,857	40,432,977	52,853,559	53,415,268	93,688,416	93,848,245
Deferred Outflows	547,613	1,793,689	332,562	769,928	880,175	2,563,617
Total Assets & Deferred Outflows	41,382,470	42,226,666	53,186,121	54,185,196	94,568,591	72,375,020
Long-Term Liabilities	14,956,373	17,605,761	27,330,097	29,691,769	42,286,470	47,297,530
Other Liabilities	1,884,477	1,879,727	3,808,336	3,695,411	5,692,813	5,575,138
Total Liabilities	16,840,850	19,485,488	31,138,433	33,387,180	47,979,283	52,872,668
Deferred Inflows	975,900	147,729	333,898	50,545	1,309,798	198,274
Total Liabilities & Deferred Inflows	17,816,750	19,633,217	31,472,331	33,437,725	49,289,081	53,070,942
Net Position						
Net Invested in Capital Assets	20,507,596	18,596,821	7,908,106	2,572,853	28,415,702	21,169,674
Restricted	11,238	8,222	498,021	531,550	509,259	539,772
Unrestricted	3,046,886	3,988,406	13,307,663	17,643,068	16,354,549	21,631,474
Total Net Position	$ 23,565,720	22,593,449	21,713,790	20,747,471	45,279,510	43,340,920

An additional portion of the City of Sulphur Springs' net position (1.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* $16,354,549 is available for capital outlay and to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Sulphur Springs is able to report positive balances in all three categories of net position for the government as a whole.

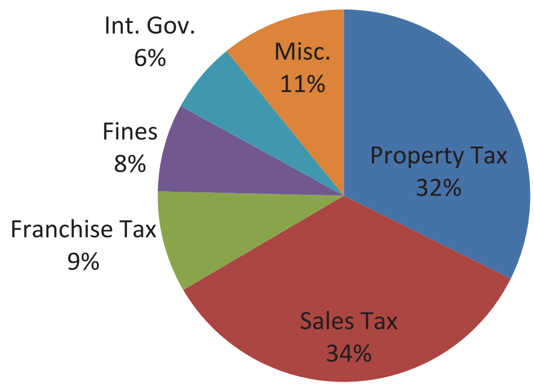
There was an increase of $7,246,028 in net investment in capital assets.

The government's net position increased by $2,385,036 during the current fiscal year. That increase was caused by better than budgeted results in the General and Enterprise Funds.

Governmental Activities

Governmental activities (after transfers) increased the City of Sulphur Springs' net position by $1,309,846.

Revenue by Source Governmental Activities



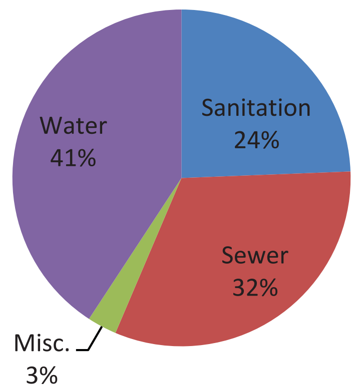
CITY OF SULPHUR SPRINGS – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	$ 1,297,325	1,585,511	13,040,780	12,352,883	14,338,105	13,938,394
Operating Grants & Contributions	377,793	364,976	-	-	377,793	364,976
Capital Grants &					-	-
Contributions	520,264	21,497	-	-	520,264	21,497
General Revenues:					-	-
Property Taxes	4,089,425	3,998,425	-	-	4,089,425	3,998,425
Other Taxes	5,445,362	5,060,254	-	-	5,445,362	5,060,254
Other	604,676	222,604	303,430	160,891	908,106	383,495
Total Revenues	12,334,845	11,253,267	13,344,210	12,513,774	25,679,055	23,767,041
Expenses:						
General Government	2,713,215	2,976,802	-	-	2,713,215	2,976,802
Public Safety	5,716,140	6,070,405	-	-	5,716,140	6,070,405
Transportation	1,432,671	2,021,773	-	-	1,432,671	2,021,773
Sanitation	-	-	2,632,550	2,545,514	2,632,550	2,545,514
Culture & Recreation	2,855,544	1,874,775	-	-	2,855,544	1,874,775
Interest on Long-Term Debt	538,173	512,039	-	-	538,173	512,039
Water & Sewer	-	-	7,405,727	7,726,688	7,405,727	7,726,688
Total Expenses	13,255,742	13,455,794	10,038,277	10,272,202	23,294,019	23,727,996
Increase/(Decrease) in Net Position Before Transfers	(920,897)	(2,202,527)	3,305,933	2,241,572	2,385,036	39,045
Transfers	2,230,743	1,862,485	(2,230,743)	(1,862,485)	-	-
Increase/(Decrease) in Net	1,309,846	(340,042)	1,075,190	379,087	2,385,036	39,045
Position					-	
Net Position - Beginning	22,593,449	22,933,491	20,747,471	20,368,384	43,340,920	43,301,875
Prior Period Adjustment	(337,575)	-	(108,871)	-	(446,446)	-
Net Position - Ending	$ 23,565,720	22,593,449	21,713,790	20,747,471	45,279,510	43,340,920

Business-Type Activities

Business-Type Activities (after transfers) increased the City of Sulphur Springs' net position by $1,309,846.

Program Revenue
Business Type Activities



Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City of Sulphur Springs' governmental funds reported combined ending fund balance of $4,149,894, an increase of $505,861 from the prior year. Most of the increase is a result of reducing capital outlay purchases. Of the current combined ending fund balance, a total of $386,213 is restricted for construction, while $3,075,844 is unassigned in the General Fund. Fund balance restricted for debt service is $11,238.

The general fund is the chief operating fund of the City of Sulphur Springs. At the end of the current fiscal year, unassigned fund balance of the general fund was $3,075,844. Total unassigned fund balance represents 30% of total general fund expenditures.

The airport fund has a total fund balance of $177,560. The airport fund had an increase of $16,316 in fund balance.

The debt service fund has a total fund balance of $11,238, all of which is restricted for payment of debt service. The debt service fund had a $3,016 increase in fund balance.

The Capital Project Funds have a total fund balance of $386,213, all of which is restricted for construction. The increase in fund balance of $132,631 represents an increase in recognition of bond funds.

Proprietary Funds. The City of Sulphur Springs proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Enterprise Fund at the end of the year amounted to $13,307,663. The total increase in net position of the Enterprise Fund was $1,075,190. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Sulphur Springs' business type activities.

General Fund Budgetary Highlights

During the year, revenues were $561,153 more than budgetary estimates and expenditures were $253,178 more than budgetary estimates. The budget had called for a $8365,151 decrease in fund balance (prior to transfers, while actual results display an increase in fund balance of $449,180.

Capital Asset & Debt Administration

Capital Assets. The City of Sulphur Springs investment in capital assets for its governmental and business type activities as of September 30, 2018, amounts to $74,626,804 (net of accumulated depreciation). This investment in capital assets includes land and right-of-way, lakes and dams, buildings, systems, improvements, and equipment.

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

- Street improvements, Crosstown Trail construction project, Firetruck, and multiple vehicle purchases throughout the district were the major additions to governmental activity capital assets.

- Replacement of major sections of both the water distribution and sewer collection systems and continued progress on the Waste Water Treatment Plant were the major additions to the business-type capital assets.

Additional information on the City of Sulphur Springs' capital assets can be found in the notes to the financial statements on pages 53 – 55 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Sulphur Springs had bonded debt outstanding of $43,230,000. Of this amount, $4,235,000 comprises General Obligation Bonds and $38,995,000 represents Combination Tax and Revenue Bonds.

Additional information on the City of Sulphur Springs' long-term debt can be found in the notes to the financial statements on pages 56 – 59 of this report.

