

OFFICIAL STATEMENT
May 16, 2019

In the opinion of Bond Counsel (defined herein), under existing law, interest on the Certificates (defined herein) is excludable from gross income for federal income tax purposes and the Certificates are not "private activity bonds." See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

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

\$6,835,000
CITY OF PLEASANTON, TEXAS
(A political subdivision of the State of Texas located in Atascosa County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: May 15, 2019

Due: February 1, as shown on page 2

The \$6,835,000 City of Pleasanton, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas, including Texas Local Government Code, Subchapter C, Chapter 271, as amended, and Chapter 1502, as amended, Texas Government Code, an ordinance ("Ordinance") adopted by the City Council (the "City Council") of the City of Pleasanton, Texas (the "City" or "Issuer"), on May 16, 2019, the date of the sale of the Certificates, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable from proceeds of an ad valorem tax levied annually against all taxable property therein, within the limits prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (as described and defined in the Ordinance), being a limited amount of the Net Revenues (as described and defined in the Ordinance) derived from the operation of the City's combined utility system (the "System"), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Certificates will accrue from the Dated Date as shown above and payable on February 1 and August 1 of each year, commencing February 1, 2020, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of Certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas, as the initial paying agent/registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) construction of street repairs and improvements, and drainage improvements incidental thereto; (2) purchase and equipping a fire truck; (3) purchase of land for municipal purposes; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects and to pay the costs associated with the issuance of the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

SEE PAGE 2 FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS,
AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Bracewell LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions And No-Litigation Certificate" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about June 11, 2019.

\$6,835,000
CITY OF PLEASANTON, TEXAS
(A political subdivision of the State of Texas located in Atascosa County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

MATURITY SCHEDULE
(Due February 1)

CUSIP Prefix No. 728857⁽¹⁾

Stated				CUSIP	Stated				CUSIP
Maturity	Principal	Interest	Initial	No.	Maturity	Principal	Interest	Initial	No.
2/1	Amount	Rate	Yield	Suffix ⁽¹⁾	2/1	Amount	Rate	Yield	Suffix ⁽¹⁾
2020	\$ 335,000	3.000%	1.500%	MZ3	2030	\$ 275,000	3.000%	2.250%	NK5
2021	415,000	3.000%	1.600%	NA7	2031	285,000	3.000%	2.350%	NL3
2022	465,000	3.000%	1.620%	NB5	2032	295,000	3.000%	2.400%	NM1
2023	510,000	3.000%	1.650%	NC3	2033	300,000	3.000%	2.450%	NN9
2024	375,000	3.000%	1.700%	ND1	2034	310,000	3.000%	2.500%	NP4
2025	390,000	3.000%	1.750%	NE9	2035	320,000	3.000%	2.550%	NQ2
2026	400,000	3.000%	1.800%	NF6	2036	330,000	3.000%	2.600%	NR0
2027	250,000	3.000%	1.900%	NG4	2037	340,000	3.000%	2.650%	NS8
2028	260,000	3.000%	2.000%	NH2	2038	350,000	3.000%	2.700%	NT6
2029	270,000	3.000%	2.150%	NJ8	2039	360,000	3.000%	2.750%	NU3

(Interest to accrue from Dated Date)

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

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by S&P Global Market Intelligence, on behalf of the American Bankers Association and are solely for the convenience of the owners and potential owners of the Certificates. No assurance can be given that the CUSIP number for a particular maturity of the Certificates will remain the same after the date of initial delivery of the Certificates. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2029, the first optional call date for the Certificates, at a redemption price of par plus accrued interest to the date of redemption.

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CITY OF PLEASANTON, TEXAS
 108 Second Street
 Pleasanton, Texas 78064
 Telephone: (830) 569-3867

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Travis Hall, Jr. Mayor	10	2021	Self-Employed
Robert Leonhardt Mayor Pro Tem, District 1	2	2023*	School Principal
Kenneth Hernandez Councilmember, District 2	3	2023*	Realtor
Diana Prasifka, Councilmember, District 3	5	2023*	Retired
JR Gallegos, Councilmember, District 4	1	2021	Barber/Stylist
Robert Earl Wood, Councilmember, District 5	4	2021	Land Proprietor
Britni Van Curan, Councilmember, District 6	1	2021	Manager

*Each City Council member was reelected in May 2019.

ADMINISTRATION

Name	Position	Length of Service with the City (Years)
Johnny Huizar	City Manager	28
Kristi Bandy	Finance Director	17
Andres Aguirre	City Secretary	5

CONSULTANTS AND ADVISORS

Bond Counsel Bracewell LLP
 San Antonio, Texas

Certified Public Accountants Beyer & Co.
 Pleasanton, Texas

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

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 Mr. Andrew T. Friedman
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 San Antonio, Texas 78209
 Telephone: (210) 832-9760
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 afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, NOR THE PURCHASER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM. AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer

The City of Pleasanton, Texas (the "City" or "Issuer") was originally incorporated on November 25, 1916. The Cities of Pleasanton and North Pleasanton were consolidated on January 2, 1962. The City operates under a Council/Manager form of government with a Mayor and six Councilmembers. The City is a home rule municipality operating under its own Charter, amended as of August 1, 2008. The City of Pleasanton is the largest city and principal commercial center of Atascosa County, Texas. It is located on U.S. Highway 281, 25 miles south of the San Antonio metropolitan area. (See APPENDIX B - "General Information Regarding the City of Pleasanton and Atascosa County, Texas" herein.)

The Certificates

The Certificates are being issued pursuant to the Constitution and laws of the State of Texas, including the Certificate of Obligation Act of 1971 Subchapter C (Sections 271.041 through 271.064), Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, an ordinance adopted by the City Council of the City (the "Ordinance") on May 16, 2019, the date of sale of the Certificates, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.

Security

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City has previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as identified and defined in the Ordinance) that are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner and as described in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Redemption Provision of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Tax Matters

In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes and the Certificates are not "private activity bonds." See "TAX MATTERS" for a discussion of the opinion of Bond Counsel. (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein.)

Qualified Tax-Exempt Obligations

The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Purchase of Tax-Exempt Obligations by Financial Institutions" herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) construction of street repairs and improvements, and drainage improvements incidental thereto; (2) purchase and equipping a fire truck; (3) purchase of land for municipal purposes; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects and to pay the costs associated with the issuance of the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Ratings

S&P has assigned an unenhanced, underlying rating of "AA" to the Certificates. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)

Payment Record

The City as presently constituted, through the consolidation of Pleasanton and North Pleasanton, has never defaulted on the payment of its debt. Prior to the consolidation, the City of Pleasanton had never defaulted on revenue bonds and had not defaulted on general obligation bonds since 1941 when defaults were corrected without refunding. Prior to 1941, the City of Pleasanton repudiated approximately \$8,400 of time warrants on the grounds of illegal issuance. The old City of North Pleasanton, dissolved in 1926, had approximately \$17,000 of debt adjudicated by District Court at Jourdanon, Texas. Trustees were appointed to levy and collect a \$0.75 tax within the old City limits to satisfy this judgment, which was retired in 1947. The former City of North Pleasanton, reincorporated in 1938, experienced a default on March 1, 1961, in connection with \$3,000 principal and \$871 interest on Waterworks Revenue Bonds, which default was corrected on May 21, 1961, without refunding.

Future Bond Issues

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2019, except potentially issuing refunding bonds for debt service savings.

Delivery

When issued, anticipated on or about June 11, 2019.

Legality

Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Bracewell LLP, San Antonio, Texas, Bond Counsel.

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OFFICIAL STATEMENT

relating to

\$6,835,000

CITY OF PLEASANTON, TEXAS

(A political subdivision of the State of Texas located in Atascosa County, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Pleasanton, Texas (the "City" or the "Issuer") of its \$6,835,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates") identified on page 2 of this Official Statement.

The Issuer is a political subdivision of the State of Texas and a municipal corporation and home rule municipality organized and existing under the laws of the State of Texas and its Home Rule Charter. The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas an ordinance (the "Ordinance") adopted by the City Council (the "City Council") on May 16 2019, the date of sale of the Certificates, and the City's Home Rule Charter. (See "CERTIFICATES – 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 Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** A copy of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement relating to the Bonds will be deposited with the Municipal Securities Rulemaking Board, 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.

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated May 15, 2019 (the "Dated Date"), will mature on the dates and in the principal amounts, and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and will be in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2020, until stated maturity or prior redemption.

The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository ("Securities Depository") for the Certificates. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Austin, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein) by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the designated corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such

payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Certificate of Obligation Act of 1971, Subchapter C (Sections 271.041 through 271.064), Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, the Ordinance, and the City's Home Rule Charter.

Security for Payment

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

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

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

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on February 1, 2030, in whole or from time to time 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) on February 1, 2029, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. The respective years of maturity of the Certificates called for redemption shall be selected by the City. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Selection of Certificates Redeemed in Part

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

Notice of Redemption

The City is required to cause a notice of redemption to be given to the registered owners of Certificates to be redeemed not less than 30 days prior to the date of such redemption. The notice of redemption will be sent by United States mail, first class, postage prepaid, to the registered owners of Certificates to be redeemed, in whole or in part, at the address of such owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the mailing of such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. SUBJECT TO THE CITY'S RIGHT TO GIVE A CONDITIONAL NOTICE OF REDEMPTION AS DESCRIBED IN THE FOLLOWING PARAGRAPH, NOTICE OF REDEMPTION HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND, NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE AND SUCH CERTIFICATE SHALL BE NO LONGER OUTSTANDING EXCEPT FOR THE PAYMENT OF THE REDEMPTION PRICE

Conditional Notice. In the Ordinance the City has reserved the right to give a notice of redemption to redeem Certificates pursuant to an optional redemption that is conditioned upon the occurrence of events subsequent to the giving of such notice. The conditional notice of redemption may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the conditional notice of redemption and such notice and redemption shall be of no effect. The Paying Agent/Registrar is required to give prompt notice of any such rescission of a conditional notice of redemption to the affected registered owners. Any Certificates subject to redemption for which a conditional notice of redemption has been given and such redemption and conditional notice of redemption have been rescinded shall remain outstanding, the rescission of such redemption and conditional notice of redemption will not constitute an event of default and failure to make moneys and/or authorized securities available, in part or in whole, on or before the proposed redemption date shall not constitute an event of default.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) construction of street repairs and improvements, and drainage improvements incidental thereto; (2) purchase and equipping a fire truck; (3) purchase of land for municipal purposes; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects and to pay the costs associated with the issuance of the Certificates.

Sources and Uses

Sources of Funds

Par Amount of Certificates	\$ 6,835,000.00
Accrued Interest	14,809.16
Original Issue Reoffering Premium	<u>316,707.40</u>
Total Sources of Funds	<u>\$ 7,166,516.56</u>

Uses of Funds

Construction Fund Deposit	\$ 7,000,000.00
Purchaser's Discount	63,627.94
Costs of Issuance	88,079.46
Certificate Fund Deposit	<u>14,809.16</u>
Total Uses of Funds	<u>\$ 7,166,516.56</u>

Payment Record

The City as presently constituted, through the consolidation of the City of Pleasanton, Texas and the City of North Pleasanton, Texas, has never defaulted on the payment of its debt. Prior to the consolidation, the City of Pleasanton, Texas had never defaulted on revenue bonds and had not defaulted on general obligation bonds since 1941 when defaults were corrected without refunding. Prior to 1941, the City of Pleasanton, Texas repudiated approximately \$8,400 of time warrants on the grounds of illegal issuance. The old City of North Pleasanton, Texas, which was dissolved in 1926, had approximately \$17,000 of debt adjudicated by District Court at Jourdanon, Texas. Trustees were appointed to levy and collect a \$0.75 tax within the old city limits of the City of North Pleasanton, Texas to satisfy this judgment, which was retired in 1947. The former City of North Pleasanton, Texas, was reincorporated in 1938, and experienced a default on March 1, 1961, in connection with \$3,000 principal and \$871 interest on Waterworks Revenue Bonds, which default was corrected on May 21, 1961, without refunding.

Amendments

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

Defeasance

The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Certificates to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either by (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium if any, and all interest to accrue on the Certificates to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Certificates; provided that such deposits may be invested and reinvested only in (a) direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) non-callable 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 are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Certificates, as the case may be. If any of the Certificates are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Certificates at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinance.

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 Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

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

Upon defeasance, such defeased Certificates shall no longer be regarded to be outstanding or unpaid.

Default and Remedies

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Certificates or the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 54 (Tex. 2016) that governmental 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 *Wasson*, the court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal deb have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contact in question. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the

City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

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

Record Date

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

Future Registration

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

Special Record Date for Interest Payment

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

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required (1) to issue, transfer, or exchange any Certificate called for redemption, in whole or in part during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of Certificates hereunder and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange in whole or in part any Certificate so selected for redemption; provided, however, such limitation is not applicable to the transfer or exchange of the unredeemed balance of a Certificate called for redemption in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as

periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

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

INVESTMENT POLICIES

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

Legal Investment

Under Texas law, the Issuer is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, 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) (a) certificates of deposit and share certificates issued by a depository institution that has its main office or branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (5) and clause (13) or in any other manner and amount provided by law for System deposits, and in addition (b) the System is authorized, subject to certain conditions, to invest in certificates of deposit with a depository institution that has its main office or branch office in the State of Texas and that participates in the Certificate of Deposit Account Registry Service® network ("CDARS®") and as further provided by Texas law, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) and require the security being purchased by the Issuer or cash held by the Issuer to be pledged to the Issuer, held in the Issuer's name and deposited at the time the investment is made with the Issuer or with a third party selected and approved by the Issuer, and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (8) bankers' acceptances with the remaining term of 270 days or less from the date of issuance, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper with the remaining term of 270 days or less from the date of issuance that is rated at least "A-1" or "P-1" or the equivalent by at least (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, (10) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, (11) no-load mutual fund registered with the United States Securities and Exchange Commission that: have an average weighted maturity of less than two years; invest exclusively in obligations described in the preceding clauses and clause (13), and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent, (12) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or "AAA-m" or its equivalent, and (13) bonds issued, assumed or guaranteed by the State of Israel. Texas law also permits the Issuer to invest bond proceeds in a guaranteed investment contract subject to the limitations set forth in Chapter 2256, as amended, Texas Government Code.

Entities such as the Issuer may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized including accrued income, 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 (5) and clause (13) above, (b) pledged 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 (5) and clause (13) above, clause (9) above and clauses (10) and (11) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to such investing entity or a third party designated by such investing entity; (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.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pool are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The Issuer is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a 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.

Under Texas law, the City may 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 has not contracted with, and has no present intention of contracting with, any such investment management firm or the State Securities Board to provide such services.

Investment Policies

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

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

Additional Provisions

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

Current Investments ⁽¹⁾

TABLE 1

As of February 28, 2019, the City held investments as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Cash and Cash Equivalents	\$411,121.86	100%

100% held at the bank fully collateralized.

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

⁽¹⁾ Unaudited.

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the Issuer

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

At an election held on September 13, 2003, the voters of the State of Texas approved a constitutional amendment authorizing counties, cities, towns or junior college Districts to establish an ad valorem "tax freeze" on residence homesteads of the disabled and persons sixty-five years of age or older. This "tax freeze" can be implemented by official action of a governing body, or pursuant to an election called by the governing body upon receipt of a petition signed by 5% of registered voters of the political subdivision.

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

Valuation of Property for Taxation

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

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

Article VIII of the Texas Constitution and the Property Tax Code permits land designated for agricultural use (Section 1-d), open space or timberland (Section 1-d-1) to be appraised at the lesser of its value based on the land's capacity to produce agricultural or timber products or its market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Issuer can collect

taxes based on the new value, including three (3) years for agricultural use and five (5) years for agricultural open space land and timberland prior to the loss of the designation. The same land may not be qualified under both Section 1-d and 1-d-1.

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

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

Residential Homestead Exemptions

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

1. An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. The Issuer has elected to grant a \$16,000 exemption to persons 65 years of age or older and surviving spouses.
2. An exemption of up to 20% of the market value of residence homesteads; minimum exemption \$5,000. The City does not offer homestead exemptions.

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. The Issuer has not granted the additional exemption.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000. The surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. Furthermore, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until the surviving spouse remarries.

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

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

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

Freeport Goods Exemption

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for “freeport property,” which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for “goods-in-transit”, which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The City took official action before April 1, 1990 to tax freeport property. On November 1, 2007, the City adopted an ordinance that continued the taxation of all goods-in-transit for the tax year 2008 and beyond. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to January 1 of the first tax years in which the governing body proposes to tax good-in-transit to continue its taxation of good-in-transit in the 2012 tax year and beyond. The City does not tax goods-in-transit.

Tax Abatement

The Issuer may designate areas within the City as a reinvestment zone. Thereafter, the Issuer may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity with taxing authority over the property will follow in granting tax abatement to owners of property. The tax abatement agreement may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Issuer, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same. The City has no tax abatements at this time.

Tax Increment Reinvestment (Financing) Zones

The City, by action of the City Council, may create one or more tax increment reinvestment zones (“TIRZs” or “TIFs”) within the City, and in doing so, other overlapping taxing entities may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for public improvements or projects within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value of 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 has not created TIRZs or TIF Zones.

Economic Development Programs Grants and Loans

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the city. In accordance with a program established pursuant to Chapter 380, a city may make loans or grants of public funds to for economic development purposes, however, no obligations secured by an ad valorem taxes may be issued for such purposes unless approve by voters of the City. The City has not established a Chapter 380 program to make loans or grants for economic development purposes.

Issuer and Taxpayer Remedies

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

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

The Financial Institutions Act of 1989

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

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

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

Levy and Collection of Taxes

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

Property Assessment and Tax Payment

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

TAX RATE LIMITATIONS

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population: \$2.50 per \$100 assessed valuation. The Issuer has adopted a Home Rule Charter which does not limit the City's maximum tax rate limit beyond the Constitutional limit of \$2.50 per \$100 of assessed valuation for all Issuer purposes.

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

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

The Property Tax Code

The City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The City Council may not adopt a tax rate that exceeds the lower of the rollback rate or the effective tax rate until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate, the

qualified voters of the City, by petition, may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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

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

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership, and disposition of the Certificates.

TAX MATTERS

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, under existing law (i) interest on the Certificates is excludable from gross income for federal income tax purposes and (ii) the Certificates are not “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and, as such, interest on the Certificates is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludability from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Certificates for federal income tax purposes and, in addition, will rely on representations by the City, the City’s Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the City, the City’s Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

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

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates regardless of the ultimate outcome of the audit.

PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code also provides an exception for financial institutions for tax-exempt obligations that are properly designated or deemed designated by an issuer as "qualified tax-exempt obligations."

The Certificates will be designated as "qualified tax-exempt obligations" based, in part, on the City's representation that the amount of the Certificates, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than "qualified 501(c)(3) bonds" or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation did not exceed the outstanding amount of the refunded obligation) issued or reasonably anticipated to be issued by or on behalf of the City during 2019, is not expected to exceed \$10,000,000. Further, the City and entities aggregated with the City under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Certificates) during 2019.

Notwithstanding the designation of the Certificates as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Certificates will be subject to a 20% disallowance of allocable interest expense.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium. The issue price of the Certificates exceeds the stated redemption price payable at maturity of such Certificates. Such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Certificate in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Certificate in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Certificate by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Premium Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Certificate and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Certificates.

Tax Legislative Changes. Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system, where it will be available to the general public, free of charge, at www.emma.msrb.org.

Annual Reports

Under State law, including, but not limited to Chapter 103, as amended, Texas Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any certificate holder or other member of the public within a reasonable time of request to City Secretary, 108 Second Street, Pleasanton, Texas 78064, and upon payment of charges prescribed by the Texas General Services Commission.

The City will file certain updated financial information and operating data with the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement in Table 1 hereof, Tables 1 through 14 of APPENDIX A to this Official Statement, and in APPENDIX D. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2018.

The 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 EMMA Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available.

Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

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

Notices of Certain Events

The City will file with the MSRB notice of any of the following events with respect to the Certificates in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, 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 Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement, or liquidity enhancement. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (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, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018..

Availability of Information

All information and documentation filings required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

For information relating to the City's continuing disclosure filing history, see www.emma.msrb.org.

LEGAL MATTERS

Legal Opinions

The City will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the approving opinion of the Attorney General of the State as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Certificates are a valid and legally binding obligation of the City under the Constitution and laws of the State. The City will also furnish the approving legal opinion of Bond Counsel in substantially the form attached hereto as Appendix D. 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 to independently verify any of the information contained therein, except that in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Additionally, the Bond Counsel has been engaged by the City to assist the City on certain matters related to compliance with Rule 15c2-12. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates.

No-Litigation Certificate

The City will furnish the initial Purchaser with a certificate, dated as of the date of delivery of the Certificates, executed by both the Mayor and the City Secretary, to the effect that no litigation of any nature is then pending or threatened, either in state or federal courts, contesting or attacking the Certificates; restraining or enjoining the issuance, execution, or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceeding for the issuance, execution or delivery of the Certificates; or affecting the validity of the Certificates.

Litigation

The City is exposed to various risks of losses related to torts, theft of, damage to and destruction of fixed assets; error and omissions; injuries to employees; and natural disasters. The City has obtained commercial insurance coverage for these risks and provided various employee education and prevention programs. Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

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

Rating

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

Authenticity of Financial Information

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

Financial Advisor

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

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

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of BOK Financial Securities, Inc. (the "Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus an original reoffering premium of \$316,707.40, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Authorization of the Official Statement

This Official Statement has been approved as to form and content and the use thereof in the offering of the Certificates has been authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

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

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

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

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

CITY OF PLEASANTON, TEXAS

/s/ Travis Hall, Jr.

Mayor
City of Pleasanton, Texas

ATTEST:

/s/ Andres Aguirre

City Secretary
City of Pleasanton, Texas

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APPENDIX A

**FINANCIAL INFORMATION RELATING TO
THE CITY OF PLEASANTON, TEXAS**

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2018 Actual Certified Market Value of Taxable Property (100% of Market Value).....	\$ 673,697,135
Less Exemptions:	
Optional Over-65 or Disabled Homestead.....	\$ 11,603,011
Disabled/Deceased Veterans'.....	5,938,947
Open-Space Land and Timberland.....	6,099,320
Charitable Exemptions.....	21,500
House Bill 366.....	-
Totally Exempt Property.....	27,794,038
10% Per Year Cap on Residential Homesteads.....	1,193,576
TOTAL EXEMPTIONS	\$ 52,650,392
2018 Certified Assessed Value of Taxable Property.....	\$ 621,046,743

Source: Atascosa County Appraisal District.

GENERAL OBLIGATION BONDED DEBT ⁽¹⁾

(as of March 1, 2018)

General Obligation Debt Principal Outstanding

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008	\$ 790,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009	860,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013	3,020,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	5,005,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015	2,830,000
General Obligation Refunding Bonds, Series 2015	2,960,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	3,215,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017	1,905,000
The Certificates	6,835,000
Total Gross General Obligation Debt	\$ 27,420,000

Less: Self Supporting Debt

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 (100% Utility Fund)	\$ 5,005,000
General Obligation Refunding Bonds, Series 2015 (100% Utility Fund)	3,950,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 (100% Hotel/Motel Fund)	3,500,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 (100% Utility Fund)	2,000,000
Total Self-Supporting Debt	\$ 14,455,000
Total Net General Obligation Debt Outstanding	\$ 12,965,000

2017 Net Assessed Valuation	\$ 621,046,743
Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation	4.42%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation	2.09%

Population: 2000 - 8,266; 2010 - 8,934; est. 2017 - 12,500
Per Capita Certified Net Taxable Assessed Valuation - \$49,683.74
Per Capita Gross General Obligation Debt Principal - \$2,193.60
Per Capita Net General Obligation Debt Principal - \$1,037.20

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

Operating Leases:

The government leases equipment under noncancellable operating leases. Total costs for such leases were \$53,963 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows

FYE (9/30)	Amount
2019	\$ 29,115
2020	26,615
2021	26,011
<u>2022</u>	<u>23,050</u>
Total	\$ 104,791

Rent expenditures were \$5,435 for the year ended September 30, 2018. Rental Income received was \$37,665 for the year ended September 30, 2018.

Source: The City's Comprehensive Annual Financial Report for fiscal year ended September 30, 2018.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending (9/30)	Current Total Outstanding Debt ⁽¹⁾	The Certificates			Total Combined Debt Service	Less: Self Supporting Debt Service	Total Net Debt Service
		Principal	Interest	Total			
2019	\$ 2,455,809				\$ 2,455,809	1,188,370	\$ 1,267,439
2020	2,117,021	\$ 335,000	\$ 243,313	\$ 578,313	2,695,334	1,195,507	1,499,827
2021	2,116,567	415,000	188,775	603,775	2,720,342	1,192,109	1,528,234
2022	2,109,352	465,000	175,575	640,575	2,749,927	1,192,970	1,556,958
2023	2,115,818	510,000	160,950	670,950	2,786,768	1,197,658	1,589,110
2024	1,898,930	375,000	147,675	522,675	2,421,605	1,196,368	1,225,238
2025	1,708,906	390,000	136,200	526,200	2,235,106	1,199,218	1,035,888
2026	1,706,920	400,000	124,350	524,350	2,231,270	1,195,583	1,035,687
2027	1,703,064	250,000	114,600	364,600	2,067,664	1,190,301	877,363
2028	1,310,738	260,000	106,950	366,950	1,677,688	797,100	880,588
2029	1,311,150	270,000	99,000	369,000	1,680,150	802,088	878,063
2030	1,308,800	275,000	90,825	365,825	1,674,625	795,475	879,150
2031	1,304,906	285,000	82,425	367,425	1,672,331	793,850	878,481
2032	1,304,425	295,000	73,725	368,725	1,673,150	796,488	876,663
2033	1,311,813	300,000	64,800	364,800	1,676,613	797,800	878,813
2034	1,023,575	310,000	55,650	365,650	1,389,225	797,769	591,456
2035	603,056	320,000	46,200	366,200	969,256	374,400	594,856
2036	371,850	330,000	36,450	366,450	738,300	371,850	366,450
2037	133,900	340,000	26,400	366,400	500,300	133,900	366,400
2038	-	350,000	16,050	366,050	366,050	-	366,050
2039	-	360,000	5,400	365,400	365,400	-	365,400
Total	\$ 27,916,599	\$ 6,835,000	\$ 1,995,313	\$ 8,830,313	\$ 36,746,913	\$ 17,208,802	\$ 19,538,111

⁽¹⁾ Includes self-supporting debt.

TAX ADEQUACY (Includes Self-Supporting Debt)

2018 Certified Freeze Adjusted Net Taxable Assessed Valuation	\$ 621,046,743
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)	2,786,768 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.45788 *

* Includes the Certificates.

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

TAX ADEQUACY (Excludes Self-Supporting Debt)

2018 Certified Freeze Adjusted Net Taxable Assessed Valuation	\$ 621,046,743
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)	1,589,110 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.26110 *

* Includes the Certificates.

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

INTEREST AND SINKING FUND MANAGEMENT INDEX

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2018	\$ 186,536
2018 Anticipated Interest and Sinking Fund Tax Levy at 95% Collections Produce ⁽¹⁾	1,315,031
Total Available for General Obligation Debt	<u>\$ 1,501,567</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/19	<u>1,267,439</u>
Estimated Surplus at Fiscal Year Ending 9/30/2019 ⁽¹⁾	<u>\$ 234,128</u>

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of March 1, 2018)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding ^(a)	The Certificates	Total		
2019	\$ 210,000	\$ -	\$ 210,000	\$ 27,210,000	0.77%
2020	1,485,000	335,000	1,820,000	25,390,000	7.40%
2021	1,530,000	415,000	1,945,000	23,445,000	14.50%
2022	1,570,000	465,000	2,035,000	21,410,000	21.92%
2023	1,625,000	510,000	2,135,000	19,275,000	29.70%
2024	1,455,000	375,000	1,830,000	17,445,000	36.38%
2025	1,305,000	390,000	1,695,000	15,750,000	42.56%
2026	1,340,000	400,000	1,740,000	14,010,000	48.91%
2027	1,375,000	250,000	1,625,000	12,385,000	54.83%
2028	1,020,000	260,000	1,280,000	11,105,000	59.50%
2029	1,055,000	270,000	1,325,000	9,780,000	64.33%
2030	1,090,000	275,000	1,365,000	8,415,000	69.31%
2031	1,125,000	285,000	1,410,000	7,005,000	74.45%
2032	1,165,000	295,000	1,460,000	5,545,000	79.78%
2033	1,215,000	300,000	1,515,000	4,030,000	85.30%
2034	965,000	310,000	1,275,000	2,755,000	89.95%
2035	570,000	320,000	890,000	1,865,000	93.20%
2036	355,000	330,000	685,000	1,180,000	95.70%
2037	130,000	340,000	470,000	710,000	97.41%
2038	-	350,000	350,000	360,000	98.69%
2039	-	360,000	360,000	-	100.00%
Total	<u>\$ 20,585,000</u>	<u>\$ 6,835,000</u>	<u>\$ 27,420,000</u>		

^(a) Includes self-supporting debt.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2009-2018

TABLE 3

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2009-10	\$ 367,547,360	---	---
2010-11	395,449,973	27,902,613	7.59%
2011-12	429,173,322	33,723,349	8.53%
2012-13	465,076,964	35,903,642	8.37%
2013-14	519,651,231	54,574,267	11.73%
2014-15	543,439,095	23,787,864	4.58%
2015-16	590,856,234	47,417,139	8.73%
2016-17	597,955,692	7,099,458	1.20%
2017-18	621,046,743	23,091,051	3.86%
2018-19	687,993,652	66,946,909	10.78%

Source: Atascosa County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 4

	2018	% of Total	2017	% of Total	2016	% of Total
Real, Residential, Single-Family	\$ 395,571,430	51.41%	\$ 350,553,025	52.03%	\$ 328,616,003	50.80%
Real, Residential, Multi-Family	41,877,384	5.44%	39,028,184	5.79%	30,666,193	4.74%
Real, Vacant Lots/Tracts	9,906,596	1.29%	10,243,301	1.52%	10,585,811	1.64%
Real, Acreage (Land Only)	7,030,140	0.91%	6,219,360	0.92%	6,509,360	1.01%
Real, Farm and Ranch Improvements	8,591,514	1.12%	7,831,891	1.16%	7,184,350	1.11%
Real, Commercial	127,320,145	16.55%	117,545,136	17.45%	123,351,491	19.07%
Real, Industrial	2,469,450	0.32%	2,652,130	0.39%	2,671,190	0.41%
Oil and Gas	4,790	0.00%	4,790	0.00%	4,790	0.00%
Real & Tangible, Personal Utilities	15,012,940	1.95%	11,950,510	1.77%	11,315,330	1.75%
Tangible Personal, Commercial	50,339,070	6.54%	48,377,720	7.18%	56,557,290	8.74%
Tangible Personal, Industrial	53,757,060	6.99%	40,876,540	6.07%	33,740,570	5.22%
Tangible Personal, Mobile Homes	4,239,840	0.55%	3,372,600	0.50%	3,382,290	0.52%
Real Property, Inventory	1,517,570	0.20%	1,477,760	0.22%	1,702,450	0.26%
Speical Inventory	5,280,780	0.69%	5,748,650	0.85%	6,127,830	0.95%
Totally Exempt Property	46,485,613	6.04%	27,815,538	4.13%	24,450,247	3.78%
Total Appraised Value	\$ 769,404,322	100.00%	\$ 673,697,135	100.00%	\$ 646,865,195	100.00%
Less:						
Optional Over-65 or Disabled Homestead	\$ 11,623,823		\$ 11,603,011		\$ 11,136,598	
Disabled/Deceased Veterans'	8,401,778		5,938,947		5,034,886	
Open-Space Land and Timberland	6,863,080		6,099,320		6,357,618	
Charitable Exemptions	21,500		21,500		21,500	
House Bill 366	5,940		-		5,890	
Totally Exempt Property	46,457,870		27,794,038		24,422,857	
10% Per Year Cap on Res. Homesteads	8,036,679		1,193,576		1,930,154	
Net Taxable Assessed Valuation	\$ 687,993,652		\$ 621,046,743		\$ 597,955,692	

Source: Atascosa County Appraisal District.