Economic Factors and Next Year's Budgets & Rates

- Sales tax revenue will normally increase by at least the amount of inflation. In 2009, 2010 and in 2011 Sulphur Springs saw a contraction though modest of total sales tax revenue. The last half of FY 2012 and all of FY 2013 (increase of 10.7%) finally brought on a recovery. FY 2014 - FY 2016 continued to grow but more modestly at 3.4%, 4.3% and 5.1% respectively. Sales Tax Revenue regressed to no change in FY 2017, while sales increased 10.17% in 2018.

- Typically, the City of Sulphur Springs only budgets for the next year what it receives in Sales Tax Revenue for the preceding year, saving any good news for the next year as well as to better protect against contraction. That will continue to be true going into FY 2019.

- The FY 2018 budget uses $268,704 of fund balance which is being used for increased transfers to the Capital Fund, and equipment purchase. Property tax rates stay the same at the long term historical level of 44 cents per hundred. Water and Sewer rates increased by 2.0%. Sanitation rates increased by 2.25%. Employees were given a 1.25% COLA increase.

Request for Information

This financial report is designed to provide a general overview of the City of Sulphur Springs' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 125 S. Davis, City of Sulphur Springs, Texas 75482.

BASIC FINANCIAL STATEMENTS

CITY OF SULPHUR SPRINGS
Statement of Net Position
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Economic Development
ASSETS				
Cash & Cash Equivalents	$ 3,602,400	6,780,497	10,382,897	1,790,904
Investments	746,927	2,240,782	2,987,709	-
Restricted Cash & Cash Equivalents	-	3,235,395	3,235,395	-
Receivables (Net of Allowance for Uncollectibles):				
Utility Bills	-	911,489	911,489	-
Delinquent Property Taxes	247,836	-	247,836	-
Other Taxes	605,653	13,864	619,517	160,847
Other	207,983	164,826	372,809	-
Notes Receivable	-	-	-	4,444,481
Inventory	119,941	184,019	303,960	-
Capital Assets Not Being Depreciated				
Land & Right of Way	976,338	1,452,760	2,429,098	1,990,468
Lakes	-	401,408	401,408	-
Dams/Spillways/Appurtenances	-	2,629,410	2,629,410	-
Construction in Progress	526,902	16,413,690	16,940,592	-
Capital Assets (Net of Accumulated Depreciation):				
Building, Systems & Improvements	14,225,464	17,549,905	31,775,369	14,693,190
Furniture & Equipment	1,711,833	875,514	2,587,347	7,559
Infrastructure	17,863,580	-	17,863,580	-
Total Assets	40,834,857	52,853,559	93,688,416	23,087,449
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflows - TMRS Pension	514,093	175,893	689,986	-
Deferred Outflows - TMRS OPEB	33,520	11,468	44,988	-
Deferred Outflows - Other	-	145,201	145,201	-
Total Deferred Outflow of Resources	547,613	332,562	880,175	-
Total Assets & Deferred Outflows	41,382,470	53,186,121	94,568,591	23,087,449
LIABILITIES				
Accounts Payable	276,151	1,267,694	1,543,845	273,463
Deposits	-	502,121	502,121	-
Accrued Interest Payable	64,973	49,299	114,272	-
Noncurrent Liabilities:				
Due Within One Year	1,543,353	1,989,222	3,532,575	5,771,719
Due in More than One Year	13,601,722	26,866,611	40,468,333	3,639,738
Net Pension Liability	962,808	329,419	1,292,227	-
Net OPEB Liability	391,843	134,067	525,910	-
Total Liabilities	16,840,850	31,138,433	47,979,283	9,684,920
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - TMRS Pension	975,900	333,898	1,309,798	-
Total Deferred Inflows of Resources	975,900	333,898	1,309,798	-
Total Liabilities & Deferred Inflows	17,816,750	31,472,331	49,289,081	9,684,920
NET POSITION				
Net Invested in Capital Assets	20,507,596	7,908,106	28,415,702	7,279,760
Restricted for:				
Debt Service	11,238	498,021	509,259	-
Unrestricted	3,046,886	13,307,663	16,354,549	6,122,769
Total Net Position	$ 23,565,720	21,713,790	45,279,510	13,402,529

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

CITY OF SULPHUR SPRINGS
Statement of Activitie
For the Fiscal Year Ended September 30, 2018

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 2,713,215	196,412	47,401	-
Public Safety	5,716,140	596,041	189,435	-
Transportation	1,432,671	495,034	-	43,739
Culture & Recreation	2,855,544	9,838	140,957	476,525
Interest & Fiscal Charges	538,173	-	-	-
Total Governmental Activities	13,255,742	1,297,325	377,793	520,264
Business-Type Activities:				
Water & Sewer	7,405,727	9,840,485	-	-
Sanitation	2,632,550	3,200,295	-	-
Total Business-Type Activities	10,038,277	13,040,780	-	-
Total Primary Government	$ 23,294,019	14,338,105	377,793	520,264
Component Unit:				
Economic Development	$ 1,683,231	-	-	-
Total Component Unit	$ 1,683,231	-	-	-

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Miscellaneous Revenue
Transfers
Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning
Prior Period Adjustment

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development
(2,469,402)		(2,469,402)	
(4,930,664)		(4,930,664)	
(893,898)		(893,898)	
(2,228,224)		(2,228,224)	
(538,173)		(538,173)	
(11,060,360)		(11,060,360)	
	2,434,758	2,434,758	
	567,745	567,745	
	3,002,503	3,002,503	
(11,060,360)	3,002,503	(8,057,857)	
			(1,683,231)
			(1,683,231)
4,089,425	-	4,089,425	-
4,287,402	-	4,287,402	2,053,532
1,115,734	-	1,115,734	-
42,226	-	42,226	-
118,202	226,362	344,564	132,267
486,474	77,068	563,542	631,550
2,230,743	(2,230,743)	-	-
12,370,206	(1,927,313)	10,442,893	2,817,349
1,309,846	1,075,190	2,385,036	1,134,118
22,593,449	20,747,471	43,340,920	12,268,411
(337,575)	(108,871)	(446,446)	-
$ 23,565,720	21,713,790	45,279,510	13,402,529

CITY OF SULPHUR SPRINGS
Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Airport Fund	Debt Service Fund
ASSETS			
Cash & Cash Equivalents	1,903,946	67,749	11,238
Investments	746,927	-	-
Receivables (Net of Allowance for Uncollectibles):			
Delinquent Property Taxes	213,047	-	34,789
Other Taxes	605,653	-	-
Other	-	79,626	-
Inventory	-	32,170	-
Total Assets	3,469,573	179,545	46,027
LIABILITIES			
Liabilities:			
Accounts Payable	168,636	1,985	-
Total Liabilities	168,636	1,985	-
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue Property Taxes	225,093	-	34,789
Total Deferred Inflow of Resources	225,093	-	34,789
FUND BALANCES:			
Nonspendable:			
Inventory	-	32,170	-
Restricted:			
Debt Service	-	-	11,238
Capital Projects	-	-	-
Assigned:			
Tourism	-	-	-
Police Contingency	-	-	-
Revolving Loan Fund	-	-	-
Airport Contingency	-	145,390	-
Unassigned	3,075,844	-	-
Total Fund Balances	3,075,844	177,560	11,238
Total Liabilities, Deferred Inflows, & Fund Balances	$ 3,469,573	179,545	46,027

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

Capital Project Funds	Special Revenue Funds	Total Governmental Funds
230,090	440,484	2,653,507
-	-	746,927
-	-	247,836
-	-	605,653
69,802	58,555	207,983
87,771	-	119,941
387,663	499,039	4,581,847
1,450	-	172,071
1,450	-	172,071
-	-	259,882
-	-	259,882
-	-	32,170
-	-	11,238
386,213	-	386,213
-	177,492	177,492
-	199,764	199,764
-	121,783	121,783
-	-	145,390
-	-	3,075,844
386,213	499,039	4,149,894
387,663	499,039	$ 4,581,847

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CITY OF SULPHUR SPRINGS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2018

Total Fund Balances - Governmental Funds	$	4,149,894
The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consideration is to increase net position.		844,813
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was $51,887,856 and the accumulated depreciation was $(14,874,362). In addition, long-term liabilities, including bonds payable of $(15,953,705), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		19,260,241
Current year capital outlays of $2,148,386 and long-term debt principal payments of $1,171,233 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.		3,319,619
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net position.		(64,973)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,987,014)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of $(962,808), a deferred resource inflow in the amount of $(975,900), and a deferred resource outflow in the amount of $514,093. The net effect of the GASB 68 adjustment is to decrease net position.		(1,424,615)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of $(391,843, and a deferred resource outflow in the amount of $33,520. The net effect of the GASB 75 adjustment is to decrease net position.		(358,323)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, recognizing the liabilities associated with compensated absences, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the gain or loss on disposal of capital assets. The net effect of these reclassifications is to increase net position.		(173,922)
Net Position of Governmental Activities	$	23,565,720

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

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2018

	General Fund	Airport Fund	Debt Service Fund
REVENUES			
Taxes:			
Property	$ 3,536,514	-	528,301
Sales	4,102,033	-	-
Franchise	1,115,734	-	-
Alcoholic Beverage	42,226	-	-
Licenses & Permits	196,412	-	-
Intergovernmental	179,500	43,739	-
Charges for Services	9,838	495,034	-
Fines & Forfeitures	896,479	-	-
Interest	76,281	2,192	12,848
Contributions	-	-	-
Miscellaneous	450,051	900	-
Total Revenues	10,605,068	541,865	541,149
EXPENDITURES			
Current:			
General Government	2,462,792	-	-
Public Safety	5,193,186	-	-
Transportation	590,145	562,168	-
Culture & Recreation	1,260,434	-	-
Capital Outlay	649,331	14,381	-
Debt Service:			
Principal	-	-	1,171,233
Interest & Fiscal Charges	-	-	543,703
Total Expenditures	10,155,888	576,549	1,714,936
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	449,180	(34,684)	(1,173,787)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,747,633	51,000	1,176,803
Transfers Out	(1,943,867)	-	-
Bonded Debt Proceeds	-	-	-
Total Other Financing Sources (Uses)	(196,234)	51,000	1,176,803
Net Change in Fund Balances	252,946	16,316	3,016
Fund Balances - Beginning - Restated	2,822,898	161,244	8,222
Fund Balances - Ending	$ 3,075,844	177,560	11,238

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

Capital Project Funds	Special Revenue Funds	Total Governmental Funds
-	29,554	4,094,369
-	185,369	4,287,402
-	-	1,115,734
-	-	42,226
-	-	196,412
476,525	79,726	779,490
-	-	504,872
-	68,044	964,523
1,468	6,270	99,059
9,935	108,632	118,567
-	3,213	454,164
487,928	480,808	12,656,818
-	-	2,462,792
-	100,051	5,293,237
-	-	1,152,313
-	132,306	1,392,740
1,529,970	-	2,193,682
-	-	-
-	-	1,171,233
-	-	543,703
1,529,970	232,357	14,209,700
(1,042,042)	248,451	(1,552,882)
1,783,413	7,900	4,766,749
(608,740)	(155,399)	(2,708,006)
-	-	-
1,174,673	(147,499)	2,058,743
132,631	100,952	505,861
253,582	398,087	3,644,033
386,213	499,039	4,149,894

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CITY OF SULPHUR SPRINGS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2018

Total Net Change in Fund Balances - Governmental Funds	$ 505,861
The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The net loss of the internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.	(145,029)
Current year capital outlays of $2,148,386 and long-term debt principal payments of $1,171,233, are expenditures and sources in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	3,319,619
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net position.	5,530
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net position.	(1,987,014)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of $322,495. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling $(307,495). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by $(276,335). The net effect of the GASB 68 adjustment is to decrease net position.	(261,335)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of $9,588. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling $(8,981). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by $(21,355). The net effect of the GASB 75 adjustment is to decrease net position.	(20,748)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue, recognizing the liabilities associated with compensated absences and changes in unfunded pension obligation. The net effect of these reclassifications is to decrease net position.	(107,038)
Change in Net Position of Governmental Activities	$ 1,309,846

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

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2018

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Taxes:			
Property	$ 3,509,415	3,536,514	27,099
Sales	3,840,000	4,102,033	262,033
Franchise	1,145,000	1,115,734	(29,266)
Alcoholic Beverages	30,000	42,226	12,226
License & Permits	126,200	196,412	70,212
Intergovernmental	179,500	179,500	-
Charges for Services	1,800	9,838	8,038
Fines & Forfeitures	912,000	896,479	(15,521)
Interest	22,000	76,281	54,281
Miscellaneous	278,000	450,051	172,051
Total Revenues	10,043,915	10,605,068	561,153
EXPENDITURES			
Current:			
General Government			
Administration	617,324	671,263	(53,939)
Finance & Tax	404,262	386,611	17,651
Municipal Court	540,464	483,506	56,958
Community Development	583,171	560,333	22,838
Maintenance - Purchasing	346,889	361,079	(14,190)
Department Capital	32,000	38,968	(6,968)
Total General Government	2,524,110	2,501,760	22,350
Public Safety:			
Police	3,365,201	3,302,537	62,664
Fire	1,866,733	1,890,649	(23,916)
Department Capital	623,477	543,897	79,580
Total Public Safety	5,855,411	5,737,083	118,328
Transportation:			
Street	680,754	590,145	90,609
Total Transportation	680,754	590,145	90,609
Culture & Recreation:			
Library	339,906	315,516	24,390
Parks & Recreation	602,454	582,539	19,915
Downtown	374,431	362,379	12,052
Department Capital	32,000	66,466	(34,466)
Total Culture & Recreation	1,348,791	1,326,900	21,891
Total Expenditures	10,409,066	10,155,888	253,178
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	$ (365,151)	449,180	814,331

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2018
continued

	Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfer In	1,735,133	1,747,633	12,500
Transfer Out	(2,661,805)	(1,943,867)	717,938
Total Other Financing Sources/(Uses)	(926,672)	(196,234)	730,438
Net Change in Fund Balances	(1,291,823)	252,946	1,544,769
Fund Balances - Beginning	2,822,898	2,822,898	-
Fund Balances - Ending	1,531,075	3,075,844	1,544,769

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

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Airport Fund
For the Fiscal Year Ended September 30, 2018

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
REVENUES			
Intergovernmental	$ 50,000	43,739	(6,261)
Charges for Services	409,639	495,034	85,395
Interest	-	2,192	2,192
Miscellaneous	62,160	900	(61,260)
Total Revenues	521,799	541,865	20,066
EXPENDITURES			
Transportation	499,693	562,168	(62,475)
Capital Outlay	97,654	14,381	83,273
Total Expenditures	597,347	576,549	20,798
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(75,548)	(34,684)	40,864
OTHER FINANCING SOURCES (USES)			
Transfer in	51,000	51,000	-
Transfer Out	3,889	-	(3,889)
Total Other Financing Sources/(Uses)	54,889	51,000	(3,889)
Net Change in Fund Balances	(20,659)	16,316	36,975
Fund Balances - Beginning	161,244	161,244	-
Fund Balances - Ending	$ 140,585	177,560	36,975

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

CITY OF SULPHUR SPRINGS
Statement of Net Position
Proprietary Fund
September 30, 2018