PRINCIPAL TAXPAYERS 2018

TABLE 5

Name	Type of Business/Property	2018 Net Taxable Assessed Valuation	% of 2018 Assessed Valuation
Stuart Petroleum Testers	Oil & Gas	\$19,623,860	3.16%
AEP Texas Central Company	Utility	10,186,890	1.64%
Cactus Wellhead LLC	Drilling Equipment Supplier	9,312,510	1.50%
Eagle Heights Pleasanton LLC	Apartment	7,915,730	1.27%
Keane Frac LP	Oil & Gas	7,065,210	1.14%
Wal-Mart Real Estate	Retail	6,780,570	1.09%
Chaparral Place LLC	Apartment	6,669,450	1.07%
Gregory Sands Dicaro	Residential	6,622,070	1.07%
HEB Grocery Co.	Retail	6,222,850	1.00%
Wal-Mart Stores Texas LLC	Retail	5,080,590	0.82%
		\$85,479,730	13.76%

TAX RATE DISTRIBUTION**TABLE 6**

	2018	2017	2016	2015	2014
General Fund	\$ 0.298500	\$ 0.285500	\$ 0.292100	\$ 0.271490	\$ 0.244610
I&S Fund	0.201200	0.220300	0.213700	0.218280	0.245160
Total Tax Rate	\$ 0.499700	\$ 0.505800	\$ 0.505800	\$ 0.489770	\$ 0.489770

Source: Atascosa County Appraisal District

TAX DATA**TABLE 7**

Taxes are due October 1 and become delinquent after January 31. Discounts are allowed: 3% October, 2% November, and 1% if paid in December. Current collections are those taxes collected through August 31, applicable to the current year's tax levy. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of tax, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentages of collection set for below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2007	\$ 299,012,645	\$ 0.450000	\$ 1,345,557	93.78	98.43	9/30/2008
2008	342,680,081	0.499986	1,713,352	94.32	97.12	9/30/2009
2009	367,547,360	0.499986	1,837,685	96.06	99.62	9/30/2010
2010	395,449,973	0.499986	1,977,195	94.97	99.21	9/30/2011
2011	429,173,322	0.489770	2,101,962	94.69	99.89	9/30/2012
2012	465,076,964	0.489770	2,277,807	96.56	100.35	9/30/2013
2013	519,651,231	0.489770	2,545,096	95.67	98.93	9/30/2014
2014	543,439,095	0.489770	2,661,602	94.91	98.83	9/30/2015
2015	590,856,234	0.489770	2,893,837	96.80	98.97	9/30/2016
2016	597,955,692	0.505800	3,024,460	95.97	100.59	9/30/2017
2017	621,046,743	0.505800	3,141,254	99.36	99.40	9/30/2018
2018	687,993,652	0.499700	3,437,904	(In Process of Collection)		9/30/2019

Source: Atascosa County Appraisal District

MUNICIPAL SALES TAX COLLECTIONS

TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The Issuer has authorized the additional one-half cent sales tax Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2006	\$ 1,955,634	152.59%	\$ 0.710
2007	2,013,820	149.66%	0.673
2008	2,169,790	126.64%	0.633
2009	2,079,783	113.17%	0.566
2010	2,096,887	106.05%	0.530
2011	3,843,087	182.83%	0.895
2012	5,718,938	251.07%	1.230
2013	6,309,467	247.91%	1.214
2014	6,914,589	259.79%	1.272
2015	7,099,636	245.34%	1.202
2016	4,223,046	139.63%	0.706
2017	4,366,179	138.99%	0.703
2018	5,980,233	173.95%	0.869
2019	937,313	(as of March 1, 2019)	

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

OVERLAPPING DEBT INFORMATION

(as of March 1, 2018)

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

Taxing Body	Gross Debt (As of 03/01/2019)	% Overlapping	Amount Overlapping
Atascosa County	\$ 23,575,000	17.19%	\$ 4,052,543
Jourdanton ISD	43,797,000	4.79%	2,097,876
Pleasanton ISD	62,185,000	34.87%	21,683,910
Total Gross Overlapping Debt			<u>\$ 27,834,328</u>
Pleasanton, City of			\$ 27,420,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 55,254,328 *</u>
Ratio of Gross Direct Debt and Overlapping Debt			8.90% *
Per Capita Gross Direct Debt and Overlapping Debt			\$4,420.35 *

Note: The above figures show Gross General Obligation Debt for the City of Pleasanton, Texas. The Issuer's Net General Obligation Debt is \$12,965,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 40,799,328 *
Ratio of Net Direct and Overlapping Debt to 2017 Net Assessed Valuation	6.57% *
Per Capita Net Direct and Overlapping Debt	\$3,263.95 *

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

* Includes the Certificates.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 9

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

	Fiscal Year Ended				
	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Fund Balance - Beginning of Year	\$ 10,480,119	\$ 12,681,603	\$ 11,674,275	\$ 8,660,301	\$ 7,301,481
Revenues	9,937,653	8,552,712	9,370,951	11,532,919	11,098,806
Expenditures	<u>8,653,927</u>	<u>8,669,731</u>	<u>8,320,839</u>	<u>8,062,660</u>	<u>7,843,727</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 1,283,726	\$ (117,019)	\$ 1,050,112	\$ 3,470,259	\$ 3,255,079
Other Financing Sources (Uses):					
Operating Transfers In	\$ 50,000	\$ 50,000	\$ 89,863	\$ 100,000	\$ 50,000
Operating Transfers Out	<u>(1,232,561)</u>	<u>(2,163,715)</u>	<u>(207,140)</u>	<u>(556,285)</u>	<u>(1,946,259)</u>
Total Other Financing Sources (Uses):	\$ (1,182,561)	\$ (2,113,715)	\$ (117,277)	\$ (456,285)	\$ (1,896,259)
Fund Balance - End of Year	<u>\$ 10,581,284</u>	<u>\$ 10,450,869</u>	<u>\$ 12,607,110</u>	<u>\$ 11,674,275</u>	<u>\$ 8,660,301</u>

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2018 Assessed Valuation	% of Actual	2018 Tax Rate
Atascosa County	\$ 4,041,822,713	100%	\$ 0.501000
Jourdanton ISD	852,928,699	100%	1.501000
Pleasanton ISD	1,695,591,506	100%	1.467000

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

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

Issuer	Date of Authorization	Amount Authorized	Amount Issued to Date	Amount Unissued
Atascosa County	None			
Jourdanton ISD	None			
Pleasanton ISD	None			

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

The City of Pleasanton 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 agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.org.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over 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.

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Notes

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Closed 27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2010-2014.
Mortality	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.

Other Information:

Notes There were no benefit changes during the year.

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

Employees covered by benefit terms.

Actuarial Valuation and Measurement Date, December 31, Membership	2015	2016
Number of:		
Inactive employees or beneficiaries currently receiving benefits	32	29
Inactive employees entitled to but not yet receiving benefits	59	46
Active employees	100	94
Total	191	169

Contributions

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

Employees for the City of Pleasanton were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Pleasanton were 17.35% and 16.80% in calendar years 2016 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$784,477, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

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

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CURRENT PERIOD

A. Total pension liability		
1. Service Cost	\$	745,898
2. Interest (on the Total Pension Liability)		1,015,333
3. Changes of benefit terms		-
4. Difference between expected and actual experience		(76,673)
5. Changes of assumptions		206,686
6. Benefit payments, including refunds of employee contributions		(620,706)
7. Net change in total pension liability	\$	1,270,538
8. Total pension liability - beginning		14,442,164
9. Total pension liability - ending	\$	15,712,702
B. Plan fiduciary net position		
1. Contributions - employer	\$	746,126
2. Contributions - employee		311,347
3. Net investment income		15,228
4. Benefit payments, including refunds of employee contributions		(620,706)
5. Administrative Expense		(9,274)
6. Other		(458)
7. Net change in plan fiduciary position	\$	442,263
8. Plan fiduciary net position - beginning		10,318,348
9. Plan fiduciary net position - ending*	\$	10,760,611
C. Net pension liability [A.9 - B.9]	\$	4,952,091
D. Plan fiduciary net position as a percentage of the total pension liability [B.9/A.9]		68.48%
E. Covered-employee payroll	\$	4,417,809 *
F. Net pension liability as a percentage of covered employee payroll [C/E]		112.09%

*FNP may be off a dollar due to rounding

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 7,524,718	\$ 4,952,051	\$ 2,891,241

Pension Plan Fiduciary Net Position

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

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$636,182.

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$ 745,898
2. Interest on the Total Pension Liability	1,015,333
3. Current Period Benefit Changes	-
4. Employee Contributions (Reduction of Expense)	(311,347)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(722,284)
6. Administrative Expense	9,274
7. Other Changes in Fiduciary Net Position	458
8. Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	30,448
9. Recognition of Current Year Outflow (Inflow) of Resources - Assets	141,411
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	22,449
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	23,819
12. Total Pension Expense	<u>\$ 955,459</u>

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

	Recognition Period (or amortization yrs.)	Total (Inflow) or Outflows of Resources	2015 Recognized in current pension expense	Deferred Inflow Outflow future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	4.27	\$ (76,673)	\$ (17,956)	\$ (58,717)
Difference in assumption changes [actuarial (gains) or losses]	4.27	<u>\$206,686</u>	<u>\$ 48,404</u>	<u>\$158,202</u>
			\$ 30,448	\$ 99,565
<u>Due to Assets:</u>				
Difference in projected and actual earnings On Pension plan investments [actuarial (gains) or losses]	5.0000	\$141,411	<u>\$141,411</u>	<u>\$565,645</u>
			\$141,411	\$565,645
Total:				\$ 665,210

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

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources	
2016	\$	218,127
2017	\$	218,127
2018	\$	204,980
2019	\$	149,633
2020	\$	-
Thereafter	\$	-
Total	\$	790,867

UTILITY PLANT IN SERVICE**TABLE 11***(As of September 30, 2018)*

Land Purchase and Improvements	\$ 169,342
Buildings	278,341
Machinery and Equipment	1,705,018
Distribution System	33,323,930
Construction in Progress	-
Total	<u>\$ 35,476,631</u>
Less: Accumulated Depreciation	<u>(17,190,247)</u>
Net Property, Plant and Equipment	<u><u>\$ 18,286,384</u></u>

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

UTILITY SYSTEM COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**TABLE 12**

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

	Fiscal Year Ended				
	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Revenues	\$ 4,928,609	\$ 4,773,077	\$ 4,706,408	\$ 4,958,349	\$ 4,349,667
Expenditures	<u>3,156,822</u>	<u>3,057,138</u>	<u>2,861,074</u>	<u>2,561,011</u>	<u>2,546,056</u>
Net Revenues Available					
Available for Debt Service	<u>\$ 1,771,787</u>	<u>\$ 1,715,939</u>	<u>\$ 1,845,334</u>	<u>\$ 2,397,338</u>	<u>\$ 1,803,611</u>
Connections:					
Water	4,742	4,716	4,663	4,695	4,643
Sewer	3,945	3,930	3,891	3,927	3,870

Source: The Issuer's Annual Financial Reports.

WATER RATES

TABLE 13

(New Rates Effective June 4, 2015)

The minimum charge for all customers for various size meters per month shall be:

		<u>Inside</u>		<u>Outside</u>
5/8 or 3/4" meter	\$	14.05	\$	27.50
1" meter		35.13		68.75
1 1/2 " meter		70.25		137.50
2" meter		112.40		220.00
3" meter		224.80		440.00
4" meter		351.25		687.50
6" meter		702.50		1,375.00

A monthly volume charge shall also be charged to all customers in an amount per 1,000 gallons of water used, as more specifically set forth hereinafter:

		<u>Inside</u>		<u>Outside</u>
0-10,000	\$	1.75	\$	1.90
10,001-20,000		2.30		2.45
20,001-40,000		2.95		3.20
40,001-70,000		3.85		4.15
70,001-100,000		5.00		5.40
+ 100,000		6.50		7.00
Bulk Water Rates:			\$	900.00
Monthly Minimum Fee for Bulk Water:			\$	40.00
Cost per 1,000 gallons for Billed Bulk Water:			\$	5.00

(Old Rates)

(Effective September 15, 2010)

<u>Size of Meters (Inches)</u>	<u>Inside City</u>		<u>Outside City</u>
A - 5/8	\$	13.50	\$
B - 1		25.00	\$
C - 1 1/2		50.00	
D - 2		80.00	
E - 3		100.00	
F - 4		250.00	
G - 6		500.00	
	<u>Inside City</u>		<u>Outside City</u>
<u>Gallons</u>	\$		\$
2,000 - 10,000		1.75	1.90
10,001 - 20,000		1.90	2.05
20,001 - 40,000		2.15	2.25
40,001 - 70,000		2.40	2.50
70,001 - 100,000		2.70	2.80
100,001 +		3.05	3.15

(New Rates Effective June 4, 2015)

The monthly minimum wastewater charge for all customers, with the exception of separately metered irrigation customers, per month shall be:

	<u>Inside</u>		<u>Outside</u>
\$	20.00	\$	21.00

A monthly volume charge at 100% usage shall also be charged to all customers in an amount per 1,000 gallons of water used or wastewater produced:

	<u>Inside</u>		<u>Outside</u>
0-10,000	\$ 1.65	\$	1.80
10,001-20,000	2.05		2.25
20,001-40,000	2.55		2.80
40,001-70,000	3.15		3.50
70,001-100,000	3.95		4.40
100,001 +	4.95		5.50

Old Rates

(Effective September 15, 2010)

	<u>Inside City</u>		<u>Outside City</u>
<u>Base Rate</u>	\$ 18.00	\$	19.00
	<u>Gallons</u>		
0 - 10,000	\$ 1.65	\$	1.80
10,001 - 20,000	1.85		1.95
20,001 - 40,000	1.95		2.10
40,001 - 70,000	2.15		2.30
70,001 - 100,000	2.35		2.50
100,001 +	2.60		2.75

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APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF PLEASANTON
AND ATASCOSA COUNTY, TEXAS**

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GENERAL INFORMATION REGARDING THE CITY OF PLEASANTON AND ATASCOSA COUNTY, TEXAS

CITY OF PLEASANTON, TEXAS

The City of Pleasanton, Texas (the "City") was originally incorporated by an election held on November 25, 1916. The cities of Pleasanton and North Pleasanton were consolidated on January 2, 1962. On August 14, 1982, an election was held for the purpose of operating under a Home Rule Charter. The election carried with 173 "for" and 132 "against". The City operates under a Home Rule Charter – City Manager type of government. The City is the largest city and principal commercial center of Atascosa County.

The City is conveniently located to nearby metropolitan cities: The City is located 25 miles southeast of San Antonio; Austin, the State Capital, is 120 miles north; Houston is to the east approximately 220 miles, and south about 120 miles is Corpus Christi and the Gulf Coast.

Pleasanton offers an excellent location for business growth since it is only 25 miles from San Antonio and has two major highways (U.S. Highway 281 and IH-37) nearby. Railroad transportation is available and the municipal airport is 2 ½ miles from the park, allowing greater mobility. United Parcel Service became the first occupant of the Pleasanton Industrial Park in 1989.

Pleasanton Industrial Park is located on Eurostar Drive, just off of Hwy 281, south of Hwy 97 within the Pleasanton City limits.

Education

Pleasanton Independent School District covers roughly 445 square miles, and for 2016-17 school year an approximate enrollment of 3,482. The District has 5 instructional facilities which are fully accredited by the Texas Education Agency.

Higher Education

Colleges and Universities in surrounding areas include Texas A&M (extension), Palo Alto (an Alamo Community College District extension) and Coastal Bend College.

Health Facilities

South Texas Regional Medical Center (STRMC) is a member of the Texas Hospital Association. It is certified by the Department of Health, and Human Services, licensed by the Texas State Department of Health, and is approved by the Joint Commission of Accreditation of Healthcare Organizations.

ATASCOSA COUNTY, TEXAS

Atascosa County (the "County") and was formed in 1856 from Bexar County. Its county seat is the City of Jourdanton. The largest towns in the county are Charlotte, Pleasanton, Jourdanton, and Poteet. Atascosa County is south of San Antonio on Interstate Highway 37 in the Rio Grande Plain region of south central Texas. The county covers 1,218 square miles of level to rolling land. Elevation ranges from 350 to 700 feet, and the soils are generally deep with loamy surface layers and clayey subsoils. Along the southern borders the light-colored soils have limestone near the surface. In some areas the soils are gray to black, cracking and clayey, and expand and shrink considerably. In the South Texas Plains vegetation area, the subtropical dry-land vegetation consists primarily of cactus, weeds, grasses, thorny shrubs and trees such as mesquite, live oak and post oak. Many of the open grasslands have been seeded with buffalo grass. Between 41 and 50 percent of the county is considered prime farmland. Wildlife in Atascosa County includes white-tailed deer, javelina, turkey, fox squirrel, jackrabbits, foxes, ring-tailed cats, skunks, and opossum. The main predators are bobcats and coyotes. Ducks, cranes, and geese migrate across the county. Tanks are stocked with catfish, bass, and sunfish. Mineral resources include clay, uranium, sand and gravel, and oil and gas. Other minerals and products include caliche and clay, lignite coal, construction and industrial sand, sulfur, and uranium.

The area was sparsely settled by the mid-1850s, and in 1856 the county was marked off from Bexar County. The first county seat, Navatasco, was established in 1857 on land donated by Navarro. Among the county's early settlers were Peter Tumlinson, who organized one of the first Ranger companies in the state in 1836, Indian fighter Thomas Rodriguez, George F. Hindes, Marshall Burney, and Eli Johnson. In 1858 Pleasanton, a newly founded community, became county seat, and a new courthouse was constructed. Settlers continued to trickle in, but the threat of Indian attack, poor roads, and the area's general isolation kept the population low.

Hunters are attracted to the county, particularly during the fall and winter deer seasons. Other leading attractions include the Poteet Strawberry Festival, Jourdanton Days Celebration, and the Cowboy Homecoming and Rodeo in Pleasanton.

Economy

Atascosa County is located in south Texas and sits atop the Eagle Ford Shale play. Atascosa county is almost entirely in the liquids-rich oil window of the Eagle Ford Shale. Primarily, drilling in Atascosa County targets the Eagle Ford Shale in the southern and eastern portions of the county where operators refer to both the crude oil and volatile oil windows.

Major Operators in Atascosa

Marathon Oil is the most active operator in Atascosa County. The company gained acreage in the county through a \$3.5 billion acquisition of Hilcorp Resources Eagle Ford assets in June 2011.

EOG Resources is also active in the county. The company's lease holdings include the Peeler Ranch. A horizontal well in the Jendrusch Gerold Unit produced at initial rates of 830 bopd and 411 mcf.

Labor Force Statistics ⁽¹⁾

	<u>2019</u> ⁽²⁾	<u>2018</u> ⁽³⁾	<u>2017</u> ⁽³⁾	<u>2016</u> ⁽³⁾
Civilian Labor Force	21,584	21,247	20,915	21,031
Total Employed	20,727	20,447	20,072	19,909
Total Unemployed	857	800	893	1,122
% Unemployment	4.0%	3.8%	4.3%	5.3%
Texas Unemployment	3.9%	3.9%	4.3%	4.6%

(1) Source: Texas Workforce Commission.

(2) As of February 2019.

(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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BRACEWELL

June 11, 2019

\$6,835,000
CITY OF PLEASANTON, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2019

WE HAVE ACTED as bond counsel for the City of Pleasanton, Texas (the “City”), in connection with an issue of certificates of obligation described as follows:

CITY OF PLEASANTON, TEXAS COMBINATION TAX AND LIMITED PLEDGE
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019, dated May 15, 2019
(the “Certificates”)

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

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the City, customary certificates of officers, agents and representatives of the City, the City’s financial advisor, and the initial purchaser of the Certificates, and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have also examined executed Certificate No. T-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that:

- A. The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently

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BRACEWELL

June 11, 2019

Page 2

effective, and that therefore the Certificates constitute valid and legally binding obligations of the City; and

- B. The taxable property within the City is subject to the levy of ad valorem taxes, within the limits prescribed by law, to pay the Certificates and the interest thereon.

IT IS FURTHER OUR OPINION that the Certificates are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City.

THE CITY has reserved the right to issue, for any lawful purpose at any time, Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are outstanding, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

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

BASED ON SUCH EXAMINATION, IS FURTHER OUR OPINION that, under existing law:

- (1) Interest on the Certificates is excludable from gross income for federal income tax purposes; and
- (2) The Certificates are not "private activity bonds" within the meaning of the Code, and, as such, interest on the Certificates is not subject to the alternative minimum tax.

In providing such opinions, we have relied on representations of the City, the initial purchaser of the Certificates, and the City's financial advisor, with respect to matters solely within the knowledge of the City, the initial purchaser of the Certificates, and City's financial advisor, respectively, which we have not independently verified. In addition, we have assumed for purposes of such opinions continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the excludability from gross income of interest on the Certificates for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the City fails to comply with the foregoing covenants of the Ordinance, interest on the Certificates could become includable in gross income from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

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

BRACEWELL

June 11, 2019

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

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on 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 as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Very truly yours,

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

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BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Pleasanton, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pleasanton, 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. 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, each major fund, and the aggregate remaining fund information of the City of Pleasanton, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Employee Retirement System Information, and the OPEB system information on pages 3–12, 81-83, and 84 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 Pleasanton, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



BEYER & COMPANY
Certified Public Accountants
February 4, 2019

Management's Discussion and Analysis

As management of the City of Pleasanton, Texas, we offer readers of the City of Pleasanton, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Pleasanton, Texas for the fiscal year ended September 30, 2018.

Financial Highlights

- . The assets of the City of Pleasanton, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$34,446,944 (Net Position). Of this amount, \$6,230,462 or 18% (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 \$1,194,611. This increase is mainly attributable to careful budget management and an increase in both sales tax and investment income of \$1,008,675 and \$219,665, respectively.
- . The City of Pleasanton, Texas' total restricted Net Position at September 30, 2018 is \$5,925,610 or 17%. This is an increase of \$2,380,431. This increase is the result of the issuance of 2017 Revenue Bonds of \$1,985,000.
- . The City of Pleasanton, Texas' total bonded debt increased by \$255,000 (1 percent) during the current fiscal year. This increase is the result of the issuance of 2017 Revenue Bonds of \$1,985,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Pleasanton, Texas' basic financial statements. The City of Pleasanton, Texas' 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 Pleasanton, Texas' finances, in a manner similar to a private-sector business.

The *statement of Net Position* presents information on all of the City of Pleasanton, Texas' 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 Pleasanton, Texas 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 Pleasanton, Texas 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 Pleasanton, Texas include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Pleasanton, Texas include a Water and Sewer System.

The government-wide financial statements include only the City of Pleasanton, Texas itself (known as the *primary government*.) The government-wide financial statements can be found on pages 13-14 for 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 Pleasanton, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All other funds of the City of Pleasanton, Texas can be divided into three categories: governmental funds, proprietary funds, and Fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in 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 governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Pleasanton, Texas maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, park improvement construction fund, street improvement construction fund, the building fund, and the debt service fund and the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Pleasanton, Texas adopts an annual appropriated budget for its general fund, street improvement construction fund, park improvement construction fund, the building fund, and the debt service fund. A budgetary comparison statement has been provided for the general fund and the debt service fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on 15-20 of this report.

Proprietary funds: The City of Pleasanton, Texas maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Pleasanton, Texas uses enterprise funds to account for its Water and Sewer operations.

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 and Sewer operations, both of which are considered to be major funds of the City of Pleasanton, Texas. The basic proprietary fund financial statements can be found on pages 21-25 of this report. The Fiduciary Net Position is found on page 26.

Notes to the financial statements: The notes provided 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 27-80 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Pleasanton, Texas' progress in funding its obligation to provide pension benefits to its employees and the budgetary comparison schedules for the park improvement construction fund, the street improvement construction fund, and the building fund. The required supplementary information can be found on pages 81-87 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 88-91 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 Pleasanton, Texas, assets exceeded liabilities by \$34,446,944 at the close of the most recent fiscal year.

A majority of the City of Pleasanton, Texas' Net Position (65 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Pleasanton, Texas uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Pleasanton, Texas' 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 PLEASANTON, TEXAS
NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$12,859,240	\$12,714,330	\$5,230,130	\$4,105,443	\$18,089,370	\$16,819,773
Restricted Assets:	6,287,657	9,081,442	2,199,086	1,828,617	8,486,743	10,910,059
Capital Assets:	23,647,227	20,329,800	18,286,384	17,865,337	41,933,611	38,195,137
	42,794,124	42,125,572	25,715,600	23,799,397	68,509,724	65,924,969
Total Deferred Outflows of Resources	833,017	652,311	289,628	229,143	1,122,645	881,454
Total Assets	\$43,627,141	\$42,777,883	\$26,005,228	\$24,028,540	\$69,632,369	\$66,806,423
Long-Term Liabilities	19,220,181	20,248,707	13,068,209	11,670,057	32,288,390	31,918,764
Other Liabilities (Payable from Restricted Assets)			493,576	454,601	493,576	454,601
Other Liabilities	743,882	537,618	974,361	628,800	1,718,243	1,166,418
Total Liabilities	19,964,063	20,786,325	14,536,146	12,753,458	34,500,209	33,539,783
Total Deferred Inflows of Resources	508,088	10,577	177,128	3,730	685,216	14,307
Invested in Capital Assets, Net of Related Debt	13,297,864	13,867,432	8,993,008	9,952,728	22,290,872	23,820,160
Restricted	5,374,742	3,013,936	550,868	531,243	5,925,610	3,545,179
Unrestricted	4,482,384	5,099,613	1,748,078	787,381	6,230,462	5,886,994
Total Net Position	\$23,154,990	\$21,980,981	\$11,291,954	\$11,271,352	\$34,446,944	\$33,252,333

An additional portion of the City of Pleasanton, Texas' Net Position (17 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted Net Position* (\$6,230,462) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Pleasanton, Texas is able to report positive balances in all three categories of Net Position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City of Pleasanton, Texas' total restricted Net Position at September 30, 2018 is \$5,925,610 or 17%. This is an increase of \$2,380,431. This increase is the result of the issuance of 2017 Revenue Bonds of \$1,985,000.

The government's total Net Position increased by \$1,194,611. This increase is mainly attributable to careful budget management and an increase in both sales tax and investment income of \$1,008,675 and \$219,665, respectively.

Governmental activities: Governmental activities increased the City of Pleasanton, Texas' Net Position by \$1,174,009, thereby accounting for 98 percent of the total growth in the Net Position of the City of Pleasanton, Texas. This increase is mainly attributable to careful budget management and an increase in both sales tax and investment income of \$1,008,675 and \$219,665, respectively.

**CITY OF PLEASANTON, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$2,000,407	\$1,976,928	\$4,878,122	\$4,751,032	\$6,878,529	\$6,727,960
Operating Grants and Contributions	37,281	21,110	0	0	37,281	21,110
General Revenues:						
Maintenance and Operations Taxes	3,147,579	3,050,289			3,147,579	3,050,289
Sales Taxes	5,173,211	4,164,536			5,173,211	4,164,536
Franchise Taxes	407,603	393,207			407,603	393,207
Hotel/Motel Other Taxes	488,310	317,863			488,310	317,863
Other Taxes	24,695	25,216			24,695	25,216
Licenses and Permits	176,399	170,583			176,399	170,583
Unrestricted Investment Earnings	224,310	33,087	50,487	22,045	274,797	55,132
Grants and Contributions not Restricted to Specific Programs (Contribution of Infrastructure)	0	0		356,833	0	356,833
Miscellaneous	178,579	210,011	9,192		187,771	210,011
Total Revenue	11,858,374	10,362,830	4,937,801	5,129,910	16,796,175	15,492,740
Expenses:						
General Administration	1,976,386	1,798,805			1,976,386	1,798,805
Public Safety	3,783,900	3,731,568			3,783,900	3,731,568
Public Transportation	1,273,053	1,463,724			1,273,053	1,463,724
Culture and Recreation	1,642,668	1,753,752			1,642,668	1,753,752
Public Works	1,534,908	1,402,740			1,534,908	1,402,740
Interest and Fiscal Charges	426,215	466,867			426,215	466,867
Utility			4,964,434	4,585,903	4,964,434	4,585,903
Total Expenses	10,637,130	10,617,456	4,964,434	4,585,903	15,601,564	15,203,359
Increase in Net Position Before Transfers and Special Items	1,221,244	(254,626)	(26,633)	544,007	1,194,611	289,381
Transfers	(47,235)	(13,165)	47,235	13,165	0	0
Increase in Net Position	1,174,009	(267,791)	20,602	557,172	1,194,611	289,381
Net Position at 09/30/2017 - Restated	21,980,981	22,248,772	11,271,352	10,714,180	33,252,333	32,962,952
Net Position at 09/30/2018	\$23,154,990	\$21,980,981	\$11,291,954	\$11,271,352	\$34,446,944	\$33,252,333

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Government Activities:				
General Administration	\$1,976,386	\$4,013	\$0	\$0
Public Safety	3,783,900	157,912		
Public Transportation	1,273,053			
Culture and Recreation	1,642,668	197,299	37,281	
Public Works	1,534,908	1,641,183		
Interest and Fiscal Charges	426,215			
Total Government Activities	<u>\$10,637,130</u>	<u>\$2,000,407</u>	<u>\$37,281</u>	<u>\$0</u>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$2,000,407	17%
Operating Grants and Contributions	37,281	0%
Maintenance and Operations Taxes	3,147,579	27%
Sales Taxes	5,173,211	44%
Franchise Taxes	407,603	3%
Hotel/Motel Other Taxes	488,310	4%
Other Taxes	24,695	0%
Licenses and Permits	176,399	1%
Unrestricted Investment Earnings	224,310	2%
Miscellaneous	178,579	2%
	<u>\$11,858,374</u>	<u>100%</u>

Business-type activities: Business-type activities increased the City of Pleasanton, Texas' Net Position by \$20,602, accounting for 2 percent of the total growth in the government's Net Position. Key elements of this increase are as follows: This increase is mainly attributable to careful budget management and an increase in both Charges for Services and investment income of \$127,090 and \$28,442, respectively.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Business-Type Activities:			
Water	\$4,964,434	\$4,878,122	\$0
Total Business-Type Activities	\$4,964,434	\$4,878,122	\$0

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$4,878,122	99%
Unrestricted Investment Earnings	50,487	1%
Impact Fees	9,192	0%
	\$4,937,801	100%

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Pleasanton, Texas' governmental funds reported combined ending fund balances of \$17,614,947, a decrease of \$2,716,088 in comparison with the prior year. Approximately 60% of this total amount (\$10,558,970) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed.

The general fund is the chief operating fund of the City of Pleasanton, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,581,284, while total fund balance reached \$10,581,284. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 122 percent of total general fund expenditures, while total fund balance represents 122 percent of that same amount.

The fund balance of the City of Pleasanton, Texas' general fund increased by \$101,165 during the current fiscal year. Key factors in this increase are as follows: This increase is mainly attributable to an increase in sales tax of \$1,008,675 and a decrease in transfers out of \$931,154.

The fund balance of the City of Pleasanton, Texas' debt service fund decreased by \$4,700 during the current fiscal year. Key factor in this decrease is as follows: a decrease in property taxes of \$12,571. As a measure of the debt service fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Reserved fund balance represents 15 percent of total debt service fund expenditures, while total fund balance represents 15 percent of that same amount.

The park improvement construction fund, the street improvement construction fund, and the building fund are capital project funds and therefore any analysis regarding these funds would be impracticable and will not be forthcoming.

Proprietary funds: The City of Pleasanton, Texas' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted Net Position of the Utility fund at the end of the year amounted to \$1,748,078. The total increase in Net Position for the Utility Fund was \$20,602. Key factors in this overall growth are as follows: This increase is mainly attributable to careful budget management and an increase in both Charges for Services and investment income of \$127,090 and \$28,442, respectively.

General Fund Budgetary Highlights

During the year the appropriations between the original and final amended budget for the general fund decreased by \$5,000. This decrease occurred in Non-Departmental which decrease by \$2,000 and the Municipal Court which decreased by \$3,000.

The budget did not change for the debt service fund.

Capital Asset and Debt Administration

Capital assets: The City of Pleasanton, Texas’ investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$41,933,611 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Pleasanton, Texas’ investment in capital assets for the current fiscal year was 10 percent (a 16 percent increase for governmental activities and a 2 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following: There were water projects and street drainage projects, a new fire station, and a park project.

CITY OF PLEASANTON, TEXAS CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$1,129,562	\$863,249	\$169,342	\$161,542	\$1,298,904	\$1,024,791
Construction in Progress	654,580	1,474,396	0	974,848	654,580	2,449,244
Building and Improvements	10,355,443	8,013,358	82,807	86,357	10,438,250	8,099,715
Machinery and Equipment	1,157,000	1,005,859	428,746	371,541	1,585,746	1,377,400
Infrastructure	47,747	8,915,261	0	0	47,747	8,915,261
Intangible	10,302,895	57,677	0	0	10,302,895	57,677
Distribution System	0	0	17,605,489	16,271,049	17,605,489	16,271,049
Total	\$23,647,227	\$20,329,800	\$18,286,384	\$17,865,337	\$41,933,611	\$38,195,137

Additional information of the City of Pleasanton, Texas’ capital assets can be found in note IV.C on pages 42-43 of this report.

Long-term debt: At the end of the current fiscal year, the City of Pleasanton, Texas had total bonded debt outstanding of \$22,150,000. Of this amount, \$11,675,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Pleasanton, Texas' debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Pleasanton, Texas' Outstanding Bonded Debt

General Obligation and Revenue Bonds

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds	\$12,730,000		\$1,055,000	\$11,675,000	\$1,095,000	\$10,580,000
	12,730,000	0	1,055,000	11,675,000	1,095,000	10,580,000
<u>Business-Type Activities:</u>						
Revenue Bonds	9,165,000	1,985,000	675,000	10,475,000	680,000	9,795,000
	9,165,000	1,985,000	675,000	10,475,000	680,000	9,795,000
 Grand Total	 \$21,895,000	 \$1,985,000	 \$1,730,000	 \$22,150,000	 \$1,775,000	 \$20,375,000

The City of Pleasanton, Texas' total bonded debt increased by \$255,000 (1 percent) during the current fiscal year. This increase is the result of the issuance of 2017 Revenue Bonds of \$1,985,000.