	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
ASSETS			
Current Assets:			
Cash & Cash Equivalents	$ 6,780,497	9,628,925	948,893
Investments	2,240,782	6,720,668	-
Restricted Cash & Cash Equivalents	3,235,395	3,134,980	-
Receivables (Net of Allowance of Uncollectibles)			
Utility Bills	911,489	800,787	-
Sales Taxes	13,864	12,044	-
Other	164,826	-	-
Inventory	184,019	-	-
Total Current Assets	13,530,872	20,297,404	948,893
Noncurrent Assets:			
Capital Assets:			
Land & Right-of-Way	1,452,760	1,452,760	-
Lakes	401,408	401,408	-
Dams/Spillways/Appurtenances	2,629,410	2,629,410	-
Buildings & Systems	41,866,923	41,623,567	-
Equipment	3,093,486	3,072,777	-
Construction in Progress	16,413,690	9,024,192	
Less: Accumulated Depreciation	(26,534,990)	(25,086,250)	-
Total Capital Assets (Net of Accumulated Depreciation)	39,322,687	33,117,864	-
Total Noncurrent Assets	39,322,687	33,117,864	-
Total Assets	52,853,559	53,415,268	948,893
Deferred Outflow of Resources:			
Deferred Outflows - TMRS Pension	175,893	613,699	-
Deferred Outflows - TMRS OPEB	11,468	-	-
Deferred Outflows - Other	145,201	156,229	-
Total Deferred Outflow of Resources	332,562	769,928	-
Total Assets & Deferred Outflows	53,186,121	54,185,196	948,893

CITY OF SULPHUR SPRINGS
Statement of Net Position
Proprietary Fund
September 30, 2018
continued

	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 1,267,694	1,230,437	104,080
Deposits	502,121	460,982	-
Accrued Interest	49,299	49,299	-
Compensated Absences Payable	125,227	140,288	-
Current Portion of Revenue Certificates of Obligation Payable	1,050,715	1,022,095	-
Current Portion of General Obligation Enterprise Bonds Payable	813,280	792,310	-
Total Current Liabilities	3,808,336	3,695,411	104,080
Noncurrent Liabilities:			
Revenue Certificates of Obligation Payable	24,180,836	25,231,551	-
General Obligation Bonds Payable	2,685,775	3,499,055	-
Net Pension Liability	329,419	961,163	-
Net OPEB Liability	134,067	-	-
Total Noncurrent Liabilities	27,330,097	29,691,769	-
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - TMRS Pension	333,898	50,545	-
Deferred Inflows - TMRS OPEB	-	-	-
Deferred Inflows - Other	-	-	-
Total Deferred Inflows of Resources	333,898	50,545	-
Total Liabilities & Deferred Inflows	31,472,331	33,437,725	104,080
NET POSITION			
Net Invested in Capital Assets	7,908,106	2,572,853	-
Restricted for:			
Revenue Bond Current Debt Service	498,021	531,550	-
Unrestricted	13,307,663	17,643,068	844,813
Total Net Position	$ 21,713,790	20,747,471	844,813

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

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended September 30, 2018

	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
OPERATING REVENUES			
Charges for Sales & Services	$ -	-	1,265,893
Water Sales	5,266,702	5,127,921	-
Sewer Charges	4,197,870	3,946,630	-
Sanitation Charges	3,200,295	3,099,112	-
Service Charges	127,972	123,395	-
Water & Sewer Connections	83,115	55,825	-
Intergovernmental	164,826	-	-
Miscellaneous Revenues	77,068	69,315	120
Total Operating Revenues	13,117,848	12,422,198	1,266,013
OPERATING EXPENSES			
Cost of Sales & Services	-	-	1,513,454
Administration	-	-	121,041
Personnel Services	2,565,010	2,747,586	-
Supplies	1,300,483	1,196,918	-
Contractual Services	4,171,071	3,957,731	-
Depreciation	1,459,768	1,400,108	-
Total Operating Expenses	9,496,332	9,302,343	1,634,495
Operating Income (Loss)	3,621,516	3,119,855	(368,482)
NONOPERATING REVENUES/(EXPENSES)			
Interest Revenue	226,362	91,576	19,143
Interest Expense & Fiscal Charges	(541,945)	(969,859)	-
Insurance Proceeds	-	-	48,569
Insurance Claim Expenses	-	-	(16,259)
Total Nonoperating Revenues (Expenses)	(315,583)	(878,283)	51,453
Net Income/(Loss) Before Transfers	3,305,933	2,241,572	(317,029)
Transfers In	-	402,906	172,000
Transfers Out	(2,230,743)	(2,265,391)	-
Change in Net Position	1,075,190	379,087	(145,029)
Net Position - Beginning	20,747,471	20,368,384	989,842
Prior Period Adjustment	(108,871)	-	-
Net Position - Ending	$ 21,713,790	20,747,471	844,813

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

CITY OF SULPHUR SPRINGS
Statement of Cash Flows
Proprietary Fund
For the Fiscsal Year Ended September 30, 2018

	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
Cash Flows from Operating Activities:			
Cash Received from Customers & Users	$ 12,881,639	12,379,265	1,266,013
Cash Payments to Suppliers for Goods & Services	(5,618,316)	(4,075,255)	(1,618,170)
Cash Payments to Employees for Services	(2,465,900)	(2,428,966)	-
Net Cash Provided/(Used) by Operating Activities	4,797,423	5,875,044	(352,157)
Cash Flows from Noncapital Financing Activities:			
Transfers to Other Funds	(2,230,743)	(2,265,391)	-
Transfers from Other Funds	-	402,906	172,000
Insurance Proceeds, Net	-	-	32,310
Net Cash Provided/(Used) by Noncapital Financing Activities	(2,230,743)	(1,862,485)	204,310
Cash Flows from Capital & Related Financing Activities:			
Acquisition & Construction of Capital Assets	(7,653,563)	(9,182,010)	
Principal Paid on Bonds	(1,814,405)	(3,084,930)	
Proceeds from Sale of Bonds	-	24,203,646	
Interest Paid on Debt	(541,945)	(969,859)	
Net Cash Provided/(Used) by Capital & Related Financing Activities	(10,009,913)	10,966,847	
Cash Flows from Investing Activities:			
Proceeds from Sale of Investments	4,468,859	-	-
Purchase of Investments	-	(4,188,095)	-
Interest on Deposits & Investments	226,362	91,576	19,143
Net Cash Provided/(Used) by Investing Activities	4,695,221	(4,096,519)	19,143
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,748,013)	10,882,887	(128,704)
Cash & Cash Equivalents - Beginning	12,763,905	1,881,018	1,077,597
Cash & Cash Equivalents - Ending	$ 10,015,892	12,763,905	948,893

CITY OF SULPHUR SPRINGS
Statement of Cash Flows
Proprietary Fund
For the Fiscsal Year Ended September 30, 2018
continued

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	Business-Type Activities Enterprise Fund Current Year	Business-Type Activities Enterprise Fund Prior Year	Governmental Activities Internal Service Fund
Operating Income/(Loss)	$ 3,621,516	3,119,855	(368,482)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities			
Depreciation Expense	1,459,768	1,400,108	-
(Increase)/Decrease in Accounts Receivable	(110,702)	(56,669)	-
(Increase)/Decrease in Sales Tax Receivable	(1,820)	(1,273)	-
(Increase)/Decrease in Other Receivables	(164,826)	-	-
(Increase)/Decrease in Inventory	(184,019)	2,543,601	-
(Increase)/Decrease in Deferred Outflows	440,306	136,983	-
Increase/(Decrease) in Accounts Payable	37,257	1,079,394	16,325
Increase/(Decrease) in Customer Deposits	41,139	15,009	-
Increase/(Decrease) in Compensated Absences	(15,061)	60,075	-
Increase/(Decrease) in Net Pension Liability	(631,744)	110,494	-
Increase/(Decrease) in Net OPEB Liability	22,256	-	-
Increase/(Decrease) in Deferred Inflows	283,353	11,068	-
Total Adjustments	1,175,907	5,298,790	16,325
Net Cash Provided/(Used) by Operating Activities	$ 4,797,423	8,418,645	(352,157)

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

CITY OF SULPHUR SPRINGS
Statement of Fiduciary Net Position
Pension Trust Fund
September 30, 2018

ASSETS	
Cash & Cash Equivalents	$ 25,464
Total Assets	25,464
LIABILITIES	
Accounts Payable	1,847
Total Liabilities	1,847
NET POSITION	
Net Position Restricted for Pensions	$ 23,617

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

CITY OF SULPHUR SPRINGS
Statement of Changes in Fiducirary Net Position
Pension Trust Funds
For the Fiscal Year Ended September 30, 2018

ADDITIONS	
Contributions	$ 117,807
Interest Income	1,312
Total Additions	119,119
DEDUCTIONS	
General Government	196,066
Total Deductions	196,066
Change in Net Position	(76,947)
Net Position, Beginning	100,564
Net Position, Ending	$ 23,617

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sulphur Springs, Texas, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The government is a municipal corporation governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Each discretely presented component unit has a September 30 year end.