Additional information on the City of Pleasanton, Texas' long-term debt can be found in note IV.F on pages 46-47 of this report.

Economic Factors and Future Trends

The Eagle Ford Oil and Gas Shale has brought in new businesses which have increased the sales taxes significantly. This trend is expected to continue into the future.

Requests for Information

This financial report is designed to provide a general overview of the City of Pleasanton, Texas' 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 City of Pleasanton, Texas, 108 Second Street, Pleasanton, Texas, 78064.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PLEASANTON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$11,669,586	\$4,529,782	\$16,199,368
Receivables (Net of Allowance for Uncollectibles)	490,733	650,994	1,141,727
Inventories	30,216	49,354	79,570
Due from Other Funds	668,705		668,705
Restricted Assets:			
Cash and Cash Equivalents	5,904,960	2,199,086	8,104,046
Due from Other Funds	202,496		202,496
Receivables (Net of Allowance for Uncollectibles)	180,201		180,201
Capital Assets Not Being Depreciated:			
Land	1,129,562	169,342	1,298,904
Construction in Progress	654,580		654,580
Total Capital Assets Being Depreciated, Net			
Building and Improvements	10,355,443	82,807	10,438,250
Machinery and Equipment	1,157,000	428,746	1,585,746
Intangible	47,747		47,747
Infrastructure	10,302,895		10,302,895
Distribution System		17,605,489	17,605,489
Total Assets	\$42,794,124	\$25,715,600	\$68,509,724
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Deferred Outflow of Resources-Contributions (after 12/31/16)	607,483	211,779	819,262
Difference in expected and actual experience	223,309	77,849	301,158
Deferred Charge on Refunding	2,225		2,225
Total Deferred Outflows of Resources	<u>833,017</u>	<u>289,628</u>	<u>1,122,645</u>
LIABILITIES:			
Accounts Payable	\$566,088	\$15,373	\$581,461
Due to Other Funds		871,201	871,201
Accrued Wages	106,169	41,967	148,136
Accrued Interest Payable	71,625	45,820	117,445
Consumer Meter Deposit		493,576	493,576
Noncurrent Liabilities:			
Due Within One Year	1,287,367	744,499	2,031,866
Due in More Than One Year	17,932,814	12,323,710	30,256,524
Total Liabilities	<u>19,964,063</u>	<u>14,536,146</u>	<u>34,500,209</u>
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in projected and actual earnings on pension plan investments	508,088	177,128	685,216
Total Deferred Inflows of Resources	<u>508,088</u>	<u>177,128</u>	<u>685,216</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	13,297,864	8,993,008	22,290,872
Restricted:			
Construction	4,192,090	550,868	4,742,958
Debt Service	197,773		197,773
Economic Development	977,090		977,090
Judicial	7,789		7,789
Unrestricted	4,482,384	1,748,078	6,230,462
Total Net Position	\$23,154,990	\$11,291,954	\$34,446,944

The accompanying notes are an integral part of this statement.

CITY OF PLEASANTON, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Net (Expense) Revenue and Changes in Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government						
Government Activities:						
General Administration	\$1,976,386	\$4,013	\$0	\$0	(\$1,972,373)	(\$1,972,373)
Public Safety	3,783,900	157,912			(3,625,988)	(3,625,988)
Public Transportation	1,273,053				(1,273,053)	(1,273,053)
Culture and Recreation	1,642,668	197,299	37,281		(1,408,088)	(1,408,088)
Public Works	1,534,908	1,641,183			106,275	106,275
Interest and Fiscal Charges	426,215				(426,215)	(426,215)
Total Government Activities	10,637,130	2,000,407	37,281	0	(8,599,442)	0
Business-Type Activities:						
Water and Sewer	4,964,434	4,878,122			(86,312)	(86,312)
Total Business-Type Activities	4,964,434	4,878,122	0	0	(86,312)	(86,312)
Total Primary Government	\$15,601,564	\$6,878,529	\$37,281	\$0	(8,599,442)	(86,312)
General Revenues						
Property Taxes, Levies for General Purposes					3,147,579	3,147,579
Sales Taxes					5,173,211	5,173,211
Franchise Taxes					407,603	407,603
Hotel / Motel Taxes					488,310	488,310
Other Taxes					24,695	24,695
Licenses and Permits					176,399	176,399
Unrestricted Investment Earnings					224,310	50,487
Impact Fees						9,192
Miscellaneous					178,579	178,579
Transfers					(47,235)	47,235
Total General Revenues and Transfers					9,773,451	106,914
Change in Net Position					1,174,009	20,602
Net Position - Beginning - Restated					21,980,981	11,271,352
Net Position - Ending					\$23,154,990	\$11,291,954

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF PLEASANTON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Park Improvement Construction Fund	Street Improvement Construction Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$10,509,756	\$0	\$0	\$0	\$0	\$1,159,830	\$11,669,586
Receivables (Net of Allowance for Uncollectibles)	269,727					3,608	273,335
Inventory						30,216	30,216
Due from Other Funds	608,298					287,356	895,654
Restricted Assets:							
Cash and Cash Equivalents			2,772,109	2,210,463	462,703	459,685	5,904,960
Due from Other Funds		202,496					202,496
Receivables (Net of Allowance for Uncollectibles)		180,201					180,201
Total Assets	\$11,387,781	\$382,697	\$2,772,109	\$2,210,463	\$462,703	\$1,940,695	\$19,156,448
LIABILITIES AND FUND BALANCES:							
Accounts Payable	\$238,234	\$15,960	\$5,419		\$174,249	\$132,226	\$566,088
Accrued Wages	106,169						106,169
Compensated Absences	192,367						192,367
Due to Other Funds					8,134	218,815	226,949
Total Liabilities	536,770	15,960	5,419	0	182,383	351,041	1,091,573
DEFERRED INFLOWS OF RESOURCES							
Deferred Property Taxes	269,727	180,201	0	0	0	0	449,928
Fund Balances:							
Non-Spendable							
Inventory						30,216	30,216
Restricted							
Construction			2,766,690	2,210,463	280,320	260,254	5,517,727
Debt Service		186,536				11,237	197,773
Economic Development						977,090	977,090
Judicial						7,789	7,789
Committed							
Construction						59,776	59,776
Culture and Recreation						147,296	147,296
General Administration						39,361	39,361
Public Safety						76,032	76,032
Public Works						2,917	2,917
Unassigned	10,581,284					(22,314)	10,558,970
Total Fund Balance	10,581,284	186,536	2,766,690	2,210,463	280,320	1,589,654	17,614,947
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$11,387,781	\$382,697	\$2,772,109	\$2,210,463	\$462,703	\$1,940,695	\$19,156,448

The accompanying notes are an integral part of this statement.

CITY OF PLEASANTON, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2018

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	\$17,614,947
Capital assets used in governmental activities are not reported in the funds.	23,647,227
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	449,928
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	540,102
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(19,097,214)
Net Position of Governmental Activities - Statement of Net Position	<u><u>\$23,154,990</u></u>

The accompanying notes are an integral part of this statement.

CITY OF PLEASANTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Park Improvement Construction Fund	Street Improvement Construction Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	\$1,870,070	\$1,258,271					\$3,128,341
Sales	5,173,211						5,173,211
Franchise	407,603						407,603
Hotel/Motel						488,310	488,310
Other	24,695						24,695
Intergovernmental						37,281	37,281
Licenses and Permits	176,399						176,399
Charges for Services	1,714,170					140,147	1,854,317
Fines and Forfeitures	316,570						316,570
Interest	108,125	4,645	33,351	25,295	12,293	40,601	224,310
Sale of Property							0
Miscellaneous	146,810		9,833			21,936	178,579
Total Revenues	9,937,653	1,262,916	43,184	25,295	12,293	728,275	12,009,616
EXPENDITURES							
Current:							
General Administration	1,699,811		14,261			164,248	1,878,320
Public Safety	3,234,790					2,393	3,237,183
Public Transportation	988,584			19,060			1,007,644
Culture and Recreation	1,295,656					170,546	1,466,202
Public Works	1,435,086				55,931	43,891	1,534,908
Capital Projects -							
Capital Outlay and Other			665,425	660,212	2,413,749	308,748	4,048,134
Debt Service							
Principal Retirement		925,000				130,000	1,055,000
Interest and Fiscal Charges		342,616				108,462	451,078
Total Expenditures	8,653,927	1,267,616	679,686	679,272	2,469,680	928,288	14,678,469
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	1,283,726	(4,700)	(636,502)	(653,977)	(2,457,387)	(200,013)	(2,668,853)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	50,000				1,000,000	452,428	1,502,428
Operating Transfers Out	(1,232,561)					(317,102)	(1,549,663)
Total Other Financing Sources (Uses)	(1,182,561)	0	0	0	1,000,000	135,326	(47,235)
Net Changes in Fund Balances	101,165	(4,700)	(636,502)	(653,977)	(1,457,387)	(64,687)	(2,716,088)
Fund Balances - Beginning - Restated	10,480,119	191,236	3,403,192	2,864,440	1,737,707	1,654,341	20,331,035
Fund Balances - Ending	\$10,581,284	\$186,536	\$2,766,690	\$2,210,463	\$280,320	\$1,589,654	\$17,614,947

The accompanying notes are an integral part of this statement.

CITY OF PLEASANTON, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 SEPTEMBER 30, 2018

Net Changes in Fund Balances - Total Governmental Funds	(\$2,716,088)
Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,317,427
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(170,480)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	19,238
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	(42,326)
Deferred Outflow-Difference in expected and actual experience. This is the change in these amounts this year.	223,309
Deferred Inflow-Difference in expected and actual experience. This is the change in these amounts this year.	9,748
Deferred Inflow-Dif. in proj. and actual earnings on pension plan investments. This is the change in these amounts this year.	(507,259)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	1,055,000
(Increase) Decrease in Bond Issuance Premiums.	18,261
Bond Issuance Proceeds	
Amortization of Bond Refunding Loss.	(277)
(Increase) Decrease in Accrued Interest Payable from Beginning of Period to End of Period.	6,879
(Increase) Decrease in GASB 75 Liability from Beginning of Period to End of Period.	(410,838)
(Increase) Decrease in Net Pension Liability from Beginning of Period to End of Period.	371,415
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$1,174,009</u>

The accompanying notes are an integral part of this statement.

CITY OF PLEASANTON, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property	\$1,756,000	\$1,756,000	\$1,870,070	\$114,070
Sales	4,200,000	4,200,000	5,173,211	973,211
Franchise	380,000	380,000	407,603	27,603
Other	25,000	25,000	24,695	(305)
Licenses and Permits	211,800	211,800	176,399	(35,401)
Charges for Services	1,781,600	1,781,600	1,714,170	(67,430)
Fines and Forfeitures	353,300	353,300	316,570	(36,730)
Interest	12,000	12,000	108,125	96,125
Miscellaneous	187,060	187,060	146,810	(40,250)
Total Revenues	<u>8,906,760</u>	<u>8,906,760</u>	<u>9,937,653</u>	<u>1,030,893</u>
EXPENDITURES				
Current:				
General Administration				
City Council	59,655	59,655	48,355	11,300
Community Development	493,559	493,559	476,066	17,493
Elections	10,000	10,000	13,244	(3,244)
General Administration	1,101,447	1,101,447	1,049,077	52,370
Non-Departmental	126,500	124,500	97,629	26,871
Planning	75,000	75,000	15,440	59,560
Public Safety				
Animal Control	143,015	143,015	162,511	(19,496)
EMS	7,000	7,000	5,482	1,518
Fire Department	407,616	407,616	376,913	30,703
Municipal Court	292,382	289,382	260,765	28,617
Police	2,321,384	2,321,384	2,429,119	(107,735)
Public Transportation				
Streets	1,055,408	1,055,408	988,584	66,824
Culture and Recreation				
Civic Center	188,438	188,438	179,775	8,663
Library	288,372	288,372	264,204	24,168
Museum	154,729	154,729	150,175	4,554
Parks	666,104	666,104	595,217	70,887
Pool	99,600	99,600	106,285	(6,685)
Public Works				
Sanitation	1,425,000	1,425,000	1,435,086	(10,086)
Total Expenditures	<u>8,915,209</u>	<u>8,910,209</u>	<u>8,653,927</u>	<u>256,282</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,449)	(3,449)	1,283,726	1,287,175
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	50,000	50,000	50,000	0
Operating Transfers Out	(1,189,600)	(1,189,600)	(1,232,561)	(42,961)
Total Other Financing Sources (Uses)	<u>(1,139,600)</u>	<u>(1,139,600)</u>	<u>(1,182,561)</u>	<u>(42,961)</u>
Net Changes in Fund Balances	(1,148,049)	(1,143,049)	101,165	1,244,214
Fund Balances - Beginning - Restated	10,480,119	10,480,119	10,480,119	
Fund Balances - Ending	<u>\$9,332,070</u>	<u>\$9,337,070</u>	<u>\$10,581,284</u>	<u>\$1,244,214</u>

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

CITY OF PLEASANTON, TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>REVENUES</i>				
Taxes				
Property	\$1,329,000	\$1,329,000	\$1,258,271	(\$70,729)
Interest	6,000	6,000	4,645	(1,355)
Total Revenues	1,335,000	1,335,000	1,262,916	(72,084)
<i>EXPENDITURES</i>				
Debt Service				
Principal Retirement	925,000	925,000	925,000	0
Interest Retirement	346,917	346,917	342,616	4,301
Total Expenditures	1,271,917	1,271,917	1,267,616	4,301
Excess (Deficiency) of Revenues Over (Under) Expenditures	63,083	63,083	(4,700)	(67,783)
<i>OTHER FINANCING SOURCES (USES):</i>				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	63,083	63,083	(4,700)	(67,783)
Fund Balances - Beginning	191,236	191,236	191,236	
Fund Balances - Ending	\$254,319	\$254,319	\$186,536	(\$67,783)

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

CITY OF PLEASANTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-Type Activities Enterprise Funds		
	Utility Fund	Utility Fund	Totals
	Current Year	Prior Year	Current Year
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$4,529,782	\$3,397,590	\$4,529,782
Accounts Receivables (Net of Allowance for Uncollectibles)	650,994	638,362	650,994
Inventories	49,354	69,491	49,354
Total Current Assets	5,230,130	4,105,443	5,230,130
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents - Debt Service	550,868	531,243	550,868
Cash and Cash Equivalents - Construction	1,648,218	1,297,374	1,648,218
Total Restricted Assets	2,199,086	1,828,617	2,199,086
Capital Assets			
Land	169,342	161,542	169,342
Construction in Progress	0	974,848	0
Building and Improvements	278,341	269,641	278,341
Machinery and Equipment	1,705,018	1,564,729	1,705,018
Distribution System	33,323,930	30,741,994	33,323,930
Total Capital Assets	35,476,631	33,712,754	35,476,631
Less Accumulated Depreciation	(17,190,247)	(15,847,417)	(17,190,247)
Total Capital Assets (Net of Accumulated Depreciation)	18,286,384	17,865,337	18,286,384
Total Noncurrent Assets	20,485,470	19,693,954	20,485,470
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Contributions (after 12/31/16)		229,143	0
Contributions (after 12/31/17)	211,779		211,779
Difference in expected and actual experience	77,849		77,849
Total Deferred Outflow of Resources	289,628	229,143	289,628
TOTAL ASSETS	\$26,005,228	\$24,028,540	\$26,005,228

(continued)

(continued)

	Business-Type Activities Enterprise Funds		
	Utility Fund	Utility Fund	Totals
	Current Year	Prior Year	Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$15,373	\$2,761	\$15,373
Due to Other Funds	871,201	556,908	871,201
Compensated Absences	64,499	60,857	64,499
Accrued Wages Payable	41,967	31,272	41,967
Accrued Interest Payable	45,820	37,859	45,820
Bonds Payable - Current	680,000	595,000	680,000
Total Current Liabilities (Payable from Current Assets)	1,718,860	1,284,657	1,718,860
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	493,576	454,601	493,576
Total Current Liabilities Payable from Restricted Assets	493,576	454,601	493,576
Total Current Liabilities	2,212,436	1,739,258	2,212,436
Noncurrent Liabilities			
Bonds Payable (Net of Unamortized Discounts and Premiums)	9,844,616	8,548,849	9,844,616
OPEB Liability - GASB 45	1,240,514	1,097,289	1,240,514
Net Pension Liability - GASB 68	1,238,580	1,368,062	1,238,580
Total Noncurrent Liabilities	12,323,710	11,014,200	12,323,710
Total Liabilities	14,536,146	12,753,458	14,536,146
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in expected and actual experience		3,437	0
Difference in projected and actual earnings on pension plan investments	177,128	293	177,128
Total Deferred Inflow of Resources	177,128	3,730	177,128
Invested in Capital Assets, Net of Related Debt	8,993,008	9,952,728	8,993,008
Restricted for Debt Service - Expendable	550,868	531,243	550,868
Unrestricted	1,748,078	787,381	1,748,078
Total Net Position	\$11,291,954	\$11,271,352	\$11,291,954

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

CITY OF PLEASANTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities Enterprise Funds		
	Utility Fund	Utility Fund	Totals
	Current Year	Prior Year	Current Year
OPERATING REVENUES:			
Charges for Services - Water	\$2,943,442	\$2,843,863	\$2,943,442
Charges for Services - Sewer	1,852,409	1,812,292	1,852,409
Miscellaneous	82,271	94,877	82,271
Total Operating Revenues	4,878,122	4,751,032	4,878,122
OPERATING EXPENSES:			
Personal Services	2,098,334	2,067,220	2,098,334
Supplies	47,794	46,389	47,794
Other Services and Charges	1,010,694	943,529	1,010,694
Depreciation	1,465,114	1,291,918	1,465,114
Total Operating Expenses	4,621,936	4,349,056	4,621,936
Operating Income (Loss)	256,186	401,976	256,186
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	50,487	3,672	50,487
Bond Issuance Cost	(53,952)		(53,952)
Impact Fees	9,192	18,373	9,192
Interest and Fiscal Charges	(288,546)	(236,847)	(288,546)
Total Non-Operating Revenues (Expenses)	(282,819)	(214,802)	(282,819)
Income Before Transfers	(26,633)	187,174	(26,633)
Federal Grant and Contributions (Contribution of Infrastructure)		356,833	0
Transfers In (Out) - Net	47,235	13,165	47,235
Change in Net Position	20,602	557,172	20,602
Total Net Position - Beginning - Restated	11,271,352	10,714,180	11,271,352
Total Net Position - Ending	\$11,291,954	\$11,271,352	\$11,291,954

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

CITY OF PLEASANTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities Enterprise Funds		
	Utility Fund	Utility Fund	Totals
	Current Year	Prior Year	Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$4,904,465	\$4,726,550	\$4,904,465
Payments to Suppliers	(1,017,778)	(1,121,527)	(1,017,778)
Payments to Employees	(1,643,048)	(1,678,594)	(1,786,273)
Net Cash Provided (Used) by Operating Activities	<u>2,243,639</u>	<u>1,926,429</u>	<u>2,243,639</u>
Cash Flows from Non-Capital and Related Financing Activities			
Transfers In	47,235	13,165	47,235
Federal Grant and Contributions	0	356,833	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>47,235</u>	<u>369,998</u>	<u>47,235</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of Capital Assets	(1,886,162)	(1,662,853)	(1,886,162)
Proceeds from Capital Debt	1,985,000	0	1,985,000
Bond Issuance Cost	(53,952)		(53,952)
Impact Fees	9,192		9,192
Principal Payment on Revenue Bonds, Notes and Capital Leases	(604,232)	(579,737)	(604,232)
Interest and Fiscal Charges	(288,546)	(236,847)	(288,546)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(838,700)</u>	<u>(2,479,437)</u>	<u>(838,700)</u>
Cash Flows from Investing Activities			
Interest Received	50,487	22,045	50,487
Net Cash Provided (Used) by Investment Activities	<u>50,487</u>	<u>22,045</u>	<u>50,487</u>
Net Increase (Decrease) in Cash Equivalents	1,502,661	(160,965)	1,502,661
Cash and Cash Equivalents at Beginning of Year	5,226,207	5,387,172	5,226,207
Cash and Cash Equivalents at End of Year	<u>\$6,728,868</u>	<u>\$5,226,207</u>	<u>\$6,728,868</u>
Unrestricted Assets:			
Cash and Cash Equivalents	\$4,529,782	\$3,397,590	\$4,529,782
Restricted Assets:			
Cash and Cash Equivalents	2,199,086	1,828,617	2,199,086
Total	<u>\$6,728,868</u>	<u>\$5,226,207</u>	<u>\$6,728,868</u>

(continued)

(continued)

	Business-Type Activities Enterprise Funds		
	Utility Fund	Utility Fund	Totals
	Current Year	Prior Year	Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$256,186	\$401,976	\$256,186
Adjustments to Reconcile to Net Cash Flow Non-Cash Items Included in Net Income			
Depreciation	1,465,114	1,291,918	1,465,114
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	(12,632)	(75,188)	(12,632)
Decrease (Increase) in Inventory	20,137	(56,560)	20,137
GASB 68			
Decrease (Increase) Deferred Outflow of Resources-Contributions	17,364	(18,619)	17,364
Increase (Decrease) Deferred Outflow-Diff. in expected and actual exp.	(81,286)	150,901	(81,286)
Increase (Decrease) Deferred Outflow-Diff. in projected and actual earnings on pension plan investments	176,835	26,250	176,835
Increase (Decrease) in Accounts Payable	12,612	(73,209)	12,612
Decrease (Increase) in Due to Other Funds	314,293	125,639	314,293
Increase (Decrease) in Compensated Absences	3,642	10,808	3,642
Increase (Decrease) in Accrued Wages Payable	10,695	16,595	10,695
Increase (Decrease) in Accrued Interest Payable	7,961	(1,840)	7,961
Increase (Decrease) in Consumer Meter Deposits	38,975	50,706	38,975
GASB 75			
Increase (Decrease) in OPEB Liability	143,225	0	143,225
Increase (Decrease) in Net pension Liability	(129,482)	77,052	(129,482)
Net Cash Provided (Used) by Operating Activities	<u>\$2,243,639</u>	<u>\$1,926,429</u>	<u>\$2,243,639</u>
Noncash Investing, Capital, and Financing Activities:			
Federal Grant and Contributions (Contribution of Infrastructure)	\$0	\$251,865	\$0
Revenue Bond Proceeds	1,985,000		1,985,000
	<u>\$1,985,000</u>	<u>\$251,865</u>	<u>\$1,985,000</u>

Note: The above funds are all enterprise funds.

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

CITY OF PLEASANTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$391
Receivables (Net of Allowance for Uncollectibles)	0
Total Assets	<u>\$391</u>
LIABILITIES	
Accounts Payable	\$0
Due to Others	391
Total Liabilities	<u>\$391</u>

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

City of Pleasanton, Texas
Notes to the Financial Statements
September 30, 2018

I. Summary of significant accounting policies

A. Reporting Entity/ Basis of Accounting/Measurement Focus

The City of Pleasanton, Texas, was incorporated by an election. The City operates under a General Law type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Pleasanton, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-Wide and Fund Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in four categories: 1) charges for services, 2) operating grants and contributions, 3) taxes, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the Net Position and changes in Net Position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, and franchise taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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 debt service fund accounts for monies used to pay the general obligation debt.

The park improvement construction fund accounts for monies used to pay for the improvement of the City park.

The street improvement construction fund accounts for monies used to pay for the maintenance and improvement of city streets.

The building fund accounts for monies used to build the new fire station.

D. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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 Utility Fund (Water and Sewer) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds:

The utility fund accounts for the activities of the water distribution system, the sewer and sewage treatment plant, sewage pumping stations and collection systems.

E. Fiduciary Fund Types

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the government-wide statements. The City’s fiduciary funds include the following: The Asset Forfeiture fund is accounted for as an agency fund and is used to help defray the costs of the local police department.

F. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as fair value of the pool shares.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2018, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2018, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2018, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2018. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2018, and 10 percent of delinquent outstanding property taxes at September 30, 2018. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and 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. There were no prepaid items at September 30, 2018.

4. Fund Balances – Governmental Funds

As of September 30, 2018, fund balances of the governmental funds are classified as follows:

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

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

Fund Balances:	
Non-Spendable	
Inventory	\$30,216
Restricted	
Construction	5,517,727
Debt Service	197,773
Economic Development	977,090
Judicial	7,789
Committed	
Construction	59,776
Culture and Recreation	147,296
General Administration	39,361
Public Safety	76,032
Public Works	2,917
Unassigned	10,558,970
Total Fund Balance	<u>\$17,614,947</u>

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 committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2012, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 25 to 33 percent of the subsequent year's budgeted General Fund expenditures.

5. 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, other than infrastructure 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. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

Major capital asset events during the current fiscal year included the following: There were water projects and street drainage projects, a new fire station, and a park project.

6. 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, governmental funds and proprietary financial statements.

7. 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.

8. *Restricted Assets*

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Assets are set aside for future projects. The restricted assets are as follows:

<u>Type</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Debt Service	\$382,697	\$550,868
Construction	5,893,723	1,648,218
Hotel/Motel Tax	11,237	
	<u>\$6,287,657</u>	<u>\$2,199,086</u>

9. *Comparative Data/Reclassifications*

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. They are amounts deferred under GASB 68.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government only has one item that qualifies for reporting in this category. They are amounts deferred under GASB 68.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

11. Net Position Flow Assumption

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

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *Net Position - governmental activities* as reported in the government-wide statement of Net Position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$19,097,214 difference are as follows:

Bonds Payable	\$11,675,000
Accrued Interest Payable	71,625
Net Pension Liability - GASB 68	3,508,174
OPEB Liability - GASB 45	3,558,379
Bond Issuance Premium	286,261
Bond Refunding	(2,225)
	<u>\$19,097,214</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$23,647,227 difference are as follows:

Capital assets not being depreciated	\$1,784,142
Capital assets being depreciated	31,121,741
Depreciation expense	(9,258,656)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	<u>\$23,647,227</u>

The governmental fund balance sheet includes 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 "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$449,928 difference are as follows:

Property Taxes Receivable	\$488,477
Allowance for Doubtful Accounts	<u>(38,549)</u>
Net	<u>\$449,928</u>

The governmental fund balance sheet includes 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 "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$540,102 difference are as follows:

Fines Receivable	\$297,263
Allowance for Doubtful Accounts	(79,865)
GASB 68	
Contributions (after 12/31/17)	607,483
Difference in expected and actual experience.	223,309
Dif. in proj. and actual earnings on pension plan investments.	<u>(508,088)</u>
Net	<u>\$540,102</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$3,317,427 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$3,620,130
Capital Outlay - Additions - Being Depreciated (Net)	563,270
Capital Outlay - Deletions	(14,895)
Depreciation Expense	(851,078)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$3,317,427</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control is the fund; whereby budgeted expenditures may not exceed budgeted revenues plus beginning unrestricted equity. The supplemental budgetary appropriations made in the general fund were not material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2018, actual expenditures did not exceed budgeted expenditures for any fund except for the Building Fund whereby actual expenditures of \$2,469,680 exceeded budgeted expenditures of \$2,150,000 by \$319,680.

C. Deficit Fund Equity

The information technology fund had a deficit fund balance of \$22,314. This deficit is expected to be liquidated by future resources of the fund.

IV. Detailed Notes on All Funds

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments:

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

The City's deposits and certificates of deposit are entirely with the city depository and were fully covered by federal depository insurance (FDIC) or by collateral held by the government's agent in the government's name. The FDIC insures the first \$250,000 of the City's deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral. As of year end, the City's bank balances totaled \$24,668,826 while the value of securities pledged at September 30, 2018 is \$24,684,523. The book balance of the City's bank balances at September 30, 2018 is \$24,303,414.

Investments: The City had no investments at September 30, 2018.

B. Receivables

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

	General	Debt Service	Other Governmental Funds	Water	Total
<u>Receivables</u>					
Taxes	\$292,837	\$195,640			\$488,477
Accounts				767,332	767,332
Fines	297,263				297,263
Other			3,608		3,608
Gross Receivables	590,100	195,640	3,608	767,332	1,556,680
Less: Allowance for Uncollectibles	102,975	15,439		116,338	234,752
Net Total Receivables	\$487,125	\$180,201	\$3,608	\$650,994	\$1,321,928

The receivables are expected to be collected within one year.

C. Capital Assets

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$863,249	\$266,313	\$0	\$1,129,562
Construction in Progress	1,474,396	3,353,817	4,173,633	654,580
Total Capital Assets Not Being Depreciated:	2,337,645	3,620,130	4,173,633	1,784,142
Capital Assets Being Depreciated:				
Building and Improvements	10,800,273	2,673,887		13,474,160
Machinery and Equipment	5,216,670	448,752	203,652	5,461,770
Intangible	99,299		0	99,299
Infrastructure	10,472,248	1,614,264	0	12,086,512
Total Capital Assets Being Depreciated	26,588,490	4,736,903	203,652	31,121,741
Less Accumulated Depreciation for:				
Building and Improvements	2,786,915	331,802	0	3,118,717
Machinery and Equipment	4,210,811	282,716	188,757	4,304,770
Intangible	41,622	9,930	0	51,552
Infrastructure	1,556,987	226,630	0	1,783,617
Total Accumulated Depreciation	8,596,335	851,078	188,757	9,258,656
Total Capital Assets Being Depreciated, Net	17,992,155	3,885,825	14,895	21,863,085
Governmental Activities Capital Assets, Net	\$20,329,800	\$7,505,955	\$4,188,528	\$23,647,227
Proprietary Funds:				
Capital Assets Not Being Depreciated:				
Land	\$161,542	\$7,800	\$0	\$169,342
Construction in Progress	974,848	363,575	1,338,423	0
Total Capital Assets Not Being Depreciated:	1,136,390	371,375	1,338,423	169,342
Capital Assets Being Depreciated:				
Machinery, Equipment and Vehicles	1,564,729	206,340	66,051	1,705,018
Building and improvements	269,641	8,700	0	278,341
Distribution System	30,741,994	2,638,168	56,232	33,323,930
Total Capital Assets Being Depreciated:	32,576,364	2,853,208	122,283	35,307,289
Less: Accumulated Depreciation for:				
Machinery, Equipment and Vehicles	1,193,188	149,135	66,051	1,276,272
Building and Improvements	183,284	12,250	0	195,534
Distribution System	14,470,945	1,303,728	56,232	15,718,441
Total Accumulated Depreciation	15,847,417	1,465,113	122,283	17,190,247
Total Capital Assets Depreciated, Net	16,728,947	1,388,095	0	18,117,042
Business-Type Activities Capital Assets, Net	\$17,865,337	\$1,759,470	\$1,338,423	\$18,286,384

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

Governmental Activities	
General Administration	\$48,181
Public Safety	357,952
Public Transportation	282,499
Culture and Recreation	<u>162,446</u>
Total Depreciation Expense - Governmental Activities	<u>\$851,078</u>
Business-Type Activities	
Water	\$856,384
Sewer	<u>608,729</u>
Total Depreciation Expense - Business-Type Activities	<u>\$1,465,113</u>

Construction Commitments

The government has active construction projects as of September 30, 2018. There were water projects and street drainage projects, a new fire station, and a park project.

D. Interfund Receivables, Payables, and Transfers

Inter-fund transfers: Transfers are used to 1) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

In the year ended September 30, 2018, the government made the following non-recurring transfers: The transfers were for operating expenses.

INTRAFUND

TRANSFER OUT	TRANSFER IN			TOTAL
	GENERAL FUND	BUILDING FUND	NON-MAJOR GOVERNMENTAL FUNDS	
GENERAL FUND		\$1,000,000	\$232,561	\$1,232,561
NON-MAJOR GOVERNMENTAL FUNDS	50,000		219,867	269,867
TOTALS	<u>\$50,000</u>	<u>\$1,000,000</u>	<u>\$452,428</u>	<u>\$1,502,428</u>

INTERFUND

TRANSFER OUT	TRANSFER IN	
	UTILITY FUNDS	TOTAL
NON-MAJOR GOVERNMENTAL FUNDS	\$47,235	\$47,235
TOTALS	<u>\$47,235</u>	<u>\$47,235</u>

The composition of interfund balances as of September 30, 2018, is as follows:

INTRAFUND	DUE FROM			
	GENERAL FUND	BUILDING FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
DUE TO				
DEBT SERVICE FUND	\$202,496			\$202,496
GENERAL FUND		8,134	44,786	52,920
TOTALS	\$202,496	\$8,134	\$44,786	\$255,416

INTERFUND	DUE FROM	
	UTILITY FUNDS	TOTAL
DUE TO		
GENERAL FUND	\$757,874	\$757,874
NON-MAJOR GOVERNMENTAL FUNDS	113,327	113,327
TOTALS	\$871,201	\$871,201

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The amount due to the general fund from the utility fund is to help with the debt service commitments and construction commitments of the utility fund. The amount due from the general to the utility fund is to help with the debt service. All are expected to be repaid in the 2018-2019 year.

E. Leases

Operating Leases

The government leases equipment under noncancellable operating leases. Total costs for such leases were \$53,963 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

<u>Year Ending Sept. 30</u>	<u>Amount</u>
2019	\$ 29,115
2020	26,615
2021	26,011
2022	<u>23,050</u>
Total	<u>\$ 104,791</u>

Rent expenditures were \$5,435 for the year ended September 30, 2018. Rental income received was \$37,665 for the year ended September 30, 2018.