Discretely Presented Component Unit. The Sulphur Springs Hopkins County Economic Development Corporation (EDC) serves all citizens of the government and is governed by a board appointed by the government's elected council. The government can impose its will on the EDC and affect the day-to-day operations of the EDC by removing appointed board members at will. The scope of public service of the EDC benefits the government and its citizens and is operated primarily within the geographic boundaries of the government. The EDC is presented as a governmental fund type.

Complete financial statements for the individual component unit may be obtained at the entity's administration offices.

Sulphur Springs Hopkins County
Economic Development Corporation
1200 Enterprise Lane
Sulphur Springs, Texas 75482

Government – Wide & Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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

<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> *(continued)*

Measurement Focus, Basis of Accounting & Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The *special revenue fund* accounts for revenues that are legally restricted for particular purposes, such as airport, tax increment financing, and tourism. The government's major special revenue fund is used to account for activity related to the City airport. The airports major revenue sources are fuel sales and hangar rentals.

- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

- The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The government reports the following proprietary funds:

- The *enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.

- The *internal service fund* accounts for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The government's internal service fund is for self-insurance.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus, Basis of Accounting & Financial Statement Presentation *(continued)*

Additionally, the government reports the following pension trust funds:

- The *volunteer firemen pension fund* is used to account for dues and contributions that are received pursuant to a trust agreement that restricts the use of those dues and contributions to providing payments to volunteer firemen. This was a volunteer single-employer defined contribution plan for volunteer fire fighters before the City established a fire department. No contributions are being made into the plan and once assets are depleted the plan will be closed.

- The *employee pension fund* is used to account for employee contributions and employers match to an employee supplemental retirement plan. This is a volunteer single-employer define contribution plan established under section 457(b) of the Internal Revenue Code. The 457 plan is a 67% match with the maximum city participation at $335 per month. Total City contributions were $194,866.

As a general rule the effect of inter-fund 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 government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

Deposits & Investments

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments.

Short – Term Inter-Fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables." There were no inter-fund balances as of September 30, 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories & Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. When the government incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings	30-40
Building Improvements	20-30
Street Infrastructure	10-30
System Infrastructure	15-25
Equipment	5-10
Vehicles	5-7

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long – Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2018.

- Assigned: 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. This intent can be expressed by the City Manager to which the City Council delegates this authority. This delegation of authority was granted by ordinance.

- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of unassigned funds, then assigned funds, and finally committed funds, as needed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Equity *(continued)*

As of September 30, 2018, fund balances are composed of the following:

	General Fund	Airport Fund	Debt Service Fund	Capital Projects Funds	Special Revenue Funds	Total Governmental Funds
Nonspendable:						
Inventories	$ -	32,170	-	-	-	32,170
Restricted:						
Debt Service	-	-	11,238	-	-	11,238
Capital Projects	-	-	-	386,213	-	386,213
Assigned:						
Tourism	-	-	-	-	177,492	177,492
Police Contingency	-	-	-	-	199,764	199,764
Revolving Loan Fund	-	-	-	-	121,783	121,783
Airport	-	145,390	-	-	-	145,390
Unassigned	3,075,844	-	-	-	-	3,075,844
Total Fund Balances	$3,075,844	177,560	11,238	386,213	499,039	4,149,894

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

RECONCILIATION OF GOVERNMENT–WIDE & FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet & the Government – Wide Statement of Net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this ($173,922) adjustment are as follows:

Long-Term Debt:	
Compensated Absences Payable	$ (348,554)
Deferred Revenue:	
To Remove the Uncollected Tax Levy from Deferred Revenue	259,882
Capital Assets	
Disposal of Capital Assets	(85,250)
Net Adjustment to Decrease Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	$ (173,922)

RECONCILIATION OF GOVERNMENT–WIDE & FUND FINANCIAL STATEMENTS *(continued)*

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances & the Government – Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this ($107,038) adjustment are as follows:

Long-Term Debt:	
Changes in Compensated Absences Payable	$ (16,844)
Taxes:	
To Move the Uncollected Tax Levy to Revenue	259,882
To Remove the Prior Year Tax Collections from Current Year Revenue	(264,826)
	(4,944)
Capital Assets:	
Disposal of Capital Assets	(85,250)
Net Adjustment to Decrease Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	$ (107,038)

STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund, special revenue fund (airport fund), and water and sewer fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds. Annual budgets are not adopted for non-major special revenue funds or the debt service fund.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the City Manager and staff meet with the City Council in a series of workshops to work on the budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. On the first Tuesday in September, the City Manager officially presents the budget to the City Council for consideration. A second Council meeting and second reading of the budget ordinance is scheduled before October 1 to finalize the adoption of the new budget.

4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY *(continued)*

Budgetary Information *(continued)*

5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund and Special Revenue Fund. No supplemental appropriations were made during the fiscal year for the General Fund or Special Revenue Fund.

6. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from accounting principles generally accepted in the United States of America by not including depreciation in the approved budget. These amounts are reported at year end as part of the "actual" column. No supplemental appropriations were made during the fiscal year.

7. The Debt Service and Capital Project Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The non-major governmental funds are not budgeted.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbered amounts lapse at year end. At year end, encumbrances are canceled or re-appropriated as part of the following year budget.

Budget/GAAP Reconciliation

The following schedule reconciles the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual to the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund:

	Water & Sewer Fund
Net Position (Budget)	$ 23,173,558
Depreciation	(1,459,768)
Net Position (GAAP)	$ 21,713,790

DEPOSITS & INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were insured up to $250,000 or collateralized as required by State statutes at September 30, 2018. At year-end, the carrying amount of the City's demand deposits was a balance of $2,308,287 – bank balance, $2,785,880. The cash on hand carrying amount totaled $2,390. Additionally, cash held in escrow for construction was $819,980 and is being held by an independent institution. The bank balance and certificates of deposits for the primary government were covered by FDIC insurance and collateral held in the City's name by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the EDC, a discretely presented component unit, was $1,790,904 and the bank balance was $2,204,187. Of the bank balance, $500,000 was covered by federal depository insurance and $1,704,187 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

DEPOSITS & INVESTMENTS *(continued)*

Investments – State statutes, city policies, and city resolutions authorize the City's investments. The Director of Financial Services and the Assistant Director of Financial Services are authorized by the City Council to invest all available funds consistent with the investment policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies, counties, cities, and other political subdivisions of any State having an investment rating of not less than "A" or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools organized and operating in compliance with the Inter-local Cooperation Act.

In compliance with the Public Funds Investment Act, the government has adopted a deposit and investment policy. That policy addresses the following risks:

Credit Risk is the risk that a security issuer may default on an interest or principal payment. It is the government's policy to limit its investments to those investments rated at least AAAm. The credit quality rating for TexPool at year end was AAAm by Standard & Poor's.

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the government's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The government's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the government. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. The government's policy manages custodial credit risk by requiring securities purchased by a broker-dealer for the government to be held in a Safekeeping account in the government's name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the government's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The government is not exposed to concentration of credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the government's investment in external investment pools is less than 60 days.

Foreign Currency Risk is the potential for loss due to fluctuations in exchange rates. The government's policy does not allow for any direct foreign investments, and therefore the government is not exposed to foreign currency risk.

DEPOSITS & INVESTMENTS *(continued)*

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

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

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

The City has recurring fair value measurements as presented in the table below. Investment balances of such investments are as follows:

		Fair Value Measurements using		
Primary Government	September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & Cash Equivalents:				
Bank Deposits	$ 2,310,677	-	-	-
Certificates of Deposit	500,000			
Total Cash & Cash Equivalents	2,810,677	-	-	-
Cash Held for Construction:				
BOK Financial	819,980	-	-	-
Total Cash Held for Construction	819,980	-	-	-
Investments measured at Amortized Costs:				
Texpool	10,013,099	-	-	-
Investments by fair value level:				
US Treasury Notes	2,987,709	-	2,987,709	-
Total Investments	13,000,808	-	2,987,709	-
Total Investments	16,631,465	-	2,987,709	-

Investment Pools are measured at amortized costs and are exempt from fair value reporting.

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

DEPOSITS & INVESTMENTS *(continued)*

The *Texpool* investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool The investment pool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonable foreseeable redemptions. Texpool has a redemption notice 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.

RECEIVABLES

Receivables at September 30, 2018 consist of the following:

	General	Airport	Debt Service	Enterprise	Capital Projects	Special Revenue Funds	Total
Receivables:							
Utility Bills	$ -	-	-	911,489	-	-	911,489
Delinquent Taxes	225,093	-	34,789	-	-	-	259,882
Sales Taxes	324,422	-	-	13,864	-	-	338,286
Alcoholic Beverage Taxes	7,894	-	-	-	-	-	7,894
Franchise Taxes	273,337	-	-	-	-	-	273,337
Other	-	79,626	-	164,826	69,802	58,555	372,809
Gross Receivables	830,746	79,626	34,789	1,090,179	69,802	58,555	2,163,697
Less: Allowance for Uncollectibles	(12,046)	-	-	-	-	-	(12,046)
Net Total Receivables	$ 818,700	79,626	34,789	1,090,179	69,802	58,555	2,151,651

Taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 up to the date collected by the government at the rate of 1% per month. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes applicable to personal property may be deemed uncollectible by the government. The government's current policy is to write-off uncollectible personal property taxes after four years.

At September 30, 2018, the EDC had sales taxes receivable of $160,847. No allowance for uncollectibles has been made.

Notes Receivable – Economic Development Corporation

On May 16, 2008, the Corporation sold certain real property and improvements for $700,000 and financed the purchase. The loan is collateralized by the real property and improvements. The $700,000 note is to be repaid in monthly payments of $8,000 each beginning August 28, 2013 and continuing until November 28, 2020 when one final payment of $4,000 is due.

On November 17, 2016, the Corporation sold certain real property (technology center) for $1,248,694 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in interest free annual payments of $249,739 beginning December 26, 2016 and continuing until December 25, 2020.

RECEIVABLES - Notes Receivable – Economic Development Corporation *(continued)*

On December 7, 2016, the Corporation sold certain real property (a lot at the municipal airport) for $280,000 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in interest free annual payments beginning December 30, 2016 and continuing until December 30, 2027.

On October 1, 2017, the Corporation sold certain equipment to Armorock, LLC for $378,615 and financed the purchase. The loan is collateralized by the equipment. The note is to be repaid in monthly payments of $7,069, including 4.56% interest, beginning October 1, 2017 and continuing until September 1, 2022.

On November 1, 2017, the Corporation sold certain real property to Plant Process Fabricators for $3,000,000 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in monthly payments of $25,000, including 4.0% interest, beginning December 1, 2017 and continuing until October 1, 2030.

The Corporation has made loans to small and emerging enterprises in the local areas. The loans are being repaid in monthly installments, including interest compute at two percent, and are secured by specific equipment.

The following summarizes changes in the EDC notes receivable for the fiscal year.

Beginning Balance	Additions	Retirements	Ending Balance
$ 1,415,793	3,403,615	(374,927)	$ 4,444,481

CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	1,031,440	-	(55,102)	976,338
Construction in Progress	113,359	1,043,322	(629,779)	526,902
Total Capital Assets Not Being Depreciated	1,144,799	1,043,322	(684,881)	1,503,240
Capital Assets Being Depreciated:				
Buildings & Improvements	21,069,053	-	-	21,069,053
Furniture & Equipment	5,081,900	618,416	(73,673)	5,626,643
Infrastructure	24,592,104	1,116,427	-	25,708,531
Total Capital Assets Being Depreciated	50,743,057	1,734,843	(73,673)	52,404,227
Less Accumulated Depreciation for:				
Buildings & Improvements	(6,174,312)	(669,277)	-	(6,843,589)
Furniture & Equipment	(3,591,086)	(367,249)	43,525	(3,914,810)
Infrastructure	(6,894,463)	(950,488)	-	(7,844,951)
Total Accumulated Depreciation	(16,659,861)	(1,987,014)	43,525	(18,603,350)
Total Capital Assets Being Depreciated, Net	34,083,196	(252,171)	(30,148)	33,800,877
Governmental Activities Net Investment in Capital Assets	$ 35,227,995	791,151	(715,029)	35,304,117

CAPITAL ASSETS *(continued)*

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 1,452,760	-	-	1,452,760
Lakes	401,408	-	-	401,408
Dam/Spillway	2,629,410	-	-	2,629,410
Construction in Progress	9,024,192	7,389,498	-	16,413,690
Total Capital Assets Not Being Depreciated	13,507,770	7,389,498	-	20,897,268
Capital Assets Being Depreciated:				
Buildings & Plant	41,623,567	243,356	-	41,866,923
Equipment	3,072,777	20,709	-	3,093,486
Total Capital Assets Being Depreciated	44,696,344	264,065	-	44,960,409
Less Accumulated Depreciation for:				
Buildings & Plant	(23,092,975)	(1,224,043)	-	(24,317,018)
Equipment	(1,993,275)	(224,697)	-	(2,217,972)
Total Accumulated Depreciation	(25,086,250)	(1,448,740)	-	(26,534,990)
Total Capital Assets Being Depreciated, Net	19,610,094	(1,184,675)	-	18,425,419
Business-Type Activities Net Investment in Capital Assets	$ 33,117,864	6,204,823	-	39,322,687

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

Governmental Activities:	
General Government	$ 138,145
Public Safety	239,638
Transportation	1,384,662
Culture & Recreation	224,569
Total Depreciation Expense - Governmental Activities	$ 1,987,014
Business-Type Activities: Water & Sewer	$ 1,448,740
Total Depreciation Expense - Business-Type Activities	$ 1,448,740

CAPITAL ASSETS *(continued)*

Capital asset activity for the EDC for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Component Unit:				
Capital Assets Not Being Depreciated:				
Land	$ 1,652,612	532,473	(194,617)	1,990,468
Constrution in Progress	2,814,468	6,557,056	(3,327,336)	6,044,188
Total Capital Assets Not Being Depreciated	4,467,080	7,089,529	(3,521,953)	8,034,656
Capital Assets Being Depreciated:				
Buildings	9,345,878	3,746,531	(3,618,298)	9,474,111
Office Equipment	37,588	-	-	37,588
Total Capital Assets Being Depreciated	9,383,466	3,746,531	(3,618,298)	9,511,699
Less Accumulated Depreciation for:				
Buildings	(889,349)	(222,208)	286,449	(825,108)
Office Equipment	(27,302)	(2,728)	-	(30,030)
Total Accumulated Depreciation	(916,651)	(224,936)	286,449	(855,138)
Total Capital Assets Being Depreciated, Net	8,466,815	3,521,595	(3,331,849)	8,656,561
Component Unit Net Investment in Capital Assets	$ 12,933,895	10,611,124	(6,853,802)	16,691,217

INTER-FUND TRANSFERS

Inter-fund transfer activity for the year ended September 30, 2018, was as follows:

	Transfers Out:						
	General Fund	Capital Projects	Tax Increment Financing	Tourism	Police Fund	Water & Sewer Fund	Total
Transfers In:							
General Fund	$ -	-	-	50,000	-	1,697,633	1,747,633
Airport Fund	25,000	16,000	-	-	-	10,000	51,000
Debt Service Fund	369,097	592,740	-	-	-	214,966	1,176,803
Capital Projects	1,463,015	-	76,955	-	28,444	214,999	1,783,413
Police	7,900	-	-	-	-	-	7,900
Internal Services Fund	78,855	-	-	-	-	93,145	172,000
Water & Sewer Fund	-	-	-	-	-	-	-
Total	$ 1,943,867	608,740	76,955	50,000	28,444	2,230,743	4,938,749

INTER-FUND TRANSFERS *(continued)*

Purpose of Transfers

Each transfer represents a specific budgetary policy decision by the City Council. Starting with Fiscal Year 2005, the City Council assessed the three city utilities, Water, Sewer and Sanitation, all part of the Enterprise Fund, a franchise fee of 4% which is similar to franchise fees assessed on the other utilities such as electric, gas and communications. Thus, the Enterprise Fund sent the General Fund $597,459. The Enterprise Fund sent the General Fund an additional $1,087,674 to pay for its percentage of Administration, Finance, Planning, and Engineering. The General Fund and Enterprise Fund transferred $1,463,015 and $214,999 respectively to the Capital Fund to pay for street and drainage projects. The Airport Fund received $25,000 from the General Fund and $16,000 from the Capital Fund to assist with operations as well as match grants for capital work. The transfers from the General, Capital and Enterprise Funds to the Debt Service Fund made specific debt service payments. The General Fund and Enterprise Fund transferred $78,855 and $93,145 respectively to the Internal Services Fund to pay for Property and Liability Insurance.

LONG-TERM DEBT

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both governmental and business-type activities. The government also issues revenue bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	$ 15,967,754	-	(1,171,233)	14,796,521	1,211,643
Compensated Absences	331,710	348,554	(331,710)	348,554	331,710
Totals	$ 16,299,464	348,554	(1,502,943)	15,145,075	1,543,353

The bonds will be repaid by the debt service fund. Compensated absences will be liquidated by the general fund.

LONG-TERM DEBT *(continued)*

Bonds payable at September 30, 2018 are comprised of the following issues for the debt service fund:

Combination Tax and Revenue Certificates of Obligation A bond issue of $4,410,000 (91.59% Debt Service Fund portion) dated July 1, 2009 maturing serially September 1, 2010 to September 1, 2039. Interest rates range from 2.00% to 5.50%, payable March 1 and September 1 to September 1, 2039.	$ 3,325,000
General Obligation Refunding Bonds A bond issue of $5,340,000 (45.15% Debt Service Fund portion) dated July 1, 2009 maturing serially July 1, 2010 to July 1, 2022. Interest rates range from 2.00% to 4.00%, payable January 1 and July 1 to July 1, 2022.	735,945
Combination Tax and Revenue Certificates of Obligation A bond issue of $7,440,000 dated July 1, 2012 maturing serially September 1, 2013 to September 1, 2042. Interest rates range from 1.25% to 3.75%, payable March 1 and September 1 to September 1, 2039.	5,615,000
Combination Tax & Limited Surplus Revenue Certificates of Obligation A bond issue of $5,350,000 (93.37% Debt Service Fund portion) dated December 4, 2014 maturing serially July 1, 2016 to July 1, 2035. Interest rates range from 1.5% to 3.5%, payable January 1 and July 1 to July 1, 2035.	4,170,000
Combination Tax & Limited Surplus Revenue Certificates of Obligation A bond issue of $5,230,000 (20.92% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1, 2037.	950,576
Combined Debt	$ 14,796,521

The annual requirements to amortize the bonded debt outstanding for the debt service fund as of September 30, 2018 are as follows:

Year Ending	Principal	Interest	Total
2019	1,211,643	510,129	1,721,772
2020	1,186,978	479,672	1,666,650
2021	1,214,683	449,267	1,663,950
2022	1,255,093	414,978	1,670,071
2023	1,005,872	378,312	1,384,184
2024-2028	4,067,252	1,446,003	5,513,255
2029-2033	1,965,000	897,313	2,862,313
2034-2038	1,965,000	473,650	2,438,650
2039-2042	925,000	77,775	1,002,775
Totals	$ 14,796,521	5,127,097	19,923,618

LONG-TERM DEBT *(continued)*

During the year ended September 30, 2018, the following changes occurred in liabilities reported in the Water and Sewer Fund.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable	$ 30,232,246	-	(1,798,767)	28,433,479	1,848,357
Compensated Absences	140,288	125,227	(140,288)	125,227	140,288
	30,372,534	125,227	(1,939,055)	28,558,706	1,988,645
Bond Premium	312,765	-	(15,638)	297,127	15,638
	$ 30,685,299	125,227	(1,954,693)	28,855,833	2,004,283

Bonds payable at September 30, 2018 are comprised of the following issues for the Water and Sewer fund:

General Obligation Refunding Bonds A bond issue of $5,340,000 (54.85 Water and Sewer Fund portion) dated July 1, 2009 maturing serially July 1, 2010 to July 1, 2022. Interest rates range from 2.00% to 4.00%, payable January 1 and July 1 to July 1, 2022.	894,055
Combination Tax & Revenue Certificates of Obligation A bond issue of $4,800,000 dated September 1, 2011 maturing serially September 1, 2013 to September 1, 2032. Interest rates range from 2.00% to 3.50%, payable March 1 and September 1 to September 1, 2032.	3,490,000
General Obligation Refunding Bonds A bond issue of $1,755,000 dated August 1, 2012 maturing serially September 1, 2013 to September 1, 2022. Interest rates range from 2.00% to 2.20%, payable March 1 and September 1 to September 1, 2022.	730,000
General Obligation Refunding Bonds A bond issue $1,135,000 dated April 16, 2015 maturing serially July 1, 2016 to July 1, 2020. Interest is 1.47%, payable July 1 each year. These bonds were issued to redeem $1,110,000 of Combination Tax and Revenue Refunding Bonds dated April 14, 2005. This transaction resulted in a cash savings of $54,640 and a present value savings of $52,248.	465,000
Combination Tax & Revenue Certificates of Obligation A bond issue of $18,200,000 dated October 4, 2016 maturing serially September 1, 2017 to September 1, 2046. Interest rates range from 0.01% to 1.45%, payable March 1 and September 1 to September 1, 2046.	17,510,000
General Obligation Refunding Bonds A bond issue $1,555,000 dated August 17, 2017 maturing serially July 1, 2018 to July 1, 2027. Interest is 2.20%, payable January 1 and July 1 to July 1, 2027. These bonds were issued to redeem $1,515,000 of Combination Tax and Revenue Refunding Bonds dated July 1, 2007.	1,410,000
Combination Tax & Limited Surplus Revenue Certificates of Obligation A bond issue of $5,230,000 (79.08% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1, 2037.	3,934,424
Combined Debt	$ 28,433,479

LONG-TERM DEBT *(continued)*

These bonds will be repaid by the Water and Sewer Fund.

The annual requirements to amortize all bonded debt outstanding for the Water and Sewer Fund as of September 30, 2018 are as follows:

Year Ending	Principal	Interest	Total
2019	1,848,357	504,989	2,353,346
2020	1,813,022	474,985	2,288,007
2021	1,605,317	445,596	2,050,913
2022	1,644,907	413,079	2,057,986
2023	1,159,128	377,699	1,536,827
2024-2028	5,592,748	1,544,559	7,137,307
2029-2033	5,075,000	1,046,164	6,121,164
2034-2038	4,095,000	600,992	4,695,992
2039-2043	3,425,000	302,576	3,727,576
2044-2046	2,175,000	63,078	2,238,078
Totals	$ 28,433,479	5,773,718	34,207,197

Notes Payable – Economic Development Corporation

During the year ended September 30, 2018, the following changes occurred in liabilities reported for the EDC:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	$4,025,277	5,576,886	(190,706)	9,411,457	5,771,719
	$4,025,277	5,576,886	(190,706)	9,411,457	5,771,719

On October 31, 2005, the Corporation purchased four tracts of land totaling approximately 286 acres from the Hopkins County Industrial Fund, Inc. The land was fully financed by the Fund through a note that bears no interest and is payable upon sale of the land by the Corporation. On August 23, 2006, the Corporation purchased another 248 acres of land that was also financed by the Hopkins County Industrial Fund, Inc. under the same terms as the previous note.

On May 18, 2017, the Corporation borrowed $2,236,847 from Southside Bank. The loan is being repaid in 113 monthly payments of $21,051 (beginning June 1, 2017 and 24 monthly payments of $8,611 (beginning November 1, 2026), including interest computed at 3.05 percent. The note will be paid in full after the final payment on January 1, 2029.

On February 20, 2018, the Corporation obtained a non-revolving construction line of credit (LOC) from Guaranty Bank. The LOC has maximum allowable funds of $7,800,000. The principal amount will be advanced upon draw requests, until February 20, 2019 at which point, the balance is due in full. During construction, monthly interest only payments will be made (effective March 20, 2018) at an interest rate of 4.75%.

RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

BOK Financial - Bond Funds	$ 819,980
Customer Deposits	502,121
Accrued Interest Payable	49,299
Current Revenue CO's Payable	1,050,715
Current GO Bonds Payable	813,280
Total Restricted Assets	$ 3,235,395

RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to $2,000,000 per insured event. There was no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

The government has chosen to establish a risk financing fund for risks associated with the employee's health insurance plan. The risk financing fund is accounted for as an internal service fund where assets are set aside for claim settlements. A premium is charged to each fund that accounts for full-time employees. The total charge allocated to each of the funds (the allocation is based upon number of employees in each fund) is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims. Stop-loss coverage is $80,000 per employee and $1,125,489 in the aggregate.

Liabilities of the fund are reported when it is probable 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 reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Changes in the medical claims liability amounts in fiscal year 2018 were as follows:

	2018
Unpaid Claims, Beginning of Year	$ 87,755
Incurred Claims (Including IBNR)	920,704
Claim Payments	(904,379)
Unpaid Claims, End of Year	$ 104,080

RETIREMENT SYSTEM – PENSION PLAN

Plan Description - The City of Sulphur Springs participates as one of 860 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 includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may 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 payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the city were as follows:

	Plan Year 2018	Plan Year 2017
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility		
(expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%, Transfers	0%, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms - At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	112
Inactive Employees Entitled to but Not Yet Receiving Benefits	65
Active Employees	143
	320

RETIREMENT SYSTEM – PENSION PLAN *(continued)*

Contributions - Under the state law governing TMRS, the contribution rate for each government is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that government. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The government contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the government make contributions monthly. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Employees for the City of Sulphur Springs were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.40% and 7.19% in calendar year 2018 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $576,057 and were equal to required contributions.

Net Pension Liability - The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 39,045,311	$ 35,274,906	$ 3,770,405
Changes for the Year:			
Service Cost	1,067,537	-	1,067,537
Interest	2,605,150	-	2,605,150
Change of Benefit Terms	-	-	-
Diff. Between Expected/Actual Experience	(235,957)	-	(235,957)
Changes of Assumptions	-	-	-
Contributions - Employer	-	574,089	(574,089)
Contributions - Employee	-	479,074	(479,074)
Net Investment Income	-	4,888,366	(4,888,366)
Benefit Payments, Including Refunds of Employee Contributions	(1,968,528)	(1,968,528)	-
Administrative Expenses	-	(25,337)	25,337
Other Changes	-	(1,284)	1,284
Net Changes	1,468,202	3,946,380	(2,478,178)
Balance at 12/31/2017	$ 40,513,513	$ 39,221,286	$ 1,292,227

RETIREMENT SYSTEM – PENSION PLAN *(continued)*

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would have been if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
City's Net Pension Liability	$ 6,260,848	$ 1,292,227	$ (2,866,593)

Pension Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2018, the City recognized pension expense in the amount of $932,919. At September 30, 2018, 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 & Actual Economic Experience (net of current year amortization)	$ 22,882	$ 318,966
Changes in Actuarial Assumptions	234,270	-
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	990,832
Contributions Subsequent to the Measurement Date	432,834	-
Total	$ 689,986	$ 1,309,798

$432,834 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2019	$ 95,523
2020	(38,157)
2021	(569,982)
2022	(537,030)
2023	-

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS

Plan Description - The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). SDBF is an unfunded multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Texas Municipal Retirement System (TMRS).

OPEB Plan Fiduciary Net Position - Detailed information about the TMRS SDBF's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. This report may be obtained at www.tmrs.com.

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS *(continued)*

Benefits Provided – SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. 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). The death benefit for retirees is considered another postemployment benefit and is a fixed amount of $7,500.

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

Employees for the City of Sulphur Springs were not required to contribute to the SDBF. The contribution rates for the City were 0.22% and 0.21% in calendar year 2018 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $17,051 and were equal to required contributions.

Employees Covered by Benefit Terms - At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	83
Inactive Employees Entitled to but Not Yet Receiving Benefits	13
Active Employees	143
	239

Actuarial Assumptions - The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Discount Rate*	3.31%
Retirees' share of benefit related costs	$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. Th rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.
Note: The actuarial assumption used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 – December 31, 2014.

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS *(continued)*

Total OPEB Liability - The City's Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017.

	Increase/(Decrease) Total OPEB Liability
Balance at 12/31/2016	$ 458,500
Changes for the Year:	
Service Cost	15,171
Interest	17,543
Change of Benefit Terms	-
Diff. Between Expected/Actual Experience	-
Changes of Assumptions	38,688
Contributions - Employer	-
Contributions - Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(3,992)
Administrative Expenses	-
Other Changes	-
Net Changes	67,410
Balance at 12/31/2017	$ 525,910

Discount Rate Sensitivity Analysis - The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate.

	1% Decrease (2.31%)	Discount Rate (3.31%)	1% Increase (4.31%)
City's total OPEB Liability	$ 623,799	$ 525,910	$ 448,274

OPEB Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2018, the City recognized OPEB expense in the amount of $39,282. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience (net of current year amortization)	$ -	$ -
Changes in Actuarial Assumptions	32,120	-
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	-
Contributions Subsequent to the Measurement Date	12,868	-
Total	$ 44,988	$ -

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS *(continued)*

OPEB Expense and Deferred Outflows and Inflows of Resources *(continued)*

$12,868 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended December 31,	
2019	$ 6,568
2020	6,568
2021	6,568
2022	6,568
2023	5,848
Thereafter	-

PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the City adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). With GASB 75, The City must assume their proportionate share of the Net OPEB liability of the Texas Municipal Retirement System. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled ($446,446), which resulted in a restated beginning net position of both Governmental and Business-Type activities. The details are as follows:

Net Position Restatement	Governmental	Business-Type
Nrt Position - As Originally Reported	$ 22,593,449	20,747,471
GASB 75 Changes:		
Increase in Deferred Outflows	9,114	2,940
Increase in Net OPEB Liability	(346,689)	(111,811)
Net Position - Restated	22,255,874	20,638,600

TAX ABATEMENTS

	Abatements			
Company	2018 Tax Year	2017 Tax Year	Begins	Ends
BEF Foods	$ 8,438,184	$ 7,337,551	2013	2022
BEF Foods	37,963,266	33,011,536	2013	2022
BEF Foods	2,211,290	2,211,290	2013	2022
Oceam Spray	2,458,967	2,607,901	2016	2020
CMH Manufacturing	3,200,000	3,200,000	2016	2020
Total	$ 54,271,707	$ 48,368,278		

EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 28, 2019 the date which the financial statements were available to be issued.

Financial Advisory Services
Provided By:

SAMCO Capital