F. Long-Term Debt

General Obligation Bonds and Revenue Bonds

The government issues Certificates of Obligation, Revenue, and General Obligation Bonds to provide funds for the acquisition, improvement, and construction of major capital facilities. Certificates of Obligation, Revenue, and General Obligation bonds have been issued for both governmental and business-type activities.

Bonds currently outstanding along with any covenants and security pledged are as follow:

PURPOSE	RATE	ORIGINAL AMOUNTS	CURRENT AMOUNTS	SERIES	MATURITY DATE	COVENANTS	SECURITY
Governmental activities	3.95%	\$2,250,000	\$1,010,000	2009	2024	None	Ad Valorem Tax and Utility Fees
Governmental activities	3.65-4.00%	1,150,000	105,000	2003	2019	Sinking Fund	Ad Valorem Tax and Utility Fees
Governmental activities	2.50-5.00%	2,750,000	1,145,000	2008	2023	Sinking Fund	Ad Valorem Tax and Utility Fees
Governmental activities	2.00-4.50%	3,970,000	3,185,000	2013	2033	Sinking Fund	Ad Valorem Tax and Utility Fees
Governmental activities	3.00-4.00%	3,870,000	3,190,000	2015	2035	Sinking Fund	Ad Valorem Tax and Utility Fees
Governmental activities	3.00-4.00%	3,495,000	3,215,000	2016	2036	Sinking Fund	Ad Valorem Tax and Utility Fees
Business-type activities	3.00%	1,985,000	1,905,000	2017	2037	Sinking Fund	Ad Valorem Tax and Utility Fees
Business-type activities	1.798%	4,020,000	3,295,000	2015	2027	Sinking Fund	Ad Valorem Tax and Utility Fees
Business-type activities	2.00-3.75%	5,800,000	5,275,000	2014	2034	Sinking Fund	Ad Valorem Tax and Utility Fees
Total		<u>\$29,290,000</u>	<u>\$22,325,000</u>				

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$1,095,000	\$411,600	\$680,000	\$269,207
2020	785,000	376,627	700,000	255,394
2021	820,000	345,071	710,000	241,196
2022	845,000	312,945	725,000	226,407
2023	880,000	280,222	745,000	210,596
2024-2028	2,905,000	1,047,151	3,590,000	786,408
2029-2033	3,240,000	517,357	2,410,000	374,238
2034-2037	1,105,000	66,650	915,000	45,731
TOTALS	<u>\$11,675,000</u>	<u>\$3,357,623</u>	<u>\$10,475,000</u>	<u>\$2,409,177</u>

The City issued \$1,905,000 Series 2017 bonds in the 2017-2018 year. The proceeds were to be used for the new fire department construction.

Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds	\$12,730,000		\$1,055,000	\$11,675,000	\$1,095,000	\$10,580,000
Less Deferred Amounts:						
For Issuance Premium	304,522		18,261	286,261		286,261
Total Bonds Payable	<u>13,034,522</u>	<u>0</u>	<u>1,073,261</u>	<u>11,961,261</u>	<u>1,095,000</u>	<u>10,866,261</u>
Net Pension Liability - GASB 68	3,879,589		371,415	3,508,174		3,508,174
OPEB Liability - GASB 45	3,147,541	410,838		3,558,379		3,558,379
Compensated Absences	187,055	192,367	187,055	192,367	192,367	0
Total Governmental Activities	<u>20,248,707</u>	<u>603,205</u>	<u>1,631,731</u>	<u>19,220,181</u>	<u>1,287,367</u>	<u>17,932,814</u>
<u>Business-Type Activities:</u>						
Revenue Bonds	9,165,000	1,985,000	675,000	10,475,000	680,000	9,795,000
Less Deferred Amounts:						
For Issuance Premium	(21,151)	68,952	(1,815)	49,616		49,616
Total Bonds Payable	<u>9,143,849</u>	<u>2,053,952</u>	<u>673,185</u>	<u>10,524,616</u>	<u>680,000</u>	<u>9,844,616</u>
Net Pension Liability	1,368,062		129,482	1,238,580		1,238,580
OPEB Liability - GASB 45	1,097,289	143,225		1,240,514		1,240,514
Compensated Absences	60,857	64,499	60,857	64,499	64,499	0
Total Business-Type Activities	<u>11,670,057</u>	<u>2,261,676</u>	<u>863,524</u>	<u>13,068,209</u>	<u>744,499</u>	<u>12,323,710</u>
Grand Total	<u>\$31,918,764</u>	<u>\$2,864,881</u>	<u>\$2,495,255</u>	<u>\$32,288,390</u>	<u>\$2,031,866</u>	<u>\$30,256,524</u>

The government-wide statement of Net Position includes \$2,031,866 as "noncurrent liabilities, due within one year". There was no interest capitalized. Compensated absences of \$256,866 are considered to be short term liabilities. The governmental activities bonds payable are serviced by the debt service fund. The governmental compensated absences are serviced by the general fund. The Business-type activities bonds and compensated absences are serviced by the water and sewer fund. The City incurred interest expense of \$714,761; \$288,546 by the Utility Fund.

G. Segment Information

The city issued revenue bonds to finance certain improvements to its utility system and airport. Because the utility system is reported as a major fund in the fund financial statements, separate segment disclosures for it are not required.

V. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).

Changes in accrued liabilities for these claims follow:

	Year ended <u>09/30/18</u>	Year ended <u>09/30/17</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler and machinery insurance is provided by TML.

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Subsequent Events

1. On October 4, 2018, the City of Pleasanton received a 90/10 Federal Capital Improvement fund Grant in the amount of \$896,455 with the City portion being \$89,645.
2. On October 24, 2018, City of Pleasanton was awarded a CDBG Grant in the amount of \$275,000; this grant will be used for the 5th street water project.
3. On October 26, 2018, TxDOT approved funding for the Pleasanton Municipal Airport in the amount of \$508,000 for pavement improvements on existing runways and taxiways.
4. On December 6, 2018, the fire Department was approved for a 90/10 cost share grant for a new large brush truck not to exceed \$218,000 with the City share of \$21,800.

C. Related Party Transactions

- 1) Ernest Guerra (Police Officer) and Elsie Guerra (Municipal Court Judge) are nephew and aunt.
- 2) Mario Aguirre (Meter Reader Foreman), Andres Aguirre (City Secretary), and Antonio Aguirre (Activities & Facility Coordinator) are father/sons and brother/brother.

D. Contingent Liabilities

The City is not a defendant in any significant lawsuit for which monetary damages are sought. However, we note the following:

- 1) The City received notice on 6/30/2017 from an attorney for Benchmark Utility Contractors, Inc. of its intent to submit a claim in regard to the City's termination of Benchmark alleging the Contractor provided poor workmanship and failed to meet contract construction specifications. Benchmark alleges that the contract should not have been terminated; and declined mediation. As of September 30, 2018, no lawsuit has been filed against the City but the statute of limitations has not run.
- 2) *Ernest C. Trevino v. Texas Parks and Wildlife Department, Director Carter Smith, Agent Derek Iden, Agent John Bauch le, Agent Mike Durand, and Agent Jonathon Gray*; Cause#: SA-17-CA-1133-OLG (HJB); TMLIRP Claim#: LB72038. Plaintiff sued police chief Ronald Sanchez ("Sanchez") in his personal capacity. They have not sued the City. Plaintiff asserted claims pursuant to 42 U.S.C. § 1983 for violations of Constitutional rights under the Fourth, Fifth and Fourteenth Amendments; a 42 U.S.C. § 1985(2) and (3) conspiracy to violate civil rights based on racial animus; malicious prosecution under section 1983 and a state tort claim. Plaintiff claims Chief Sanchez has instigated employees from the Texas Parks and Wildlife Department and the District Attorney's Office to file criminal charges against the Plaintiff for hunting violations. The Court abated the case pending the resolution of criminal charges filed against the Plaintiff regarding the same subject matter as the lawsuit. The City is contesting the case vigorously. The City feels an unfavorable outcome is highly unlikely.
- 3) *Thurman vs Pleasanton Police Department & A Perez*; Civil Action No. 5:17-CV-1265 was filed on 12/17/2017. Plaintiff claims he was discriminated against, subjected to disparate treatment, assaulted, the recipient of excessive force, falsely imprisoned and sustained injuries and damages while in police custody. This case has been assigned to the Texas Municipal League Intergovernmental Risk Pool.

- 4) *Trevino vs Derek Iden, et al*; Civil Action No. 5:17-CV-01133-OLG was filed on 12/5/2017. Plaintiff claims the Police Chief and others conspired to violate his civil rights between January 2017 and November 2017 related to alleged hunting and/or gaming activities. This case has been assigned to the Texas Municipal League Intergovernmental Risk Pool.
- 5) *Ernest C. Trevino v. City of Pleasanton, and Johnny Huizar, Individually* 5:18-cv-00688-DAE-RBF TMLIRP Claim#: LB72038. Plaintiff sued the City of Pleasanton and City Manager Johnny Huizar pursuant to 42 U.S.C. § 1983 claiming violations of his constitutional rights under the First, Fourth and Fourteenth. Plaintiff's claims relate to complaints that he filed with the City and that Plaintiff claims have not been investigated or ignored. Related to those complaints, Plaintiff also filed requests for information under the Public Information Act. The City, through its City Attorney, objected to those requests by asking for opinions from the Attorney General about whether the information was public. The case is in its initial stages. The Court ordered the Plaintiff to replead his case which he did. The City is drafting an answer to the lawsuit. The City is contesting the case vigorously. The City feels an unfavorable outcome is highly unlikely.
- 6) *John Morgan Thurman v. Anastacio Perez* Cause# 5:17-cv-1265TMLIRP Claim#: LB71902. The Plaintiff sued Police Officer Anastacio Perez and the Pleasanton Police Department, pursuant to 42 U.S.C. § 1983 and Texas law claiming that Defendant Perez used unnecessary and excessive force during the detention or arrest of the Plaintiff; falsely imprisoned Plaintiff and intentionally caused emotional distress. The Court dismissed the claims against the City of Pleasanton Police Department. The only remaining claims are for excessive force and false arrest against Officer Perez in his personal capacity. The City is not a party to the suit.

NOTICE OF COMPLAINT: Member: City of Pleasanton Claimant: Clayton P. Ruple EEOC#: 451-2019-00460 TMLIRP Claim#: LB91816. The claimant, a former police officer employed by the Pleasanton Police Department, filed a complaint of discrimination with the Equal Opportunity Employment Commission claiming that he was fired because of his national origin (Anglo) and in retaliation for complaining of discrimination due to his national origin. The case is in its initial stages with the EEOC. The City is contesting the case vigorously. The City feels an unfavorable outcome is highly unlikely.

E. Prior Period Adjustments

The City has determined that certain transactions were recorded incorrectly in a prior year. The City had a prior period adjustment where by both governmental activities' Net Assets and the fund balances were both restated as follows: 1) The Civic Center use deposits payable were restated downward by \$29,250 so as to be in agreement with the actual cash balance. 2) The Airport Fuel Inventory were restated downward by \$18,605 because the inventory amount was misstated in the past. The City also had a prior period adjustment where by both governmental activities' Net Assets and the business-type activities' net assets restated downward by \$2,733,182 and \$951,173, respectively due to the City implementing GASB 75. The restatements had the corresponding effect on the beginning net assets and fund balance, as follows:

	Net Assets, as Previously Reported	Civic Center Deposit Restatement	Airport Fuel Inventory Restatement	GASB 75 Restatement	Net Assets As Restated
Governmental Activities:					
Net Assets	\$24,666,308	\$29,250	\$18,605	(\$2,733,182)	\$21,980,981
Total Governmental Activities	\$24,666,308	\$29,250	\$18,605	(\$2,733,182)	\$21,980,981

	Net Assets, as Previously Reported	GASB 75 Restatement	Net Assets As Restated
Business-Type Activities:			
Net Assets	\$12,222,525	(\$951,173)	\$11,271,352
Total Business-Type Activities	\$12,222,525	(\$951,173)	\$11,271,352

	Net Position, as Previously Reported	Civic Center Deposit Restatement	Airport Fuel Inventory Restatement	Net Position As Restated
Governmental Funds				
Fund Balance	\$20,283,180	\$29,250	\$18,605	\$20,331,035
Total Governmental Funds	\$20,283,180	\$29,250	\$18,605	\$20,331,035

F. Defined Benefit Pension Plans

EXECUTIVE SUMMARY

as of December 31, 2017

Actuarial Valuation and Measurement Date, December 31,	2016	2017
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	36	40
- Inactive employees entitled to but not yet receiving benefits	62	67
- Active employees	106	103
- Total	<u>204</u>	<u>210</u>
Covered Payroll	\$ 4,761,114	\$ 5,049,218
Net Pension Liability		
Total Pension Liability	\$ 17,277,351	\$ 18,956,006
Plan Fiduciary Net Position	<u>12,029,700</u>	<u>14,209,252</u>
Net Pension Liability/(Asset)	\$ 5,247,651	\$ 4,746,754
Plan Fiduciary Net Position as a Percentage		
Of Total Pension Liability	69.63%	74.96%
Net Pension Liability/(Asset) as a Percentage		
of Covered Payroll	110.22%	94.01%
Development of the Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate*	3.78%	3.31%
Last year ending December 31 in the 100 year projection period for which projected benefit payments are fully funded	N/A	N/A

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$ 819,488
2. Interest on the Total Pension Liability	1,170,210
3. Changes in Current Period Benefits Including Substantively Automatic Status	0
4. Employee Contributions (Reduction of Expense)	(353,445)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(812,005)
6. Administrative Expense	8,641
7. Other Changes in Fiduciary Net Position	438
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	89,100
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets	(171,304)
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	48,685
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets	<u>164,949</u>
12. Total Pension Expense (Income)	\$ 964,757

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization ____ years)	Total (Inflow) or Outflow of Resources	2017 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.3800	\$ 390,258	\$ 89,100	\$ 301,158
Change in assumptions [actuarial (gains) or losses]	4.3800	\$ 0	\$ 0	\$ 0
			<u>\$ 89,100</u>	\$ 301,158
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ (856,520)	\$ (171,304)	\$ (685,216)
			\$ (171,304)	\$ (685,216)
Total:				<u>\$ (384,058)</u>

B. Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2018	\$ 118,283
2019	62,936
2020	(83,032)
2021	(137,446)
2022	0
Thereafter	<u>0</u>
Total	\$ (39,259)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS - CURRENT PERIOD

A. Total pension liability

1. Service Cost	\$	819,488
2. Interest (on the Total Pension Liability)		1,170,210
3. Change in benefit terms including substantively automatic status		0
4. Difference between expected and actual experience		390,258
5. Change in assumptions		0
6. Benefit payments, including refunds of employee contributions		<u>(701,301)</u>
7. Net change in total pension liability	\$	1,678,655
8. Total pension liability- beginning		<u>17,277,351</u>
9. Total pension liability - ending	\$	<u><u>18,956,006</u></u>

B. Plan fiduciary net position

1. Contributions - employer	\$	867,960
2. Contributions - employee		353,445
3. Net investment income		1,668,525
4. Benefit payments, including refunds of employee contributions		(701,301)
5. Administrative Expense		(8,641)
6. Other		<u>(438)</u>
7. Net change in plan fiduciary net position	\$	2,179,552
8. Plan fiduciary net position - beginning		<u>12,029,700</u>
9. Plan fiduciary net position - ending*	\$	<u><u>14,209,252</u></u>

C. Net pension liability/(asset) [A.9 - B.9] \$ 4,746,754

D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9] 74.96%

E. Covered payroll \$ 5,049,218

F. Net pension liability/(asset) as a percentage of covered payroll [C / E] 94.01%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$7,821,348	\$4,746,754	\$2,278,928

SUMMARY OF ACTUARIAL ASSUMPTIONS

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

I. Economic Assumptions

A. General Inflation - General Inflation is assumed to be 2.50% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.
2. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

C. Overall Payroll Growth - 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2005 to 2014, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases -

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

<u>Years of Service</u>	<u>Rate{%</u>
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25 +	3.50%

E. Annuity Increase - The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Pleasanton annual annuity increases of 1.86% are assumed when calculating the TPL.

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For the City of Pleasanton the base table is then multiplied by a factor of 115.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 63%, 2) Police - 88%, or 3) Other - 108%. A sample of the base rates follows:

Males

Age	Service								
	0	1	2	3	4	5	6	7	
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	
50	0.2078	0.1731	0.1412	0.1149	0.101	0.0887	0.0807	0.0716	
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	

Females

Age	Service								
	0	1	2	3	4	5	6	7	
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	
50	0.2201	0.1793	0.1347	0.1229	0.088	0.0881	0.0823	0.0723	
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Pleasanton the base table is then multiplied by a factor of 115.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1} Fire - 52%, 2} Police - 79%, or 3) Other - 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates {Withdrawal of Member Deposits from TMRS} for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in {A}. The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 3.0% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

G. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Males Entry Age Groups			Females Entry Age Groups		
	Ages 32 & Under	Ages 33-47	Ages 48 & Over	Ages 32 & Under	Ages 33-47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1-1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2 --1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

III. *Methods and Assumptions*

- A. Valuation of Assets - The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 15% corridor around the market value of assets, if necessary.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.

- C. Amortization Policy: For "underfunded" cities with twenty or more employees, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. Beginning January 1, 2016, all new experience losses are amortized over individual periods of not more than 25 years. Previously, some cities amortized their losses over a 30 year period. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City which in turn decreases contribution rate volatility.

Once a City reaches an "overfunded" status, all prior non-ad hoc bases are erased and the surplus for overfunded cities is amortized over a 25 year open period.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 15 years or the current life expectancy of the covered group.

For the December 31, 2013 actuarial valuation, there was a one-time change in the amortization policy for underfunded cities implemented in conjunction with the changes to the assumptions and cost method to minimize rate volatility associated with these changes. An initial ARC was developed using the methodology described above. For cities with a decrease in the rate compared to the rate calculated prior to changes, the amortization period for all non-ad hoc bases was shortened enough to keep the rates stable (if possible). Cities with an increase of more than 0.50% were allowed to extend the amortization periods for non-ad hoc bases up to 30 years to keep the full contribution rate from increasing, For cities with an increase of 0.50% or less, the amortization periods for all non-ad hoc bases could be extended to 25 years to keep the rate from increasing. The amortization period calculated in the prior steps was then rounded up to the nearest integer to calculate the final full contribution rate.

- D. Small City Methodology - For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1 % for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current

maximum amortization period of 25 will use $(25-(20-8)) = 13$ year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25-(20-1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

IV. Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): An exponential average of the actual salaries paid during the prior fiscal years, with 33% weight given to the most recent year and 67% weight given to the expected payroll for the previous fiscal year, moved forward with one year's payroll growth rate and adjusted for changes in population.
2. Individual salaries used to project benefits: For members with more than three years of service, actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This value is then projected with normal salary scales.
3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although TMRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month. A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing.
4. Percent married: 100% of the employees are assumed to be married.
5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
6. Optional Forms: Healthy members are assumed to choose a life only benefit when they retire. Disabled members are assumed to select a 50% Joint and Survivor option when they retire.
7. Percent electing annuity on death (when eligible): For vested members not eligible for retirement, 75% of the spouses of male members and 70% of the spouses of female members are assumed to commence an immediate benefit in lieu of a deferred annuity or a refund. Those not electing an immediate benefit are assumed to take a refund. All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity that commences immediately.
8. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.

9. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(H).
10. There will be no recoveries once disabled.
11. No surviving spouse will remarry and there will be no children's benefit.
12. Decrement timing: Decrements of all types are assumed to occur mid-year.
13. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
14. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
15. Incidence of Contributions; Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
16. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
17. The decrement rates for service related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or "catch-up" when a city changes its COLA provisions. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

**Amortization Schedule
Deferred (Inflows)/Outflows of Resources**

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year					Thereafter				
			2017	2018	2019	2020	2021		2022			
Due to Liabilities:												
difference in experiences (inflows) /outflows												
2017	4,3800	\$ 390,258	\$ 89,100	\$ 89,100	\$ 89,100	\$ 89,100	\$ 33,858	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2016	3,1300	(13,185)	(4,212)	(4,212)	(549)	0	0	0	0	0	0	0
2015	2,2700	(40,761)	(17,956)	(17,956)	0	0	0	0	0	0	0	0
2014	1,4143	31,751	22,449	9,302	0	0	0	0	0	0	0	0
Total		\$ 89,381	\$ 76,234	\$ 80,039	\$ 88,551	\$ 33,858	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
change in assumptions (inflows) /outflows												
2015	2,2700	\$ 109,878	\$ 48,404	\$ 48,404	\$ 13,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total		\$ 48,404	\$ 48,404	\$ 13,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to Assets:												
excess investment returns (inflows) /outflows												
2017	5,0000	\$ (856,520)	\$ (171,304)	\$ (171,304)	\$ (171,304)	\$ (171,304)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2016	4,0000	(1,122)	(281)	(281)	(279)	0	0	0	0	0	0	0
2015	3,0000	424,234	141,411	141,412	0	0	0	0	0	0	0	0
2014	2,0000	47,638	23,819	23,819	0	0	0	0	0	0	0	0
Total		\$ (6,355)	\$ (6,355)	\$ (30,173)	\$ (171,583)	\$ (171,304)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

G. Other Post Employment Benefits

EXECUTIVE SUMMARY

The City of Pleasanton ("City") provides medical and dental benefits to eligible retirees. The City pays for part of the cost for retirees meeting certain eligibility requirements. No health plan benefits are available to dependents of retirees. All active employees who retire directly from the City and meet the eligibility criteria may participate.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted on December 8, 2003. As a result of this legislation, employers providing drug coverage to Medicare eligible retirees, that is, at least actuarially equivalent to the standard benefit provided by Medicare, may be eligible to receive a federal subsidy.

GASB has taken the position that any federal subsidy received should be reported as revenue to the plan sponsor and not used as an offset to the GASB liabilities. This report is prepared on that basis.

This summary identifies the value of benefits at September 30, 2018 and costs for the 2018 Fiscal Year:

	September 30, 2018		
	Initial Results	Medicare Prescription Savings	Final
Present Value of Future Benefits	9,105,530	NA	9,105,530
Total OPEB Liability (TOL)	4,798,893	NA	4,798,893
Fiduciary Net Position (FNP)	0	NA	0
Net OPEB Liability (NOL)	4,798,893	NA	4,798,893
FY 2018 Expected OPEB Contributions [includes any implicit subsidy] *	51,917	NA	0
* The FY2018 implicit subsidy is \$34,085.			

This section presents detailed valuation results for the City's Plan.

- ▶ The **Present Value of Future Benefits** is the total present value of all expected future benefits, based on certain actuarial assumptions. The Present Value of Future Benefits is a measure of total liability or obligation. Essentially, this present value is the value (on the valuation date) of the benefits promised current and future retirees. The Plan's present value of all projected benefits (at September 30, 2018) is **\$ 9,105,530**. Most of this obligation is for current active employees (future retirees).
- ▶ The **Total OPEB Liability (TOL)** is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The Plan's TOL (at September 30, 2018) is **\$ 4,798,893**. Most of this liability is for active employees. The TOL represents **52.70%** of the present value of all projected benefits.
- ▶ **Service Cost** is the value of benefits expected to be earned during the year, again based on certain actuarial methods and assumptions. The 2018 Fiscal Year Service Cost (at September 30, 2018) is **\$ 434,694**.

The results were calculated based upon plan provisions, as provided by the City, along with certain demographic and economic assumptions as recommended by our consulting actuary with guidance from the GASB statement.

Demographic Assumptions

Data was provided by the City as of November 2018. Appropriate adjustments in this data were made for the actuarial valuation. There is no assumption for future hires.

Economic Assumptions

The GASB statement requires that the discount rate used to determine the plan liabilities for retiree healthcare benefits is based on the earnings rate of the plan assets if the projected assets are sufficient to cover the projected benefit payments. If the projected assets are not sufficient then a municipal bond index rate must be used for discounting benefits not covered by the projected assets. Since there are no plan assets held in trust the Bond Buyer GO Bond 20 Index is used for determining the discount rate of **4.06%**.

The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients. The GASB statement does not require a particular source for information to determine healthcare trends, but it does recommend selecting a source that is "publicly available, objective and unbiased".

The balance of this report provides greater detail for the above results.

PRINCIPAL VALUATION RESULTS

The following highlights the City's recognition of the above amounts:

- ▶ The September 30, 2018 Plan Fiduciary Net Position is \$ 0
- ▶ The FY 2018 Total OPEB Expense is \$ 605,980.
- ▶ Expected FY 2018 OPEB contributions are \$ 51,917 (includes \$ 17,832 in subsidy contributions made by the employer.)

The following table shows results by active and retired employee groups as of September 30, 2018:

	Initial Results	Medicare Prescription Savings	Final
Present Value of Future Benefits			
Actives	8,338,592	NA	8,338,592
Retirees	766,938	NA	766,938
Total	9,105,530	NA	9,105,530
Total OPEB Liability (TOL)			
Actives	4,031,955	NA	4,031,955
Retirees	766,938	NA	766,938
Total	4,798,893	NA	4,798,893
Plan Fiduciary Net Position			0
Net OPEB Liability (NOL)			4,798,893
Service Cost			434,694

ACCOUNTING INFORMATION

The adoption date for the new GASB 75 OPEB Accounting Standard was for the Fiscal Year beginning October 1, 2017. The following shows the development of the Net OPEB Liability (NOL), the Total OPEB Expense, the Schedule of Deferred Inflows/Outflows and the Trend and Discount Rate Sensitivity Analysis.

Net OPEB Liability (NOL)

The Standard sets the method for determining the City's Total OPEB Liability and Net OPEB Liability. The Net OPEB Liability is the difference between the Total OPEB liability and the Plan Fiduciary Net Position. The Plan Fiduciary Net Position is zero for plans with no dedicated plan assets. To be included as assets of the plan the assets must be held in an irrevocable trust for the exclusive purpose of providing post-retirement benefits. Changes in benefit terms are recognized immediately. Changes in assumptions and experience gains/losses are amortized over the average remaining service of active employees and inactive participants. Investment gains/losses are amortized over five (5) years.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Total OPEB Liability October 1, 2017	4,244,830	0	4,244,830
Service Cost	417,734	0	417,734
Interest Cost	188,246	0	188,246
Changes of Benefit Terms	0	0	0
Differences between expected and actual experience	0	0	0
Changes in assumptions	0	0	0
Other changes	0	0	0
Contributions-employer	0	0	0
Net investment income	0	0	0
Benefit payments	(51,917)	0	(51,917)
Administrative Expense	0	0	0
Net change in total OPEB liability	554,063	0	554,063
Total OPEB Liability September 30, 2018	4,798,893	0	4,798,893

Total OPEB Expense

Part of the disclosure is the Total OPEB Expense included in the financial statements each fiscal year. This expense includes the service cost, interest cost and the amortized amount of each basis required by GASB 75.

Total OPEB Expense	FY2018
Service Cost at October 1, 2017	417,734
Interest Cost (including interest on Service Cost)	188,246
Changes of benefit terms	0
Current Recognized Deferred Outflows/(Inflows)	0
Difference between expected and actual experience	0
Changes in assumptions or other inputs (Other changes, if significant)	0
Difference of Projected Investment Earnings	0
Total OPEB Expense as of September 30, 2018	605,980

Schedule of Deferred Inflows/Outflows

GASB75 requires disclosure of the deferred inflows/outflows resulting from the changes in the Total OPEB liability each year. Included will be a schedule showing the original amortization amount, the years to be amortized, and the remaining balance. If applicable, Appendix A to this report discloses any detailed amortization information.

Schedule of Deferred Inflows/Outflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	0	0
Changes of assumptions/inputs	0	0
Net difference between projected and actual investments	0	0
Total	0	0

Sensitivity Analysis of the Trend and Discount Rate

GASB75 requires that a sensitivity analysis of the trend and discount rates used in the valuation. The sensitivity is plus or minus 1% from the base rates used in the valuation. The values shown are as of September 30, 2018.

Trend	Total OPEB Liability	% Difference
1% Decrease (4.00%)	3,717,445	-22.5%
Current Trend 5.00%	4,798,893	
1% Increase (6.00%)	6,317,130	31.6%

Discount Rate	Total OPEB Liability	% Difference
+1% Discount Sensitivity (5.06%)	3,836,675	-20.1%
Current Discount Rate 4.06%	4,798,893	
-1% Discount Sensitivity (3.06%)	6,101,627	27.1%

Projection of Net Inflows (Outflows)

Fiscal Year	Net Inflows (Outflows)
2019	0
2020	0
2021	0
2022	0
2023	0

Required Supplementary Information

Below is the Schedule of Funding Progress. Ultimately 10 years of funding progress will be shown:

Measurement Date	Fiduciary Net Position	Total OPEB Liability - Entry Age Normal Percentage of Salary	Net OPEB Liability	Funded Ratio	Covered Payroll	Net OPEB Liability as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a) / (b)	(c)	[(b) - (a)] / (c)
September 30, 2018	0	4,798,893	4,798,893	0.00%	4,672,120	102.71%
	0			0.00%		
	0			0.00%		

DEMOGRAPHIC INFORMATION

The following table summarizes active and retiree demographic information as of September 30, 2016.

Status	Employee Only	With Dependent Coverage
Active (= 105)	85	20
Retired (= 4)	4	0
Total = 109	89	20

Excludes employees hire after September 30, 2018.

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Plan Provisions

Medical Benefits

Eligibility	Eligible for retirement under the TMRS retirement plan. Must have at least 20 years of service with the City to participate in the retiree health plan. Not eligible if retired under other public retirement plans.
Dependent eligibility	Dependent coverage not provided
Postretirement contributions	The City pays the full contribution for the first 10 years of retirement and for age 65 and later. The City pays 50% of the contribution after 10 years and prior to age 65. Medical benefits and dental benefits are provided through the TML Multistate Intergovernmental Employee Benefits Pool. Coverage is for the life of the retiree subject to retiree contribution payments being made.

Change in Plan Provisions None

Actuarial Method

Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary.

Service Cost

Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan’s benefit formula. This allocation is based on each participant’s service between date of hire and date of expected termination.

Total OPEB Liability

The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

Discount Rate

4.06% (1.06% real rate of return plus 3.00% inflation)

Average Per Capita Claim Cost

Age	Medical
50	7,285
51	7,503
52	7,729
53	7,960
54	8,199
55	8,445
56	8,699
57	8,959
58	9,228
59	9,505
60	9,790
61	10,084
62	10,387
63	10,698
64	11,019

Dental annual per capita cost is \$ 814.80.

Health Care Cost Trend

Level 5.00% medical 3.00% level dental.

Effect of ACA	The excess coverage excise tax penalty of the Affordable Care Act has been postponed until the plan year beginning in 2022 and is not included in the projection of benefits in this valuation. This plan has current medical costs well under the limits in current law. Current legislative discussions include both repeal of the excise tax and postponement beyond 2022.
Mortality	RPH-2014 Total Table with Projection MP-2018
Turnover	Rates varying based on gender, age and select and ultimate at 9 years. Rates based the TMRS actuarial assumptions from the 2017 retirement plan valuation report. More detail is shown on Page 14.
Disability	None assumed
Retirement Rates	Detail is shown on Page 14.
Retiree Contributions	\$ 317.46 per month for employee coverage provided after 10 years of coverage and before age 65. No contribution required for the first 10 years and after age 65.
Salary Scale	3.50%
Data Assumptions	
<i>Coverage</i>	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 100% of all actives who currently have healthcare coverage will continue with employee only coverage upon retirement.
Valuation Methodology and Terminology	We have used GASB accounting methodology to determine the postretirement medical benefit obligations.
Valuation Date	September 30, 2018
Measurement Date	September 30, 2018

**SUMMARY OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD
STATEMENTS NO. 74 AND NO. 75**

APPLICABILITY OF ACCOUNTING STANDARDS

The Governmental Accounting Standards Board released Statements No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (“GASB 74”) and Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“GASB 75”) in September 2015. These two statements supersede GASB Statements 43 and 45, respectively, and establish uniform accounting and financial reporting standards for state and local governmental entities related to postemployment benefits other than pensions.

GASB 74 must be adopted for fiscal years beginning after September 15, 2016, and GASB 75 must be adopted for fiscal years beginning after September 15, 2017. While the previous statements allowed smaller entities the ability to have valuations every three years, the replacement standards require all entities, regardless of size, to have a valuation performed every two years, with roll forward valuations performed on years in between.

ACTUARIAL COST METHOD

Whereas GASB 43 and GASB 45 allowed for one of six different actuarial cost methods, GASB 74 and GASB 75 require the Entry Age Normal cost method based on a level percentage of projected salary.

REQUIRED NOTES TO FINANCIAL STATEMENTS

The following information is required to be disclosed in the notes to financial statements:

- Plan description
- Sources of changes in the net OPEB liability
- Significant assumptions used to calculate the total OPEB liability

REQUIRED SUPPLEMENTARY INFORMATION

The following information is to be included as Required Supplementary Information (“RSI”):

- A ten-year schedule of changes in the net OPEB liability that separately presents the information required for each year
- A ten-year schedule presenting the components of the net OPEB liability and related ratios
- Actuarially-determined contributions (if applicable), with notes showing significant methods and assumptions used in the determination of contributions

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Financial Advisory Services
Provided By:

