

OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
and
PRELIMINARY OFFICIAL STATEMENT

\$6,500,000*

CITY OF CENTER, TEXAS
(Shelby County, Texas)

**Combination Tax and Waterworks and
Sewer System (Limited Pledge) Revenue
Certificates of Obligation
Series 2019**

*Bids Due
June 10, 2019
at 11:00 A.M. Central Time*

*Preliminary, subject to change. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" herein.

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Certificates defined and described herein. The invitation for bids on the Certificates is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

\$6,500,000*

CITY OF CENTER, TEXAS

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

COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

THE SALE

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The City Council of the City of Center, Texas (the "City" or the "Issuer") is offering for sale at competitive bid \$6,500,000 Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2019 (the "Certificates"). Bidders may submit bids for the Certificates by either of the following methods:

- (1) Submit bids electronically as described below in "BIDS BY INTERNET;" or
- (2) Submit bids by facsimile as described below in "BIDS BY FACSIMILE."

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M. Central Time, on June 10, 2019. Bidders submitting a bid by internet **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 10:00 A.M., Central Time, on June 10, 2019 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile, as described below. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of the Official Notice of Sale, Official Bid Form, and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone 212-849-5021.

An electronic bid made through the facilities of the PARITY System shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being the sole risk of the prospective bidder.

BIDS BY FACSIMILE: Interested bidders may, at their option and risk, submit their bid by facsimile to the City's Financial Advisor, SAMCO Capital Markets, Inc., Attention: Mr. Doug Whitt at (214) 279-8683 by 11:00 a.m., Central Time, on June 10, 2019. Bidders submitting a bid by facsimile **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit a bid by facsimile should, as a courtesy, submit an email message to dwhitt@samcocapital.com by 10:00 A.M., Central Time, on Monday, June 10, 2019 indicating their intent to submit a bid by facsimile.

Neither the City nor SAMCO Capital Markets, Inc. is responsible for any failure of the Financial Advisor's or the bidder's fax machine. Bids received by facsimile after the bid deadline will not be accepted. Bidders who fax bids do so at their own risk. All such bids are binding on the bidder.

PLACE AND TIME OF BID OPENING: The bids for the Certificates will be publicly opened and read at the City at 11:00 A.M. Central Time, on Monday, June 10, 2019.

AWARD OF THE CERTIFICATES: The City Council will take action to award the Certificates (or reject all bids) at a regular meeting to commence at 5:00 P.M., Central time, on Monday, June 10, 2019.

THE CERTIFICATES

DESCRIPTION: The Certificates will be dated June 15, 2019 (the "Dated Date") with interest payable initially on February 15, 2020 and semiannually thereafter on each August 15 and February 15 until stated maturity or prior redemption. The 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 (the "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 BOKF, NA, Dallas, Texas as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

**Preliminary, subject to change. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" herein.*

The Certificates will be stated to mature on August 15 in each of the following years in the following amounts:

MATURITY SCHEDULE

Maturity 8/15	Principal Amount*	Maturity 8/15	Principal Amount*
2020	\$75,000	2030	\$265,000
2021	165,000	2031	385,000
2022	200,000	2032	400,000
2023	205,000	2033	415,000
2024	215,000	2034	425,000
2025	220,000	2035	440,000
2026	230,000	2036	455,000
2027	245,000	2037	535,000
2028	245,000	2038	555,000
2029	255,000	2039	570,000

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: After selecting the winning bid, the aggregate principal amount of the Certificates and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in \$5,000 increments to reflect the actual interest rates and to create a substantially level debt service schedule for the City. Such adjustments will not change the aggregate principal amount of the Certificates by more than 10% from the amount set forth herein or change the principal amount due on the Certificates in any year by more than 20% (excluding the 2020 maturity). The dollar amount bid for the Certificates by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Certificates finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within four (4) hours after the opening of the bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Certificates as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Certificates and/or the maturity schedule for the Certificates made by the City or its Financial Advisor shall be subsequent to the award of the Certificates to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – BASIS OF AWARD" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that maturities 2029 through 2039 be combined into term Certificates (the "Term Certificates").

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts of the Certificates to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such Term Certificate and continuing on August 15 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption "MATURITY SCHEDULE" (subject to adjustment as provided in "ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES"). Term Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The City reserves the right to redeem the Certificates maturing on or after August 15, 2029 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 15, 2029 or any date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The City will designate the Certificates as "qualified tax-exempt obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Official Statement.)

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Certificates are being issued pursuant to the provisions of Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") to be adopted on June 10, 2019 by the City Council. The Certificates are direct obligations of the City and are payable as to principal and interest from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law, and a limited pledge of the net revenues of the City's waterworks and sewer system, as provided in the Ordinance. (See "THE CERTIFICATES – Authority for Issuance and THE CERTIFICATES – Security for Payment" in the Official Statement).

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

In the Ordinance the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the City has agreed to notify each registered owner of the Certificates by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

**Preliminary, subject to change. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" herein.*

BOOK-ENTRY-ONLY SYSTEM: The City intends to utilize the Book-Entry-Only System of DTC with respect to the issuance of the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDINANCE: Further details regarding the Certificates and certain covenants of the City contained in the Ordinance are set forth in the Preliminary Official Statement, to which reference is made for all purposes.

CONDITIONS OF THE SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates will be sold in one block, on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than \$103.00 nor greater than \$108.00 will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES."** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3.00% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the **lowest True Interest Cost (defined herein) rate on the Certificates to the City.** The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the **Dated Date** of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus the premium bid (but not interest accrued from the Dated Date to the date of their Initial Delivery). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium set forth in the Official Bid Form will be considered as the intended bid.

In Ordinance to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") relating to the exclusion of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of Initial Delivery of the Certificates) a certification as to their "issue price" (the "Issue Price Certificate") in the form and to the effect attached hereto or accompanying this Official Notice of Sale. In the event the successful bidder is unable to sell a substantial amount of the Certificates of any maturity by the date of Initial Delivery, the Issue Price Certificate may be modified in a manner approved by the City. Each bidder, by submitting its bid, agrees to complete, execute, and deliver the Issue Price Certificate by the date of Initial Delivery of the Certificates, if its bid is accepted by the City. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

ESTABLISHMENT OF ISSUE PRICE:

(a) The winning bidder shall assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City by the date of Initial Delivery an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, and Norton Rose Fulbright US LLP, the City's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Certificates under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the City's Financial Advisor and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the "competitive sale requirements") because:

- (1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Certificates as the issue price of that maturity (the "hold-the-offering-price rule"). The City shall promptly advise the winning bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.** In the event that the competitive

sale requirements are not satisfied, resulting in the application of the hold-the-offering price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Certificates.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Certificates to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public),
- (3) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Certificates are awarded by the City to the winning bidder.

GOOD FAITH DEPOSIT: A bank cashier's check, payable to the Ordinance of "City of Center, Texas", in the amount of \$130,000 which is 2% of the proposed par value of the Certificates (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Purchaser will be retained uncashed by the City pending the Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Certificates in accordance with its bid, then said check shall be cashed and accepted by the City as full and complete liquidated damages. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery.** No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Certificates has been made by the City.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

Obligation of the City to receive information from winning bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 – name of the governmental entity (City of Center, Texas) and (b) item 3 – the identification number assigned to this contract by the City (0001) and description of the goods or services (Purchase of the City of Center, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2019). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The Disclosure Form must be sent by email, to the City's financial advisor at dwhitt@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Kristen Savant, c/o Norton Rose Fulbright US LLP, 2200 Ross Avenue, Suite 3600, Dallas, Texas 75201, along with a PDF version sent to kristen.savant@nortonrosefulbright.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

ADDITIONAL CONDITION OF AWARD – COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE:

Each bidder, through submittal of an executed Official Bid Form, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

Each bidder, through submittal of an executed Official Bid Form, hereby represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the winning bidder (the "Initial Purchaser" or "Purchaser") in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described

below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Certificates.

Thereafter, the Issuer will complete and authorize distribution of the final Official Statement, being a modification of the Preliminary Official Statement, identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of one hundred (100) copies of the Official Statement and one hundred (100) copies of any addenda, supplement or amendment thereto, together with information regarding interest rates, and other terms relating to the reoffering of the Certificates. In addition, the City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The City consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules. The Purchaser may arrange at its own expense to have the Official Statement reproduced and printed if it requires more copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the Issuer and the Certificates to subsequent purchasers of the Certificates, and the Issuer will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Official Statement to correct key representations determined to be omitted or materially misleading, after the date of the Official Statement, shall terminate 25 days after the sale date.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be incomplete or materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Certificates, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS – CONDITIONS TO DELIVERY," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement in a "designated electronic format" satisfactory to the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Certificate ("Initial Delivery"), the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of Initial Delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Issuer, since September 30, 2018, the date of the last financial statements of the Issuer appearing in the Official Statement. The Official Statement and this Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by Council on the date of sale, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the Initial Delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

CONTINUING DISCLOSURE AGREEMENT: The City has agreed in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the last five years, the City has complied in all material respects with all prior continuing disclosure undertakings made by it in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATE: Initial Delivery will be accomplished by the issuance of one or more fully registered Certificates in the aggregate principal amount of the Certificates payable to the Purchaser (the "Initial Bond" or "Initial Certificates"), signed by the duly appointed officers of Council, by their manual or facsimile signatures, approved by the Texas Attorney General, and registered and manually signed by the Texas Comptroller of Public Accounts. Initial Delivery will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificates, they shall be immediately canceled and one definitive Certificate for each maturity in the aggregate principal amount of the Certificates payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six business days' notice of the time fixed for delivery of the Certificates. It is anticipated that the delivery of the Initial Certificate can be made on or about July 9, 2019, but if for any reason the City is unable to make delivery by August 6, 2019, then the City shall immediately contact the Purchaser and

offer to allow the Purchaser to extend its obligation to take up and pay for the Certificates an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided that such failure is due to circumstances beyond the City's reasonable control.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of the State of Texas, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the certificate regarding the Official Statement, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE". In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Certificates, and of the Issuer to deliver the Initial Certificates, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificates, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Official Statement, as it may have been finalized, supplemented or amended through the date of Initial Delivery.

LEGAL OPINIONS: The City will furnish the Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas as to the Certificates, to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, regarding the legality and validity of the Certificates issued in compliance with the provisions of the Ordinance. (See "LITIGATION" and "LEGAL MATTERS" in the Official Statement and "Appendix C – Form of Legal Opinion of Bond Counsel" attached to the Official Statement.)

CHANGE IN TAX-EXEMPT STATUS: At any time before the Certificates are tendered for Initial Delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Certificates shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

MUNICIPAL BOND INSURANCE: It is anticipated that the Certificates will be qualified for municipal bond insurance. The Purchaser will select the municipal bond insurance company. **The Purchaser may submit a bid utilizing municipal bond insurance or may submit a bid without utilizing municipal bond insurance. The cost of the municipal bond insurance, if any, will be borne by the Purchaser.** It will be the duty of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Certificates and any other information or certifications which may be required to determine the effect of such insurance on the yield of the Certificates for federal income tax purposes.

RATING: Moody's Investors Service, Inc. ("Moody's") will assign a rating to the Certificates, based upon the insurance policy, if any, securing timely payment of the Certificates. The City's current underlying, unenhanced rating on its outstanding tax supported debt is "A2" by Moody's. The cost of such rating from Moody's will be paid by the City. An explanation of the significance of such a rating, when received, may be obtained from the rating agency. A rating by Moody's reflects only the respective view of such company 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 such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating by such rating agency may have an adverse effect on the market price of the Certificates.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE: No registration statement relating to the Certificates has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Certificates have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or 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 Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Certificates, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but the City will in no instance execute a general consent to service of process in any state in which the Certificates are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Certificates, approve the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

CITY OF CENTER, TEXAS

ATTEST:

David Chadwick

Mayor

Chad Nehring
City Manager

Dated: June 3, 2019

OFFICIAL BID FORM

June 10, 2019

Honorable Mayor and City Council
City of Center, Texas
617 Tenaha Street
Center, Texas 75935

Ladies & Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated June 3, 2019 of \$6,500,000* CITY OF CENTER, TEXAS Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2019 (the "Certificates"), both of which constitute a part hereof.

For your legally issued Certificates, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price of par value thereof plus accrued interest from their date to the date of delivery to us, plus a cash premium of \$_____ (no bid producing a cash premium that results in a dollar price of less than \$103.00 nor greater than \$108.00 will be considered) for Certificates maturing and bearing interest as follows:

Maturity (8/15)	Principal Amount*	Interest Rate (%)	Maturity (8/15)	Principal Amount*	Interest Rate (%)	Maturity (8/15)	Principal Amount*	Interest Rate (%)
2020	\$75,000	_____	2027	\$245,000	_____	2034	\$425,000	_____
2021	165,000	_____	2028	245,000	_____	2035	440,000	_____
2022	200,000	_____	2029	255,000	_____	2036	455,000	_____
2023	205,000	_____	2030	265,000	_____	2037	535,000	_____
2024	215,000	_____	2031	385,000	_____	2038	555,000	_____
2025	220,000	_____	2032	400,000	_____	2039	570,000	_____
2026	230,000	_____	2033	415,000	_____			

Of the principal maturities set forth in the table above, we have created term Certificates as indicated in the following table (which may include multiple Term Certificates, one Term Certificates or no Term Certificates if none is indicated). For those years which have been combined into a Term Certificates, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificates maturity date will mature in such year. The Term Certificates created are as follows:

Term Certificates Maturity Date August 15	Year of First Mandatory Redemption	Principal Amount of Term Certificates	Interest Rate
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Our calculation (which is not a part of this bid) of the interest cost in accordance with the above bid is:

TRUE INTEREST COST _____ %

By accepting this bid, we understand the City will provide the copies of the Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale.

The Initial Certificate(s) shall be registered in the name of _____ (Purchaser). We will advise DTC of registration instructions at least five business days prior to the date set for Initial Delivery. It is the obligation of the Purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

We are having the Certificates of the following maturities _____ insured by _____ at a premium of \$_____, said premium to be paid by the Purchaser. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the City.

Cashier's Check of the _____ (bank), _____ (location), in the amount of \$130,000 which represents our Good Faith Deposit is attached hereto or has been made available to you prior to the opening of the bid, in accordance with the terms set forth in the Official Notice of Sale and the Preliminary Official Statement. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery upon completion of the closing.

We agree to accept delivery of the Initial Certificate(s) through DTC and make payment for the Initial Certificate(s) in immediately available funds at BOKF, NA, Dallas, Texas, no later than 10:00 A.M., Central Time, on July 9, 2019 or thereafter on the date the Initial Certificate(s) is tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The undersigned agrees to complete, execute and deliver to the City by the date of delivery of the Certificates, a Certificate relating to the "issue price" of the Certificates in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to or required by the City.

*Preliminary, subject to change. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" in the Official Notice of Sale and Bidding Instructions.

The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF THE SALE - ESTABLISHMENT OF ISSUE PRICE" and, as evidence thereof agrees to complete, execute and deliver to the City by the date of delivery of the Certificates, a certificate relating to the "issue price" of the Certificates in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the City (as provided under "CONDITIONS OF THE SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale).

Through submittal of this executed Official Bid Form, the undersigned verifies that it does not and will not "boycott Israel" and is not on the Texas Comptroller's list concerning "foreign terrorist organizations" as prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – COMPLIANCE WITH H.B. 89 AND S.B. 252, 85th TEXAS LEGISLATURE".

For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned, if required, will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, notarized and sent by email to the City's financial advisor at dwhitt@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

Respectfully submitted,

(Purchaser)

(Signature - Title)

(Telephone)

ACCEPTANCE CLAUSE

THE FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this June 10, 2019 by Ordinance of the City Council of the City of Center, Texas.

Mayor

ATTEST:

City Secretary

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

2 ~~Name of governmental entity or state agency that is a party to the contract for which the form is being filed.~~

City of Center, Texas

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

0001

Purchase of the City of Center Certificates of Obligation, Series 2019

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary

5 Check only if there is NO Interested Party.

☐

6 UNSWORN DECLARATION

My name is _____, and my date of birth is _____.

My address is _____, _____, _____, _____, _____.
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in _____ County, State of _____, on the _____ day of _____, 20____.
(month) (year)

Signature of authorized agent of contracting business entity
(Declarant)

\$6,500,000¹
CITY OF CENTER, TEXAS
COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (the “Purchaser”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Certificates”) of City of Center, Texas (the “Issuer”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Certificates to the Public by the Purchaser are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Certificates used by the Purchaser in formulating its bid to purchase the Certificates. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Certificates.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Certificates.

2. Defined Terms.

(a) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is June 10, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Certificates and with respect

¹ Preliminary, subject to change.

to compliance with the federal income tax rules affecting the Certificates, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

Dated: _____, 2019

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

BOND YEARS

\$6,500,000*

CITY OF CENTER, TEXAS

(Shelby County, Texas)

**Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue
Certificates of Obligation, Series 2019**

Dated: June 15, 2019

Due: August 15

Year	Amount*	Bond Years*	
		Bond Years	Cumulative Bond Years
2020	\$ 75,000	82.5000	82.5000
2021	165,000	346.5000	429.0000
2022	200,000	620.0000	1,049.0000
2023	205,000	840.5000	1,889.5000
2024	215,000	1,096.5000	2,986.0000
2025	220,000	1,342.0000	4,328.0000
2026	230,000	1,633.0000	5,961.0000
2027	245,000	1,984.5000	7,945.5000
2028	245,000	2,229.5000	10,175.0000
2029	255,000	2,575.5000	12,750.5000
2030	265,000	2,941.5000	15,692.0000
2031	385,000	4,658.5000	20,350.5000
2032	400,000	5,240.0000	25,590.5000
2033	415,000	5,851.5000	31,442.0000
2034	425,000	6,417.5000	37,859.5000
2035	440,000	7,084.0000	44,943.5000
2036	455,000	7,780.5000	52,724.0000
2037	535,000	9,683.5000	62,407.5000
2038	555,000	10,600.5000	73,008.0000
2039	570,000	11,457.0000	84,465.0000

Average Maturity = 12.99

*Preliminary, subject to change. See "THE CERTIFICATES- ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" in the Official Notice of Sale and Bidding Instructions.

PRELIMINARY OFFICIAL STATEMENT

Dated: June 3, 2019

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

The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

CITY OF CENTER, TEXAS

(Shelby County)

\$6,500,000*

**Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue
Certificates of Obligation, Series 2019**

Dated Date: June 15, 2019

Due: August 15, as shown on the inside cover page

The City of Center, Texas (the "City") Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2019 (the "Certificates") are being issued pursuant to the provisions of Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council on June 10, 2019. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the City payable as to principal and interest from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law and a limited pledge of the net revenues of the City's combined waterworks and sewer system, as provided in the Ordinance. (See "The CERTIFICATES – Security for Payment" herein.)

Interest on the Certificates will accrue from June 15, 2019 (the "Dated Date") as shown above and will be payable on February 15 and August 15 of each year, commencing February 15, 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 (the "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 BOKF, NA, Dallas, Texas as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used primarily for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities; downtown improvements, and the purchase of fire-fighting equipment, (ii) and to pay the costs of issuing the Certificates. (See "THE CERTIFICATES – Use of Proceeds" herein.)

The City reserves the right to redeem the Certificates maturing on and after August 15, 2029 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2029 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES – Redemption Provisions" herein.)

The City is considering qualifying the Certificates for municipal bond insurance and has made application to municipal bond insurance companies in connection with such consideration. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the initial Purchaser (defined below). (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

MATURITY SCHEDULE

(On Inside Cover)

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 Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or will accompany the Certificates. It is expected that the Certificates will be available for delivery through DTC on or about July 9, 2019.

BIDS DUE MONDAY, JUNE 10, 2019 BY 11:00 A.M., CENTRAL TIME

**Preliminary, subject to change.*

\$6,500,000*
CITY OF CENTER, TEXAS
(A POLITICAL SUBDIVISION OF THE STATE OF TEXAS LOCATED IN SHELBY COUNTY, TEXAS)
COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2019

MATURITY SCHEDULE*
Base CUSIP No.: 151717⁽¹⁾

<u>Maturity</u> <u>(8/15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <u>Suffix ⁽¹⁾</u>	<u>Maturity</u> <u>(8/15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <u>Suffix ⁽¹⁾</u>
2020	\$75,000	%	%		2030	\$265,000	%	%	
2021	165,000				2031	385,000			
2022	200,000				2032	400,000			
2023	205,000				2033	415,000			
2024	215,000				2034	425,000			
2025	220,000				2035	440,000			
2026	230,000				2036	455,000			
2027	245,000				2037	535,000			
2028	245,000				2038	555,000			
2029	255,000				2039	570,000			

(Interest to accrue from the Dated Date)

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF CENTER, TEXAS

ELECTED OFFICIALS

<u>City Council</u>	<u>Year Initially Elected</u>	<u>Next Term Expires</u>	<u>Occupation</u>
David Chadwick, Mayor	1980	2019	Banker
Leigh Porterfield, Mayor Pro-Tem	2011	2020	Service Director
Dr. Randy Collard, Member	2018	2020	Optometrist
Howell Howard, Member	2012	2019	Poultry Farm Supply Owner
Joyce Johnson, Member	2011	2019	Retired
Jerry Lathan, Member	2013	2020	Retired
Terry Scull, Member	2017	2019	Business Owner

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service with the City</u>
Chad Nehring	City Manager	18 Years
Barbara Boyd	City Secretary	13 Years
Jim Gibson	Assistant City Manager	8 Years

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP, Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc., Plano, Texas
Certified Public Accountants	Axley & Rode L.L.P., Lufkin, Texas

For additional information contact:

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City Manager
City of Center
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(936) 598-4693

Douglas Whitt / Brian Grubbs / Robert White
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1469
(214) 279-8683 (Fax)

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

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.

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

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

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all appendices hereto, to obtain information essential to making an informed investment decision

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1	INVESTMENT POLICIES	7
THE CERTIFICATES	1	Investments	7
General	1	Legal Investments	7
Authority for Issuance	1	Investment Policies	8
Security for Payment	1	Additional Provisions	8
Redemption Provisions	1	Current Investments	8
Notices Sent to Securities Depository	2	THE PROPERTY TAX CODE AS APPLIED TO THE CITY	8
Use of Proceeds	2	SALES TAX COLLECTIONS	12
Sources and Uses	2	Municipal Sales Tax Collections	12
Payment Record	2	Optional Sales Tax	12
Legality	2	TAX MATTERS	12
Defeasance	2	Tax Exemption	12
Amendments	3	Tax Accounting Treatment of Discount/Premium	
REGISTERED OWNERS' REMEDIES	3	Certificates	13
REGISTRATION, TRANSFER AND EXCHANGE	4	Qualified Tax-Exempt Obligations for Financial	
Paying Agent/Registrar	4	Institutions	14
Record Date	4	CONTINUING DISCLOSURE OF INFORMATION	14
Future Registration	4	OTHER PERTINENT INFORMATION	15
Replacement Certificates	4	FORWARD LOOKING STATEMENTS	16
BOOK-ENTRY-ONLY SYSTEM	4	WINNING BIDDER	17
BOND INSURANCE	6	CERTIFICATION OF THE OFFICIAL STATEMENT	17
BOND INSURANCE RISK FACTORS	6	CONCLUDING STATEMENT	17

Financial Information of the City
General Information Regarding the City of Center and Shelby County
Form of Legal Opinion of Bond Counsel
Financial Statement for the Fiscal Year Ended September 30, 2018

Appendix A
Appendix B
Appendix C
Appendix D

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 City	The City of Center, Texas (the “City” or “Issuer”), located in Shelby County is a political subdivision of the State of Texas and is a home-rule municipality operating under a City Manager form of government with a City Council comprised of seven members including the Mayor. (See “General Information Regarding City of Center, Texas and Shelby County” herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly, Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the “Ordinance”) to be adopted by the City Council on June 10, 2019. (See “THE CERTIFICATES – Authority for Issuance” herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct obligations of the City payable as to principal and interest from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law and a limited pledge of the net revenues of the City’s combined waterworks and sewer system, as provided in the Ordinance. (See “The CERTIFICATES – Security for Payment” herein.)
Redemption Provisions	The City reserves the right to redeem the Certificates maturing on and after August 15, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See “THE CERTIFICATES – Redemption Provisions” herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein. (See “TAX MATTERS” and “Appendix C – Form of Legal Opinion of Bond Counsel” herein.)
Qualified Tax-Exempt Obligations	The City will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS - Qualified Tax-Exempt Obligations” herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used primarily for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities; downtown improvements, and the purchase of fire-fighting equipment, (ii) and to pay the costs of issuing the Certificates. (See “THE CERTIFICATES – Use of Proceeds” herein.)
Book-Entry-Only System	The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
Rating and Bond Insurance	In connection with the sale of the Certificates, the City has made application to Moody’s Investors Service, Inc. (Moody’s) for a municipal bond rating. The City’s current underlying, unenhanced rating on its outstanding tax supported debt is “A2” by Moody’s. In addition, the City has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Certificates. The purchase of such insurance, if available and the payment of all associated costs will be at the option and expense of the initial Purchaser. (See “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” herein.)
Payment Record	The City has never defaulted in the payment of its bonded indebtedness.
Delivery	When issued, anticipated on or about July 9, 2019.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas.

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Center, Texas (the "City") of its \$6,500,000 Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2019 (the "Certificates") identified on the cover page hereof.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the "Ordinance"). Included in this Official Statement are descriptions of the Certificates and certain information about the City and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

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

THE CERTIFICATES

General

The Certificates will be dated June 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 ii of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof within a stated maturity. The Certificates will bear interest from the Dated Date and will be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2020, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

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

Authority for Issuance

The City is a political subdivision of the State of Texas and operates under the statutes and the Constitution of the State of Texas. The Certificates are being issued pursuant to the provisions of Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance to be adopted on June 10, 2019.

Security for Payment

The Certificates are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law and a limited pledge of \$1,000 of the net revenues of the City's combined waterworks and sewer system, as provided in the Ordinance. (See "The Certificates – Tax Rate Limitations.") All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax to provide for the operations of the City, including the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation.

Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based upon a 90% collection factor.

Redemption Provisions

The City reserves the right to redeem the Certificates maturing on and after August 15, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2029 or any date thereafter, at the redemption price of par plus accrued interest. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected at random and by lot by the Paying Agent/Registrar (or DTC, while the Certificates are in the book-entry-only system of DTC).

At least 30 days prior to the date fixed for any such redemption, the City shall cause a written notice of such redemption to be deposited in the United States mail, postage prepaid, addressed to each registered owner of a Certificate to be redeemed at the address shown on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificate or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificate or portions thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

Notices Sent to Securities Depository

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption for the Certificates, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action with respect to the Certificates premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Use of Proceeds

Proceeds from the sale of the Certificates will be used primarily for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities; downtown improvements, and the purchase of fire-fighting equipment, (ii) and to pay the costs of issuing the Certificates.

Sources and Uses of Funds

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

Sources	
Par Amount of the Certificates	\$
Net Original Issue Reoffering Premium	
Accrued interest on the Certificates	
Total Sources of Funds	\$ <u> </u>
Uses	
Deposit to Project Fund	\$
Costs of Issuance	
Deposit to interest and sinking fund	
Purchaser's Discount	
Total Uses of Funds	\$ <u> </u>

Payment Record

The City has never defaulted in the payment of its bonded indebtedness.

Legality

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Dallas, Texas. The legal opinion of Bond Counsel will accompany the global Certificates to be deposited with DTC or will be printed on the Certificates should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or

otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, or (iii) a combination of cash and certified Government Securities in an amount sufficient to provide for the payment of the Certificates at maturity or to a redemption date.

The Ordinance provides that "Government Securities" means (A) direct, noncallable Certificates of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (B) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (C) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Certificates.

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 Texas law. There is no assurance that the ratings on investments used to defease Certificates will be maintained at any particular rating category.

After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, such Certificates shall no longer be deemed outstanding obligations payable from ad valorem taxes levied by or the revenues pledged by the City, but will be payable only from the funds and Government Securities deposited in escrow and will not be considered 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. Furthermore, 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.

Amendments

The City 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 City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding, 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 then outstanding, 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 is due and payable, reduce the principal amount thereof the redemption price thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Certificates, or interest thereon is payable, or in any other way modify the terms of its payment, or (2) give any preference to any Certificates over any other applicable Certificates, or (3) reduce the aggregate principal amount of Certificates required to be held by registered owners for consent to any amendment, addition, or rescission.

REGISTERED OWNERS' REMEDIES

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and 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. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the State. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants set forth in the Certificates or the Ordinance. 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.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar for the Certificates. If the Paying Agent/Registrar is replaced by the City, 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 City, shall be a commercial bank, a trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for any of the Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of Certificates then outstanding 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 on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal will be paid to the registered owner at stated maturity upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

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

Future Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued with respect to the Certificates, printed Certificates will be issued to the registered owners of the respective Certificates and thereafter such Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A 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 will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States 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 Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.) Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates, as the case may be, upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the City and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The City 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 DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer 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 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 Certificate will be issued for each maturity of 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 2.2 million issues of U.S. and non U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other 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 transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security 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 the 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 a maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and 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 and 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.

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

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

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 Ordinances 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 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" above.

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.

BOND INSURANCE

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

BOND INSURANCE GENERAL RISKS

General

The City has applied for a Policy to guarantee the Certificates. If a Policy is purchased as a result of the City accepting a bid for the Certificates that incorporates the acquisition of such a policy, the following are risk factors relating to the bond insurance.

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Certificates and the Insurer's consent may be required in connection with amendments to the Ordinance.

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

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

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

Neither the City nor the Purchasers have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay the principal of and interest on the Certificates and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, S&P (defined herein) and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including the Insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Certificates and the claims paying ability of the Insurer, particularly over the life of the investment.

INVESTMENT POLICIES

Investments

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

Legal Investments

Under State law, the City is authorized to invest in obligations meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with Federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (15) for bond proceeds, guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C.

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

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City 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, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

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

Current Investments

As of March 31, 2019, the City had approximately \$5,343,743 (unaudited) in LOGIC (a government investment pool that generally has the characteristics of a money-market mutual fund), \$41,242 (unaudited) in certificates of deposit and \$194,521 (unaudited) in an interest bearing account at a local bank. State law does not require the City to periodically mark its investments to market price, and the City does not do so, other than annually upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the City's audited financial statements. Given the nature of its investments, the City does not believe that the market value of its investments differs materially from book value.

THE PROPERTY TAX CODE AS APPLIED TO THE CITY

The Certificates are payable from an ad valorem tax levied, within the limitations prescribed by law, on all taxable property within the City. Reference is hereby made to the Texas Property Tax Code, as amended (the "Tax Code"), for identification of property subject to taxation, property exempt or which may be exempted from taxation, the appraisal of property for taxation purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Property Tax Code and County-Wide Appraisal Districts

Pursuant to the Tax Code, there has been established for each county in the State of Texas a single appraisal district with responsibility for recording and appraising property for all taxing units within the county and a single appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The appraisal of property within the City is the responsibility of the Appraisal District for Shelby County (the "Appraisal District"). The Appraisal District is governed by a board of five directors appointed by the votes of the governing bodies of the various governmental units within Shelby County, with votes weighted by relative tax levy. The Tax Code requires the Appraisal District, by May 15 of each year or as soon thereafter as practicable, to prepare appraisal records listing all property that is taxable in the Appraisal District and stating the appraised value of each parcel or item of taxable property. Property is to be appraised as of January 1 of each year, and the Tax Code generally requires appraisals at 100% of market value. In determining the market value of property, different methods of

appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Land used for agriculture, timber production or open space may qualify for valuation on productive capacity rather than market value, thereby resulting in a lower taxable value. 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. Appraisals are subject to review by the appraisal review board. Under certain circumstances taxpayers and taxing units (such as the City) may appeal an order of the appraisal review board by filing a petition for review in state district court. In such event, the value of the property in question will be determined by the court, or by a jury if requested by any party. Absent any such appeal, the appraisal roll as prepared by the appraisal district and approved by the appraisal review board must be used by each taxing jurisdiction in establishing its tax rolls and tax rate.

Although the City has the authority to establish tax rates and to levy and collect its taxes each year, the City cannot establish standards for appraisal or determine the frequency of revaluation or reappraisal. The Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for reappraisal of all real property in the appraisal district at least once every three years.

Property Subject to Taxation

Except for certain exemptions provided by state law, all real and tangible personal property in the City is subject to taxation by the City. However, the City does not levy taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property 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 household goods, family supplies and personal effects; farm products and implements owned by the producer; certain property owned by charitable organizations, youth development associations, religious organizations and qualified schools; designated historic sites; solar and wind powered energy devices; and most individually-owned automobiles. The Tax Code also exempts all tangible personal property not producing income, other than manufactured homes, from ad valorem taxes; however, the taxing unit may choose to override this exemption.

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

Section 11.253 of the Tax Code provides for the exemption from taxation of "goods in transit", which is effective for tax years 2008 and thereafter. "Goods in transit" is defined as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. 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. Section 11.253 of the Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

Effective January 1, 2004, under Article VIII of the Texas Constitution and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

In addition, owners of agricultural, timber and open space land may, under certain circumstances, request valuation of such land on the basis of productive capacity rather than market value.

Up to 20% of the value of the residence homestead of a person (with a minimum exemption of \$5,000) may be exempt from taxation at the option of the governing body of the taxing entity. Senate Joint Resolution 1 ("Senate Joint Resolution 1"), passed during the 84th Texas Legislature, proposed a constitutional amendment increasing the mandatory homestead exemption for school districts from \$15,000 to \$25,000 and requiring that the tax limitation for taxpayers who are age 65 and older or disabled be reduced to reflect the additional exemption. While Senate Joint Resolution 1 was not directly applicable to municipalities and counties, Senate Bill 1, which was also passed by the 84th Legislature, provided that if Senate Joint Resolution 1 was approved by the voters on November 3, 2015, then the governing body of a school district, municipality, or county would be prohibited from reducing the amount of or repealing an optional homestead exemption that was in place for the 2014 tax year (fiscal year 2015) for a period running through December 31, 2019. Senate Joint Resolution 1 was approved by voters on November 3, 2015, and therefore the prohibition is in effect.

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. Additionally, not less than \$3,000 of the market value of the residence homestead of a person 65 years of age or older and certain disabled persons may be exempt from taxation, if such exemption is allowed by the governing body of the taxing entity or imposed by referendum election. State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000;

provided, however, that a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. House Joint Resolution 75 ("HJR75"), passed during the 84th Texas legislature, proposed a constitutional amendment that allows the Legislature to provide for an exemption from ad valorem taxation of all or part of the market value of the residence homestead of the surviving spouse of a 100 percent or totally disabled veteran and who would have had qualified for the full exemption veteran before the law authorizing a residence homestead exemption took effect. Since the proposition authorized by HJR75 was approved by voters in the November 2015 Constitutional election, the surviving spouse of a totally disabled veteran who died on or before January 1, 2010 and who would have qualified for the full exemption on the homestead's entire value if it had been available at that time, will be entitled to an exemption from ad valorem taxation of all or part of the market value of the residence homestead if the spouse has not remarried.

Following the approval by the voters at a November 5, 2013 statewide election, 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 at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that 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 residences 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.

For property to be exempt from taxation, a claim for exemption must be filed, except with respect to property owned by the State of Texas or its political subdivisions, property exempt by federal law, household goods and personal effects, family supplies, farm products, implements of farming and ranching and automobiles.

In addition to the aforementioned exemptions, state law allows cities to abate property from taxation in order to provide business incentives to spur economic growth.

The City has a formal abatement policy with nine distinct criteria that must be met in order to be considered for abatement. Additionally, any abatements granted have a maximum limit of seven years.

A city may utilize tax increment financing, pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

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

The value of the exemptions and abatements are shown in Appendix A.

Tax Rate Limitations and Notice And Hearing Procedures

Imposed by Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population: \$2.50 per \$100 assessed valuation. The City operates under a Home Rule Charter which adopts the Constitutional provisions.

The Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll. Article VIII, Section 21 of the Texas Constitution, as amended, provides that, subject to any exception prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed in the preceding year unless a notice of intent to consider an increase in taxes is given and a public hearing on the proposed increase is held before the total taxes are increased. Under current law, the City Council may not adopt a tax rate that exceeds the prior year's levy until a public hearing has been held, and Section 26.07 of the Tax Code subjects an increase in the effective tax rate to a referendum election when the effective tax rate increase is more than 8% of the previous year's effective tax rate.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per \$100 taxable value for the current year. Under current law, the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures for the next year, and (2) a rate to fund debt service in the next year.

Under the Property Tax Code, the City Council is prohibited from adopting a tax that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings

(including the requirement that notice be posted on the City's website if the City owns, operates, or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. Each year the City must calculate and publicize certain information concerning its proposed tax rate, including its "rollback tax rate." The rollback tax rate is the rate that will produce last year's maintenance and operation levy multiplied by 1.08 plus a rate that will produce the current year's debt service, with such rates adjusted to take into account new exemptions and property additions to the tax roll. See "THE PROPERTY TAX CODE AS APPLIED TO THE CITY -2019 Legislative Session" for information regarding recently enacted changes to the rollback tax rate by the Texas Legislature. If the adopted rate exceeds the rollback tax rate, the qualified voters of the City may petition the City Council to call an election to determine whether to reduce the tax rate adopted for the City to the rollback tax rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items for the purpose of reducing property taxes. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code and Tex. SB 2, 86th Leg., R.S. (2019) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

2019 Legislative Session

The 86th Regular Legislative Session convened on January 8, 2019 and adjourned on May 27, 2019. According to published reports, legislation that changes current laws affecting ad valorem tax matters, including calculation of the rollback tax rate and rollback election process for maintenance tax increases, was adopted on May 27, 2019 and sent to the Texas Governor for his signature. If not vetoed, this legislation will impact the City's future budgeting and the levy and collection of ad valorem taxes for maintenance and operations purposes. At this time, the City has not undertaken a comprehensive review of this legislation to determine the extent of this impact on its maintenance and operations budget. The City does not anticipate that this legislation will impact its ability to levy and collect ad valorem taxes for debt service purposes.

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 due on February 1 of each year and the final installment due on August 1.

Levy and Collection of Taxes

The City is responsible for the levy and collection of its taxes unless it elects to contract for the collection of its taxes with another entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the City 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. The Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

City Application of Property Tax Code

The City does not tax personal property not used in the production of income, such as personal automobiles.

The City does collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The City grants a local option exemption equal to 20% of the market value of all residence homesteads.

The City grants a local option exemption equal to \$5,000 of the market value of the residence homestead of persons 65 years of age or older.

The City has not authorized a local option freeze on taxes for persons 65 years of age or older or disabled persons.

The City levies a sales and use tax of ¼ percent for the purpose of reducing ad valorem taxes.

The Shelby County Tax Assessor-Collector collects the City's taxes on behalf of the City.

The City does allow split payments of taxes on homesteads but does not give discounts for early payment of taxes.

The City has not granted the freeport exemption.

The City has entered into fifteen tax abatement agreements.

The City has authorized a TIRZ. In 2010, the City created a TIRZ on a tract of approximately 75 acres for the purpose of funding street and other infrastructure in an under-developed area of the City that is targeted for industrial development.

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

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

⁽¹⁾ After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge.

⁽²⁾ Interest continues to accrue after July 1 at a rate of 1% per month until paid.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

SALES TAX COLLECTIONS

Municipal Sales Tax Collections

The City has adopted the provisions of the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which provides for the maximum levy of a one percent sales tax which may be used by the City for any lawful purpose, except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of obligations or other indebtedness. Net collections are shown in Table 11 of Appendix A.

Optional Sales Tax

The Tax Code provides certain cities and counties the option of assessing a maximum one-quarter percent (1/4%) sales and use 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 state law provides certain cities the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for various governmental and economic development purposes under each of Sections 4A and 4B of the Development Corporation Act, Article 5190.6, V.A.T.C.S., if approved by a majority of the voters in a local option election. All optional sales taxes combined may not exceed 1%.

At a special election held in January 1994 voters of the City approved the imposition of a ¼ percent additional sales tax to be used for ad valorem tax reduction and a ¼ percent additional sales tax to be used for economic development purposes (type 4A economic development). Levy of the ad valorem tax reduction sales tax and the type 4A economic development sales tax began in October 1994. At a special election held in August 1996, voters of the City approved the imposition of a ½ percent additional sales and use tax to be used for economic development purposes (type 4B economic development). Levy of the type 4B economic development sales tax began in January 1997. The State of Texas levies a 6 1/4 percent sales and use tax. The State tax, in addition to the local sales and use taxes, result in a total sales and use tax within the City of 8 1/4%, which under current law is the maximum rate that may be collected within a governmental entity.

TAX MATTERS

Tax Exemption

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

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of

arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of such Certificates.

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

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

Tax Accounting Treatment of Discount/Premium Certificates

The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment.

In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

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

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

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

The City will designate the Certificates as "qualified tax-exempt obligations" and represent that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the one-hundred percent (100%) disallowance of interest expense allocable to interest on the Certificates under Section 265(b) of the Code. However, twenty percent (20%) of the interest expense incurred by a financial institution which is allocable to the interest on the Certificates will not be deductible pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the 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

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 Appendix A and Appendix D. The City will update and provide the information in Appendix A within six months after the end of each fiscal year ending in and after 2019. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2019. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified above or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Appendix A by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

Notices of Certain Events

The City will also provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Certificates nor the Ordinance make any provision for a bond trustee, debt service reserves, credit enhancement, or liquidity enhancement. The City will provide each notice described in this paragraph to the MSRB.

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

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to Rule 15c2-12 which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under Rule 15c2-12 after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

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

Limitations and Amendments

The City has agreed to update information and to provide notices of 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

During the last five years, the City has complied in all material respects with all prior continuing disclosure undertakings made by it in accordance with the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The offering of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

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

The delivery of the Certificates to the Purchaser is subject to the City delivering a certificate to the Purchaser to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Certificates.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudence standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Certificates must be rated "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to invest in the Certificates, except for purchases for interest and sinking funds of such entities. See "Other Pertinent Information -- Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Certificates. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

Legal Matters

The City will furnish complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

Rating

In connection with the sale of the Certificates, the City has made application to Moody's Investors Service, Inc. (Moody's) for a municipal bond rating. The City's current underlying, unenhanced rating on its outstanding tax supported debt is "A2" by Moody's. In addition, the City has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Certificates. The purchase of such insurance, if available and the payment of all associated costs will be at the option and expense of the initial Purchaser. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.).

An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the City to assist in the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates that is contained in 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 City 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 fee of the Financial Advisor for services with respect to the Certificates is contingent upon the issuance and sale of the Certificates. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

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, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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 Certificate 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 would prove to be accurate.

WINNING BIDDER

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page ii of this Official Statement at a price of par, plus a cash premium of \$ _____ less a purchaser's discount of \$ _____ plus accrued interest. The City can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

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

CONCLUDING STATEMENT

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

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

The Ordinance authorizing the issuance of the Certificates will also approve 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 will be 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 CENTER, TEXAS

ATTEST:

Mayor

City Secretary

APPENDIX A
FINANCIAL INFORMATION OF THE CITY

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION ⁽¹⁾

TABLE 1

2018/19 Market Value of Taxable Property	\$ 316,851,407
Less Exemptions:	
Local Over-65/Disabled Exemption	\$ 1,739,933
Local Optional Homestead Exemption	14,211,238
Disabled/Veterans Homestead Exemption	488,842
Veterans Exemption Loss	244,500
Productivity Value Loss	7,731,480
Abatement Value Loss	6,217,870
Homestead Cap Loss	413,081
	<u>\$ 31,046,944</u>
2018/19 Net Taxable Assessed Valuation	\$ 285,804,463

(1) Source: Shelby County Appraisal District.

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Outstanding:	
Combination Tax and Waterworks and Sewer System Revenue C/Os, Series 2007	\$ 395,000
Combination Tax and Revenue C/Os, Series 2011 ⁽¹⁾	3,596,314
Combination Tax and Waterworks and Sewer System Surplus Revenue C/Os, Series 2012	1,670,000
General Obligation Refunding Bonds, Series 2012	1,055,000
Tax Notes, Series 2014	360,000
Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2016	<u>3,660,000</u>
Total General Obligation Debt Outstanding:	\$ 10,736,314
Plus: Series 2019 Obligations ⁽²⁾	
Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2019	<u>\$ 6,500,000</u>
Total General Obligation Debt Outstanding:	\$ 17,236,314
Less: Self-Supporting Debt	
Combination Tax and Waterworks and Sewer System Revenue C/Os, Series 2007 ⁽³⁾	\$ 395,000
Combination Tax and Waterworks and Sewer System Surplus Revenue C/Os, Series 2012 ⁽⁴⁾	1,670,000
Portion of Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2016 ⁽⁴⁾	2,745,000
Portion of Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2019 ⁽⁴⁾	<u>4,875,000</u>
Total Self Supporting Debt Outstanding:	\$ 9,685,000
Total Gross General Obligation Debt Outstanding	\$ 7,551,314
General Obligation Interest & Sinking Fund Balance - September 30, 2018 ⁽⁵⁾	<u>\$ (96,652)</u>
Net General Obligation Debt Outstanding	\$ 7,454,662
Ratio of Net General Obligation Debt to 2015/16 Net Assessed Valuation	2.61%
2019 Population Estimate -	5,271
Per Capita 2015/16 Net Assessed Valuation -	\$54,222
Per Capita Gross General Obligation Debt -	\$3,270
Per Capita Net General Obligation Debt -	\$1,414

(1) Excludes interest accreted on outstanding capital appreciation bonds.

(2) Preliminary, subject to change.

(3) Certificates are anticipated to be paid with Hotel/Motel tax revenues.

(4) Certificates are anticipated to be paid with Waterworks and Sewer System revenues.

(5) Source: City of Center Audited Financial Report.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 3

Fiscal Year 30-Sep	Outstanding Debt Service ⁽¹⁾	Plus: The Bonds ⁽²⁾			Less: Self-Supporting Debt Service ⁽³⁾	Total Net Debt Service ^{(1) (2)}
		Principal	Interest	Total		
2019	\$ 1,228,024.50	\$ -	\$ -	\$ -	\$ 464,396.88	\$ 763,627.63
2020	1,229,703.00	75,000.00	268,998.33	343,998.33	640,521.46	933,179.88
2021	1,042,750.00	165,000.00	229,070.00	394,070.00	637,961.88	798,858.13
2022	1,043,245.00	200,000.00	220,820.00	420,820.00	644,381.88	819,683.13
2023	904,916.25	205,000.00	210,820.00	415,820.00	501,428.13	819,308.13
2024	905,910.00	215,000.00	200,570.00	415,570.00	502,196.88	819,283.13
2025	907,262.50	220,000.00	189,820.00	409,820.00	498,449.38	818,633.13
2026	907,540.00	230,000.00	181,570.00	411,570.00	501,864.38	817,245.63
2027	903,765.00	245,000.00	173,865.00	418,865.00	502,979.38	819,650.63
2028	908,641.25	245,000.00	165,657.50	410,657.50	500,732.50	818,566.25
2029	906,865.00	255,000.00	157,450.00	412,450.00	499,135.00	820,180.00
2030	907,915.00	265,000.00	148,907.50	413,907.50	501,290.00	820,532.50
2031	388,340.00	385,000.00	140,030.00	525,030.00	497,990.00	415,380.00
2032	388,532.50	400,000.00	127,132.50	527,132.50	499,227.50	416,437.50
2033	388,345.00	415,000.00	113,732.50	528,732.50	499,955.00	417,122.50
2034	387,768.75	425,000.00	99,830.00	524,830.00	500,163.75	412,435.00
2035	386,906.25	440,000.00	85,592.50	525,592.50	498,706.25	413,792.50
2036	262,650.00	455,000.00	70,852.50	525,852.50	373,762.50	414,740.00
2037		535,000.00	55,610.00	590,610.00	176,582.50	414,027.50
2038		555,000.00	37,687.50	592,687.50	176,222.50	416,465.00
2039		570,000.00	19,095.00	589,095.00	175,695.00	413,400.00
	<u>13,999,080.00</u>	<u>6,500,000.00</u>	<u>2,897,110.83</u>	<u>9,397,110.83</u>	<u>9,793,642.71</u>	<u>13,602,548.13</u>

(1) Includes interest accreted on outstanding capital appreciation bonds.

(2) Preliminary, subject to change.

(3) Includes self-supporting Series 2007, Series 2012 and portions of Series 2016 & Series 2019 certificates of obligation.

TAX ADEQUACY

TABLE 4

2018/19 Net Taxable Assessed Valuation	\$ 285,804,463
Maximum Annual Debt Service Requirements ^{(1) (2)}	\$ 933,180
Indicated Maximum Interest and Sinking Fund Tax Rate	\$ 0.33675
Indicated Maximum Interest and Sinking Fund Tax Levy at 97% Collections	\$ 933,573

(1) Preliminary, subject to change.

(2) Excludes self-supporting Series 2007, Series 2012 and portions of the Series 2016 & Series 2019 certificates of obligation.

CALCULATION OF SELF-SUPPORTING DEBT

TABLE 5

2018/19 Net Revenues Available for Debt Service ⁽¹⁾	\$ 704,081
Maximum Annual Debt Service Requirements ⁽²⁾	\$ 644,382
Percent of General Obligation Debt Service Requirements Self-Supporting	109.26%

(1) Excludes depreciation. Includes revenues from the Water and Sewer Enterprise Fund and the Hotel/Motel Facilities Fund.

(2) Includes self-supporting Series 2007, Series 2012 and portions of Series 2016 & Series 2019 certificates of obligation.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

TABLE 6

Fiscal Year 30-Sep	Outstanding Principal ⁽¹⁾	Plus: The Bonds ⁽²⁾	Less: Self Supporting Principal ⁽³⁾	Total ^{(1) (2)}	Debt Unpaid at End of Year	Percent of Principal Retired
2019	\$ 915,000.00	\$ -	\$ 333,750.00	\$ 581,250.00	\$ 9,535,064.35	5.75%
2020	901,448.00	75,000.00	413,750.00	562,698.00	8,972,366.35	11.31%
2021	725,104.55	165,000.00	436,250.00	453,854.55	8,518,511.80	15.79%
2022	734,783.40	200,000.00	456,250.00	478,533.40	8,039,978.40	20.52%
2023	604,978.40	205,000.00	325,000.00	484,978.40	7,555,000.00	25.32%
2024	675,000.00	215,000.00	335,000.00	555,000.00	7,000,000.00	30.80%
2025	700,000.00	220,000.00	342,500.00	577,500.00	6,422,500.00	36.51%
2026	725,000.00	230,000.00	356,250.00	598,750.00	5,823,750.00	42.43%
2027	745,000.00	245,000.00	366,250.00	623,750.00	5,200,000.00	48.60%
2028	775,000.00	245,000.00	373,750.00	646,250.00	4,553,750.00	54.99%
2029	800,000.00	255,000.00	382,500.00	672,500.00	3,881,250.00	61.63%
2030	830,000.00	265,000.00	396,250.00	698,750.00	3,182,500.00	68.54%
2031	330,000.00	385,000.00	405,000.00	310,000.00	2,872,500.00	71.61%
2032	340,000.00	400,000.00	418,750.00	321,250.00	2,551,250.00	74.78%
2033	350,000.00	415,000.00	432,500.00	332,500.00	2,218,750.00	78.07%
2034	360,000.00	425,000.00	446,250.00	338,750.00	1,880,000.00	81.42%
2035	370,000.00	440,000.00	458,750.00	351,250.00	1,528,750.00	84.89%
2036	255,000.00	455,000.00	346,250.00	363,750.00	1,165,000.00	88.48%
2037		535,000.00	160,000.00	375,000.00	790,000.00	92.19%
2038		555,000.00	165,000.00	390,000.00	400,000.00	96.05%
2039		570,000.00	170,000.00	400,000.00	-	100.00%
	<u>11,136,314.35</u>	<u>6,500,000.00</u>	<u>7,520,000.00</u>	<u>10,116,314.35</u>		

(1) Excludes interest accreted on outstanding capital appreciation bonds.

(2) Preliminary, subject to change.

(3) Includes self-supporting Series 2007, Series 2012 and portions of Series 2016 & Series 2019 certificates of obligation.

OVERLAPPING DEBT DATA

TABLE 7

<u>Taxing Body</u>	<u>Gross Debt</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Center Independent School District	\$ 27,070,000	50.18%	\$ 13,583,726
Shelby County	-	21.19%	-
Total Overlapping Debt			\$ 13,583,726
City of Center, Texas			\$ 7,454,662
Total Direct Overlapping Debt			\$ 21,038,388
Ratio of Direct and Overlapping Debt to 2018/19 Assessed Valuation			7.36%
Ratio of Direct and Overlapping Debt to 2018/19 Actual Value ⁽¹⁾			6.64%
Per Capita Direct and Overlapping Debt			\$3,991

(1) The 2018/19 assessed valuation totaled \$285,804,463 according to Shelby County Appraisal District.

2018/19 Top Ten Taxpayers

Name of Taxpayer	Type of Business	2018/19 Taxable Value	% of Net Valuation
Tyson Foods, Inc	Poultry Production	\$ 19,543,970	6.84%
Port-A-Cool LLC	Portable Cooling Unit Mfg.	10,624,130	3.72%
Wal-Mart TRS LLC	Retail	7,515,750	2.63%
Hallmark Marketing LLC	Office Building	6,183,260	2.16%
Wal-Mart Stores	Retail	4,838,740	1.69%
Charles Holston Inc.	Truck Rentals	4,378,810	1.53%
AEP Southwestern Electric Power Co.	Electric Utility	4,308,240	1.51%
Shelby Savings Bank	Financial/Banking	2,602,450	0.91%
BNSF Railway Co	Railroad	2,520,140	0.88%
Tri-Lite Hospitality Ltd.	Hotel/Motel	2,411,320	0.84%
		<u>\$ 64,926,810</u>	<u>22.72%</u>

Based on Net Assessed Valuation of \$285,804,463

2017/18 Top Ten Taxpayers

Name of Taxpayer	Type of Business	2017/18 Taxable Value	% of Net Valuation
Tyson Foods, Inc	Poultry Production	\$ 19,873,350	7.13%
Port-A-Cool LLC	Portable Cooling Unit Mfg.	9,411,400	3.38%
Wal-Mart TRS LLC	Retail	7,364,310	2.64%
Wal-Mart Stores	Retail	5,313,640	1.91%
Center Fixture - Div of Hallmark	Card Manufacturer	5,276,170	1.89%
Charles Holston Inc.	Truck Rentals	5,163,610	1.85%
AEP Southwestern Electric Power Co.	Electric Utility	3,999,050	1.44%
General Shelters of Texas Ltd.	Portable Buildings	2,774,970	1.00%
Pilgrims Pride Corp.	Poultry Processing	2,350,940	0.84%
BNSF Railway Co	Railroad	2,275,730	0.82%
		<u>\$ 63,803,170</u>	<u>22.90%</u>

Based on Net Assessed Valuation of \$278,580,007

2016/17 Top Ten Taxpayers

Name of Taxpayer	Type of Business	2016/17 Taxable Value	% of Net Valuation
Tyson Foods, Inc	Poultry Production	\$ 21,562,900	7.69%
Port-A-Cool LLC	Portable Cooling Unit Mfg.	7,816,380	2.79%
Wal-Mart TRS LLC	Retail	7,380,630	2.63%
Charles Holston Inc.	Truck Rentals	5,347,780	1.91%
Wal-Mart Stores	Retail	5,344,370	1.91%
Center Fixture - Div of Hallmark	Card Manufacturer	5,195,810	1.85%
AEP Southwestern Electric Power Co.	Electric Utility	4,007,170	1.43%
General Shelters of Texas Ltd.	Portable Buildings	2,893,970	1.03%
Pilgrims Pride Corp.	Poultry Processing	2,552,500	0.91%
PWCC Limited	Telecommunications	2,369,860	0.85%
		<u>\$ 64,471,370</u>	<u>23.01%</u>

Based on Net Assessed Valuation of \$280,224,688

(1) Source: Shelby County Appraisal District.

(2) As shown elsewhere in this Official Statement, in addition to being the single largest ad valorem taxpayer in the City, Tyson Foods is also the largest water and sewer customer of the City, and is by far the largest employer, with approximately 1,700 employees, who are drawn from a regional area of southeast Texas, and extending into Louisiana. The concentration of tax base that is represented by Tyson Foods, and which is shown above, is only one impact that the business has in the City. In addition, it has significant impacts on the utility system operations and general sales activity in the City, and thus City sales tax collections (through its employees).

CLASSIFICATION OF ASSESSED VALUATION ⁽¹⁾

TABLE 9

Category	Tax Year 2016/17	% of Total	Tax Year 2017/18	% of Total	Tax Year 2018/19	% of Total
Real, Residential, Single-Family	\$ 93,563,491	29.96%	\$ 93,813,962	30.23%	\$ 94,880,451	29.94%
Real, Residential, Multi-Family	1,557,730	0.50%	1,717,800	0.55%	1,700,020	0.54%
Real, Vacant Lots/Tracts	1,987,271	0.64%	1,918,321	0.62%	2,024,937	0.64%
Real, Acreage	7,626,289	2.44%	7,957,059	2.56%	8,079,359	2.55%
Real, Farm & Ranch Improvements	4,038,080	1.29%	4,107,380	1.32%	4,111,680	1.30%
Real, Commercial	95,366,470	30.53%	93,192,398	30.03%	97,564,930	30.79%
Real, Industrial	14,611,590	4.68%	13,819,960	4.45%	12,615,350	3.98%
Real & Tangible, Personal & Utilities	8,681,570	2.78%	8,808,350	2.84%	9,289,490	2.93%
Tangible Personal, Commercial	35,791,985	11.46%	33,675,900	10.85%	33,244,790	10.49%
Tangible Personal, Industrial	43,667,190	13.98%	46,348,600	14.93%	47,456,340	14.98%
Mobile Homes	1,593,090	0.51%	1,553,870	0.50%	1,539,700	0.49%
Special Inventory Tax	3,807,870	1.22%	3,405,790	1.10%	4,313,950	1.36%
Real Property, Inventory	30,410	0.01%	30,410	0.01%	30,410	0.01%
Total Appraised Value	\$ 312,323,036	100.00%	\$ 310,349,800	100.00%	\$ 316,851,407	100.00%
Less:						
Local Over-65/Disabled Exemption	\$ 1,803,896		\$ 1,792,704		\$1,739,933	
Local Optional 20% Exemption	14,331,510		14,203,586		14,211,238	
Disabled/Veterans Homestead Exemption	420,690		406,880		488,842	
Veterans Exemption Loss	210,500		251,500		244,500	
Productivity Value Loss	7,286,738		7,613,228		7,731,480	
Abatement Value Loss	5,439,830		7,069,207		6,217,870	
Homestead Cap Loss	504,434		432,688		413,081	
Total Exemptions/Deductions	\$ 29,997,598		\$ 31,769,793		\$31,046,944	
Net Taxable Assessed Valuation	\$ 282,325,438		\$ 278,580,007		\$ 285,804,463	

(1) Source: Shelby County Appraisal District.

ASSESSED VALUATIONS AND PROPERTY TAX RATES

TABLE 10

Tax Year	Net Taxable Assessed Valuation	M&O Tax Rate	I&S Tax Rate	Total Tax Rate
2006	\$199,760,832 ⁽¹⁾	\$0.3265	\$0.1968	\$0.5233
2007	210,953,048 ⁽¹⁾	\$0.2965	\$0.2122	\$0.5087
2008	227,529,570 ⁽²⁾	\$0.2766	\$0.1994	\$0.4760
2009	226,278,574 ⁽¹⁾	\$0.2934	\$0.1969	\$0.4903
2010	221,469,362 ⁽¹⁾	\$0.3378	\$0.1622	\$0.4903
2011	225,078,986 ⁽¹⁾	\$0.2510	\$0.2490	\$0.5000
2012	241,616,065 ⁽²⁾	\$0.2604	\$0.2496	\$0.5100
2013	254,995,844 ⁽²⁾	\$0.2910	\$0.2090	\$0.5000
2014	263,621,780 ⁽²⁾	\$0.3278	\$0.2022	\$0.5300
2015	283,667,730 ⁽²⁾	\$0.3284	\$0.2116	\$0.5400
2016	282,325,438 ⁽²⁾	\$0.3258	\$0.2342	\$0.5600
2017	278,580,007 ⁽²⁾	\$0.3335	\$0.2415	\$0.5750
2018	285,804,463 ⁽²⁾	\$0.3431	\$0.2569	\$0.6000

(1) Source: Comptroller of Public Accounts - Property Tax Division.

(2) Source: Shelby County Appraisal District.

MUNICIPAL SALES TAX COLLECTIONS

TABLE 11

Fiscal Year	Sales Tax Collections ⁽¹⁾	Ad Valorem Tax Levy	Percent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2006	\$1,500,180	\$1,035,748	144.84%	\$0.7510
2007	1,701,677	1,167,231	145.79%	0.8067
2008	1,722,773	1,230,862	139.96%	0.7572
2009	1,851,752	1,356,766	136.48%	0.8184
2010	1,864,890	1,100,137	169.51%	0.8421
2011	2,385,022 ⁽²⁾	1,197,760	199.12%	1.0596
2012	2,132,186	1,131,976	188.36%	0.8825
2013	1,888,866	1,205,388	156.70%	0.7407
2014	1,861,190	1,321,767	140.81%	0.7060
2015	1,879,768	1,404,453	133.84%	0.6627
2016	1,961,575	1,639,184	119.67%	0.6948
2017	3,069,326	1,775,718	172.85%	1.1018
2018	3,199,187	1,623,556	197.05%	1.1194

(1) Includes 1% for regular city sales tax collections and 1/4% for ad valorem tax reduction. Does not include the 1/4% for 4A economic development and 1/2% for 4B economic development. (See "Sales Tax Collections - Optional Sales Tax.")

(2) The increase in 2011 sales tax is attributed by the City to expanded oil and gas drilling activity in the area, which resulted in increased sales to the industry from industrial suppliers located in the City, and from the secondary effect of sales tax activity from workers in the industry.

	Fiscal Year Ended				
	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018
Fund Balance - Beginning of Year	\$ 1,008,180	\$ 1,359,999	\$ 1,464,517	\$ 1,286,531	\$ 1,583,305
Revenues					
General Property Taxes	\$ 791,727	\$ 881,627	\$ 976,893	\$ 1,061,084	\$ 954,182
Sales Tax	1,850,994	1,869,671	1,923,014	1,915,501	2,003,672
Other Local Taxes and Permits	482,357	461,586	461,690	583,870	704,586
Fines and Fees	271,178	245,187	258,017	220,369	163,320
Charges for Current Service	1,667,454	1,674,615	306,267	228,948	239,143
Contributions and Grants	47,191	25,476	19,072	4,153	38,858
Miscellaneous	65,741	34,287	-	3,300	7,939
Total Revenues	\$ 5,176,642	\$ 5,192,449	\$ 3,944,953	\$ 4,017,225	\$ 4,111,700
Expenditures					
City Hall	\$ 631,449	\$ 708,899	\$ 743,704	\$ 784,633	\$ 758,747
Nondepartmental	267,965	231,058	291,265	274,268	286,633
Police Department	1,745,739	1,733,412	1,774,498	1,867,883	1,942,173
Municipal Court	-	-	93,805	112,663	98,660
Fire Department	434,286	457,524	447,086	448,023	480,388
Animal Control Department	17,571	21,460	26,070	24,024	22,879
Emergency Management Department	42	-	-	-	-
Airport Department	229,614	241,659	227,966	91,439	185,059
Cemetery Department	20,280	26,284	20,640	23,840	24,068
Park Department	87,519	117,453	140,344	127,421	180,070
Civic Center Department	122,167	152,969	182,273	170,491	189,964
Community Facilities Department	73,338	75,425	82,417	83,974	80,720
Street Department	329,404	376,728	455,063	368,753	320,515
Sanitation Department	1,109,826	1,157,226	-	-	-
Inspection Department	133,160	133,193	107,194	67,648	41,200
Total Expenditures	\$ 5,202,360	\$ 5,433,290	\$ 4,592,325	\$ 4,445,060	\$ 4,611,076
Excess (Deficit) of Revenues					
Over Expenditures	\$ (25,718)	\$ (240,841)	\$ (647,372)	\$ (427,835)	\$ (499,376)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 439,237	\$ 453,174	\$ 669,261	\$ 770,000	\$ 693,410
Operating Transfers (Out)	(61,700)	(107,815)	(207,050)	(56,034)	(257,383)
Interest Income	-	-	7,176	10,643	23,344
Total Other Financing Sources (Uses):	377,537	345,359	469,387	724,609	459,371
Excess (Deficit) of Revenues and Other Sources	351,819	104,518	(177,985)	296,774	(40,005)
Over Expenditures and Other Uses					
Fund Balance - End of Year	\$ 1,359,999	\$ 1,464,517	\$ 1,286,532	\$ 1,583,305	\$ 1,543,300

(1) In fiscal years 2014 through 2018, the City's General Fund balance represented between 26% and 36% of General Fund expenditures.

(2) The City has adopted a balanced budget for fiscal year 2019, which includes \$4,852,700 of revenues and expenditures.

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT
TABLE 13

	Fiscal Year Ended				
	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>
Revenues	\$ 3,380,003	\$ 3,689,121	\$ 3,670,280	\$ 3,681,385	\$ 3,821,141
Expenses ⁽¹⁾	<u>2,824,993</u>	<u>3,108,055</u>	<u>3,605,183</u>	<u>3,302,977</u>	<u>3,410,541</u>
Net Revenue Available for Debt Service	<u>\$ 555,010</u>	<u>\$ 581,066</u>	<u>\$ 65,097</u>	<u>\$ 378,408</u>	<u>\$ 410,600</u>
Annual Debt Service Requirements	\$ 489,803	\$ 489,157	\$ 130,730	\$ 325,675	\$ 325,409

(1) Excludes depreciation, but includes pay-as-go capital items.

PRINCIPAL WATER CUSTOMERS
TABLE 14

<u>Name of Customer</u>	<u>Average Water Consumption (Gallons)</u>	<u>Average Monthly Bill</u>
Tyson Foods ⁽¹⁾	36,586,500	\$ 107,528
Tyson Foods ⁽¹⁾	7,689,900	7,080
Union Acres	6,291,900	7,820
Pilgrims Pride	4,244,700	28,183
Sandhill Water Supply	3,189,000	127,888
Charles Holston Inc	1,680,500	545
Tyson Hatchery	1,165,200	1,118
Tyson Foods ⁽¹⁾	942,000	250
Center Elementary	575,600	1,273
Town Square Platinum	506,600	681

(1) Tyson Accounts consumption billed together.

SEWER RATES ⁽¹⁾
TABLE 15

	<u>Monthly Charge</u>
Residential:	\$14.00 plus 1/2 Water Bill minimum. \$42.00 maximum
Commercial:	\$15.00 plus 1/2 Water Bill minimum monthly charge. No maximum.
Fixed Rates:	\$270 per month (Tyson office acct.)

(1) The City reviews its water and sewer rates annually and has increased rates each of the last ten years, with a goal of maintaining water and sewer revenues at a level needed to cover annual operating costs.

PRINCIPAL SEWER CUSTOMERS
TABLE 16

<u>Name of Customer</u>	<u>Average Monthly Bill</u>
Tyson Foods	\$ 124,708
Union Acres	7,843
Portacool, LLC	5,814
Pilgrim's Pride	4,556
Hidden Creek Ranch	4,197
Pine Grove Nursing Home	2,910
Summit - Holiday Nursing Home	2,252
Wal-Mart	2,010
Center High School	1,829
Paradise Villa	1,746

A. Monthly Minimum Charge

Meter Size	Residential/Commercial	Small Industrial/Manufacturer 1st 200,000 Gallons Incl.	Wholesale 1st 50,000 Gallons Incl.	Large Industrial Manufacturer 1st 5,000,000 Gallons Incl.	Industrial/Manufacturer Supplemental Meter Charges Same Facility
5/8	\$11.95				
3/4	\$11.95				
1	\$16.80				
1.5	\$24.90				
2	\$33.75	\$825	\$265	\$12,500	\$48.50
3	\$50.50	\$900	\$360	\$12,750	\$138
4	\$67.50	\$1,050	\$510	\$13,150	\$315
6	\$101.00	\$1,375	\$790	\$13,675	\$590
8		\$1,785	\$1,275	\$14,500	\$1,020
10		\$2,400	\$1,810	\$15,600	\$1,650
Sprinklers	\$19.50				

B. Unit Cost Per 1,000 Gallons

Residential, Commercial and Sprinklers	\$3.88
Small Industrial/Manufacturer	\$3.32
Wholesale	\$3.32
Large Industrial/Manufacturer	\$2.05

C. Outside City Limits

Double A and B

D. Bulk Water Sales

Water purchased in bulk quantities shall be billed at a charge based on \$3.88 per thousand gallons metered.

(1) The City reviews its water and sewer rates annually and has increased rates in each of the last ten years, with a goal of maintaining water and sewer revenues at a level needed to cover annual operating costs.

OTHER OBLIGATIONS

TABLE 18

Fiscal Year 30-Sep	Payable/ Receivable
2019	\$ 42,875
2020	26,209
2021	17,875
2022	10,426
	<u>\$ 97,385</u>

The City contracts with the Texas Department of Economic Development for various economic development programs. In accordance with terms of certain of the contracts, funds have been loaned to companies in the City at no interest. The City is liable to the State for repayment and the company is liable to the City for repayment. As of September 30, 2018 the City has two active loans. The following is a summary of transactions for the year ended September 30, 2018.

	Loans Receivable	Loans Payable
Balance at October 1, 2018	\$ 140,260	\$ 140,260
Loan payments received	-	(42,875)
Loans paid	(42,875)	-
Balance at September 30, 2018	<u>\$ 97,385</u>	<u>\$ 97,385</u>

Public Property Finance Act Contract No. 8005 - Schedule of Payments & Early Redemption Value

Pmt. No	Pmt Date	Total Payment	Interest	Principal	Early Redemption Value
1	11/20/2018	\$ 72,077	\$ 9,123	\$ 62,955	N/A
2	11/20/2019	72,077	6,956	65,121	N/A
3	11/20/2020	72,077	4,716	67,362	70,526
4	11/20/2021	72,077	2,398	69,680	-
		<u>\$ 288,309</u>	<u>\$ 23,192</u>	<u>\$ 265,117</u>	

AUTHORIZED BUT UNISSUED BONDS - FUTURE DEBT PLANS

TABLE 19

The City does not have authorized but unissued unlimited ad valorem tax bonds from any bond election, however, the City may incur other financial obligations payable from its collection of taxes and other sources of revenue, including certificates of obligation, public property finance contractual obligations. The City does not anticipate the issuance of additional tax-supported debt within the next 24 months.

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF CENTER AND SHELBY COUNTY

GENERAL INFORMATION REGARDING SHELBY COUNTY AND THE CITY OF CENTER

The City of Center is the county seat and principal commercial center of Shelby County and is located 32 miles northwest of the City of Nacogdoches, Texas at the intersection of U.S. Highway 96 and State Highways 7 and 87. The City's current estimated population is 5,550.

Shelby County was created in 1836 and is situated on the Texas-Louisiana border. The county is diversified by agriculture and lumber production.

City of Center Population Statistics

<u>Year</u>	<u>Population</u>
1990	5,850
2000	5,678
2010	5,193
2011	5,240
2012	5,292
2013	5,384
2014	5,400
2015	5,425
2016	5,400
2017	5,388
2018	5,500
Current*	5,550

Source: Bureau of the Census (1990 and 2000) and the City of Center (2010-Current).

Unemployment Rates

	March <u>2017</u>	March <u>2018</u>	March <u>2019</u>
Shelby County	5.5%	4.5%	4.0%
State of Texas	4.5%	4.0%	3.5%
United States of America	4.6%	4.1%	3.9%

Source: Texas Workforce Commission.

Major Area Employers

<u>Name</u>	<u>Type of Business</u>	<u># of Employees</u>
Tyson Foods	Poultry Production	1,600
Center ISD	Education	408
Wal-Mart	Retail Store	281
Portacool	Manufacturer	250
Shelby County	County Government	130
City of Center	City Government	79
General Shelters	Manufacturer	85
Hallmark Center Fixtures	Manufacturer	54
Spartan	Manufacturer	50

Source: City of Center, Texas.

Building Permits

	<u>Residential</u>		<u>Commercial / Industrial</u>	
	<u># Permits</u>	<u>\$ Value</u>	<u># Permits</u>	<u>\$ Value</u>
1994-95	3	\$167,620	2	\$150,000
1995-96	5	294,620	4	275,000
1996-97	2	70,665	6	287,900
1997-98	7	406,290	7	570,831
1998-99	1	18,000	1	20,000
1999-00	2	250,000	1	17,000
2000-01	1	5,000	3	224,000
2001-02	5	166,900	8	92,000
2002-03	5	48,000	7	101,970
2003-04	3	10,150	7	291,100
2004-05	33	2,811,090	6	8,660,000
2005-06	4	441,710	11	2,311,000
2006-07	3	21,500	7	3,745,754
2007-08	15	738,800	11	535,160
2008-09	11	686,513	23	13,104,921
2009-10	10	499,359	25	13,989,157
2010-11	10	2,005,614	16	2,233,795
2011-12	10	470,000	18	22,774,492
2012-13	19	1,269,866	12	4,205,68
2013-14	13	803,350	4	854,000
2014-15	9	376,445	9	4,741,266
2015-16	13	60,419	3	1,294,900
2016-17	20	227,051	11	2,810,851
2017-18	15	312,659	14	874,034

Source: City of Center, Texas.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL



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[Delivery Date]

IN REGARD to the authorization and issuance of the "City of Center, Texas, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2019", dated June 15, 2019, in the principal amount of \$_____ (the "Certificates"), we have examined into their issuance by the City of Center, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on August 15 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the City in connection with the issuance of the Certificates, including the Ordinance, (ii) certifications and opinions of officers of the City relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the City and to certain other facts within the knowledge and control of the City, and (iii) such other documentation, including an examination of the Certificate executed and delivered initially by the City (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's combined Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the

enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

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

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

APPENDIX D

AUDITED FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

CITY OF CENTER
Center, Texas

ANNUAL FINANCIAL REPORT

September 30, 2018

C O N T E N T S

INTRODUCTORY SECTION

Principal City Officials	3
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FINANCIAL SECTION

Independent Auditors' Report	4
Management's Discussion and Analysis.....	6

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position	15
Statement of Activities	16

Fund Financial Statements:

Balance Sheet - Governmental Funds.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	23
Statement of Cash Flows - Proprietary Funds	25
Notes to the Financial Statements.....	27

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	49
Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions	53
Schedule of Changes in OPEB Liability and Related Ratios and Schedule of Contributions	54

Supplementary Information:

List of Nonmajor Governmental Funds	56
Combining Balance Sheet - Nonmajor Governmental Funds	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	59
Combining Balance Sheet - Nonmajor Special Revenue Funds	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	64
Schedule of Revenues - Proprietary Funds	67
Schedule of Expenses - Proprietary Funds	68

STATISTICAL SECTION

Insurance Coverage	71
Water and Sewer Rates and System Connections	72

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76
Schedule of Findings and Questioned Cost	78
Summary Schedule of Prior Audit Findings	79
Corrective Action Plan.....	80

CITY OF CENTER, TEXAS
PRINCIPAL CITY OFFICIALS
September 30, 2018

GOVERNING BODY

Honorable David Chadwick, Mayor

CITY COUNCIL

Leigh Porterfield - Mayor Pro-Tem

Joyce Johnson - District 1

Jerry Lathan - District 2

Howell Howard - District 3

Randy Collard - District 4

Terry Scull - At Large

OTHER PRINCIPAL OFFICIALS

Chad Nehring City Manager
Jim Gibson Asst. City Manager
Barbara Boyd City Secretary
James Payne City Attorney

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Center
Center, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of changes in net pension liability and other post-employment benefit liabilities and related ratios 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 Center, Texas' basic financial statements. The introductory section, the supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information section and the compliance section 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, these sections are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Lufkin, Texas
April 8, 2019


CERTIFIED PUBLIC ACCOUNTANTS



Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year resulting in a total net position of \$27,954,692 which is an increase of \$1,457,885 (*net position*).
- Government activities change in net position increased \$1,352,132 to \$15,667,994 mostly from additional capital assets.
- The City's governmental funds reported combined ending fund balances of \$2,472,458 an increase of \$523,660 from the prior year of \$1,948,798.
- The fund balance for the general fund was \$1,543,300 or 33.5% of total general fund expenditures and decreased \$40,005 during this fiscal year.
- The Water and Sewer Fund operating revenues exceeded expenses resulting in operating income of \$410,600 and the fund decreased net position by \$279,324 to \$11,838,552.
- Combined Business Activities increased Net Position by \$105,753.
- The combined non-major governmental funds experienced an increase in fund balance of \$385,350 to \$903,954 primarily in Park Fund and Hotel/Motel Fund.
- The 4B Street Improvements for Economic Development is shown as a component unit of the City. The annual street program is recorded as an expense in the Governmental Funds so that the asset can be recorded.

Overview of the Financial Statements

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

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

The *statement of activities* presents information showing how the 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 that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, culture and recreation, planning and community development, sanitation and public facilities. The business-type activities of the City include water and sewer utility services.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Center can be divided into two categories: governmental funds or proprietary 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 Center maintains seventeen 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 balance. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds, including the Debt Service Fund, is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, and special revenue funds - Trust Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with budget.

Proprietary Funds. The City maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its Water and Sewer utility service. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer utility service, which is considered to be a major fund of the City of Center.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Center's progress in funding its obligations to provide retirement benefits to its employees. This required supplementary information can be found after the notes to financial statements of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found in 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, assets and deferred outflows exceeded liabilities and deferred inflows by \$27,954,692 at the close of fiscal year 2018. This represents an increase of \$1,306,329 from the 2017 net position of \$26,648,363.

By far the largest portion of the City's assets (\$25,098,455), 91%, reflects its net investment in capital assets (e.g., land, buildings, vehicles and equipment), less the outstanding balance of related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This year's net position values indicate increases because of acquisition and construction of assets through the Capital Projects Fund.

City of Center's Combined Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4 069 839	\$ 3 297 366	\$ 2 694 248	\$ 4 191 819	\$ 6 764 087	\$ 7 489 185
Capital assets (net of depreciation)	21 938 893	21 908 448	15 147 133	14 455 700	37 086 026	36 364 148
Total Assets	<u>26 008 732</u>	<u>25 205 814</u>	<u>17 841 381</u>	<u>18 647 519</u>	<u>43 850 113</u>	<u>43 853 333</u>
Deferred outflow	603 144	587 706	176 339	221 138	779 483	808 844
Long-term liabilities outstanding	7 623 692	9 201 141	4 698 207	5 310 445	12 321 899	14 511 586
Other liabilities	1 234 598	1 205 799	540 481	1 167 366	1 775 079	2 373 165
Total Liabilities	<u>8 858 290</u>	<u>10 406 940</u>	<u>5 238 688</u>	<u>6 477 811</u>	<u>14 096 978</u>	<u>16 884 751</u>
Deferred inflow	2 085 592	1 030 322	492 334	167 780	2 577 926	1 198 102
Net Position:						
Net Investment in capital assets	14 463 076	13 944 691	10 635 379	9 740 700	25 098 455	23 685 391
Restricted	929 158	518 604	742 739	2 400 244	1 671 897	2 918 848
Unrestricted	275 760	(37 998)	908 580	82 122	1 184 340	44 124
Total Net Position	<u>\$ 15 667 994</u>	<u>\$ 14 425 297</u>	<u>\$ 12 286 698</u>	<u>\$ 12 223 066</u>	<u>\$ 27 954 692</u>	<u>\$ 26 648 363</u>

Deferred inflow in Governmental Activities is inclusive of pledges made for Portacool Park and the Softball Complex.

An additional portion of the City's net position, \$1,671,897 (6%), represents resources that are subject to external restrictions on how they may be used.

Values for newly constructed, major infrastructure (i.e. streets, drainage) are included in the value of capital assets.

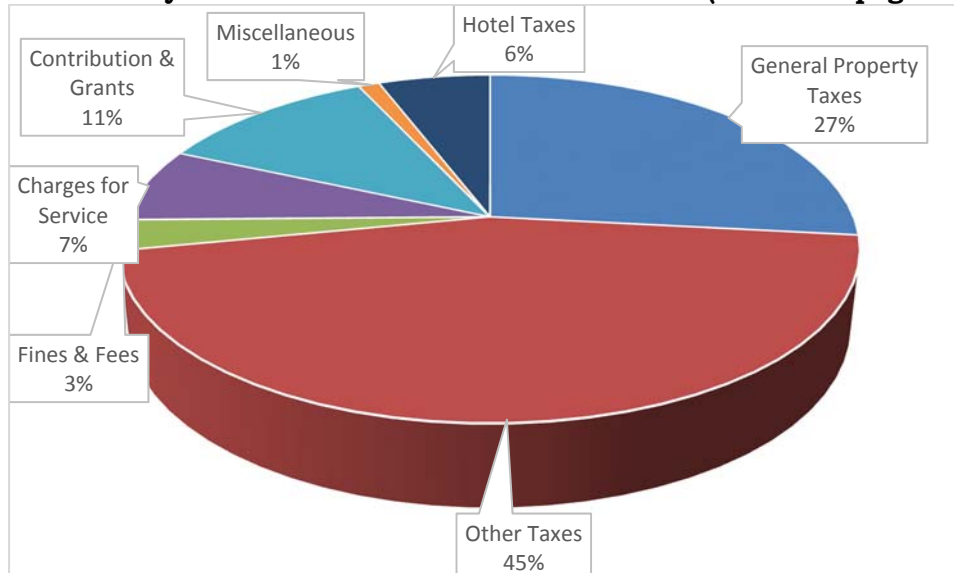
City of Center's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for services	\$ 362 943	\$ 347 220	\$ 5 411 989	\$ 5 259 494	\$ 5 774 932	\$ 5 606 714
Operating grants and contributions	204 195	235 448	-	-	204 195	235 448
Capital grants and contributions	475 320	168 904	186 429	86 271	661 749	255 175
General Revenues:						
Property taxes	1 623 556	1 775 718	-	-	1 623 556	1 775 718
Other taxes	3 056 271	2 704 074	-	-	3 056 271	2 704 074
Other	396 099	431 973	45 324	33 849	441 423	465 822
Total Revenues	6 118 384	5 663 377	5 643 742	5 379 614	11 762 126	11 042 951
Expenses:						
General government	1 146 049	1 191 169	-	-	1 146 049	1 191 169
Public safety	2 201 437	2 426 472	-	-	2 201 437	2 426 472
Community services	1 301 334	1 364 917	-	-	1 301 334	1 364 917
Streets and drainage	1 139 283	1 015 571	-	-	1 139 283	1 015 571
Sanitation	-	-	1 265 848	1 366 503	1 265 848	1 366 503
Inspections	42 285	65 679	-	-	42 285	65 679
Interest on long-term debt	335 466	518 317	-	-	335 466	518 317
Water and sewer	-	-	3 410 541	3 303 331	3 410 541	3 303 331
Total Expenses	6 165 854	6 582 125	4 676 389	4 669 834	10 842 243	11 251 959
Transfers	1 399 602	2 152 797	(861 600)	(1 187 000)	538 002	965 797
Increase (decrease) in net position	<u>1 352 132</u>	<u>1 234 009</u>	<u>105 753</u>	<u>(477 220)</u>	<u>1 457 885</u>	<u>756 789</u>
Net Position, Ending	\$ 15 667 994	\$ 14 425 297	\$ 12 286 698	\$ 12 223 066	\$ 27 954 692	\$ 26 648 363

Governmental Activities. Governmental activities increased the City of Center's net position by \$1,352,132. Key elements of this increase are as follows:

- Governmental Fund Transfers decreased \$800,665 from prior year. This is mostly from transfers from the Utility and Sanitation Funds and internal service funds;
- Governmental Expenses decreased \$416,271 from prior year expenses;

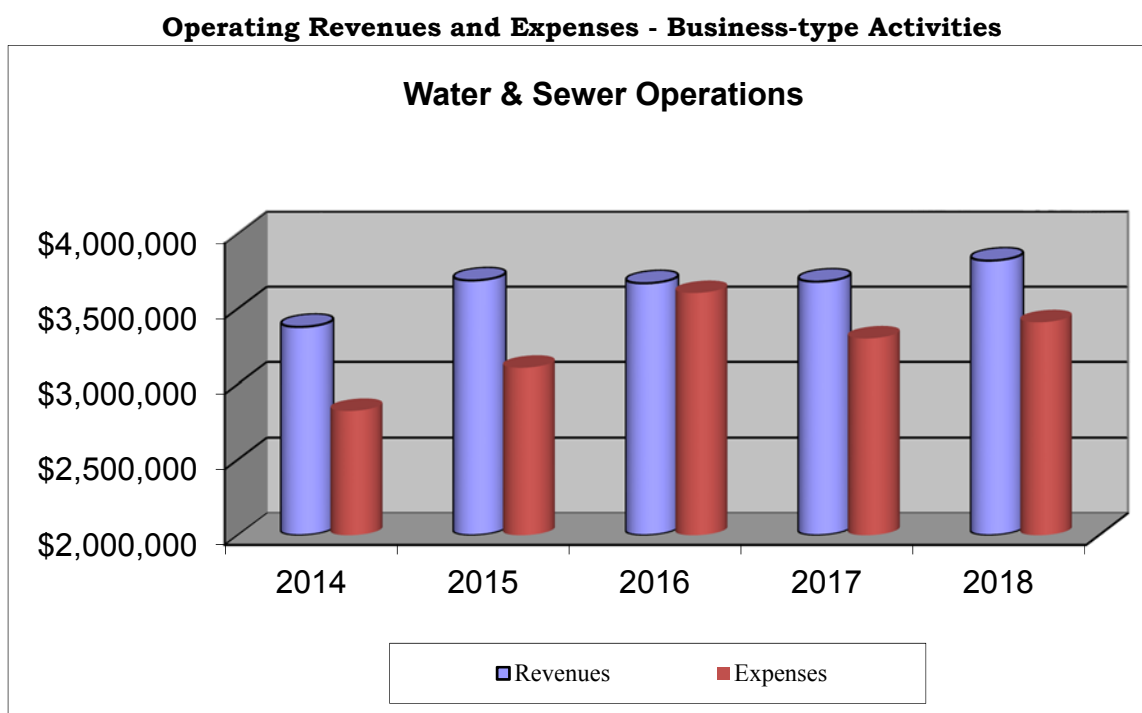
Revenues by Source - All Governmental Activities (reference page 19)



Proprietary Funds. The City of Center's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities but in more detail.

Business-Type Activities. Business-type activities increased the total government's net position by \$105,753. Key elements of this change are as follows:

- Operating revenues increased \$152,495 to \$5,411,989 from \$5,259,494. This is a result of revenue increases in Sanitation of \$12,739 with an additional revenue increase in Water-Sewer of \$139,756.
- Operating expenses increased \$6,555 to \$4,676,389 from \$4,669,834. Water-Sewer expenses increased \$107,564 while Sanitation expenses decreased \$100,655.
- Operating Revenues exceeded expenses resulting in Operating Income of \$735,600.
- Including non-operating expenses, primarily costs of debt and transfers, Change in Net Position is \$105,753. Transfers includes transfers to the General Fund, Debt Fund, Technology Fund, and Capital Improvement Fund.



As a component of Total Net Position, the Unrestricted Net Position of the Proprietary Funds at the end of the current fiscal year is \$908,580. Other factors concerning these funds have been addressed in the discussion of the City's business-type activities.

Internal Service Funds. The City operates two Internal Service Funds: the Technology Fund and Equipment Replacement Fund. The Technology Fund was fully capitalized in FY 2018 by transfers from the General and Utility Funds. The Equipment Replacement Fund was created in FY 2018 and will be fully capitalized in FY 2019. The net position for the Equipment Replacement Fund increased by \$61,822 from \$365,794 to \$427,616. However, the Fund had a reduction in cash of \$70,067, bringing its cash at the end of the year to \$154,649. This is a result of the Fund purchasing assets and incurring expenses after the expenditures of cash with a portion of the vehicles already being depreciated.

Financial Analysis of the Government's Funds

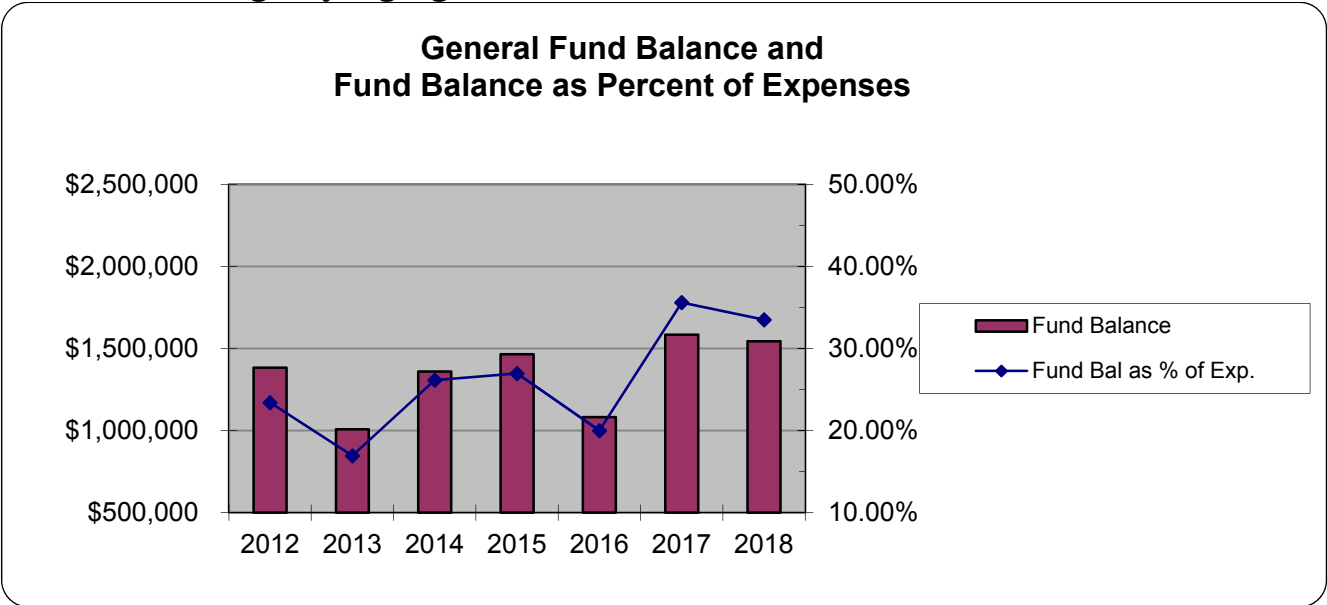
As noted earlier, the City of Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved 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 Center's governmental funds reported combined ending fund balances of \$2,472,458, an increase of \$523,660 from the prior year. Approximately 62% of this total amount, \$1,543,300, constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remaining 38% of fund balance is *restricted* to indicate that it is not available for spending because it has already been committed and dedicated to 1) pay debt service, 2) for perpetual trust 3) for capital projects or 4) grant projects.

The general fund is the chief operating fund of the City of Center. At the end of the current fiscal year, total general fund balance was \$1,543,300. The fund balance of the City's general fund decreased by \$40,005 during the current fiscal year. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 33.5% of total general fund operational expenditures. The City Council established a minimum fund balance policy of 25% of annual expenditures.

General Fund Budgetary Highlights



The General Fund accounts for the primary operations of the City and a budget comparison is provided.

A review of the final amended budget compared to actual revenues/expenditures presents a number of variances. Total revenues increased from the budget by \$35,500. Total expenditures decreased from the budget by \$275,974. After transfers to and from other funds, the general fund experienced a decrease in the fund balance of \$40,005.

Capital Asset and Debt Administration

Capital Assets. The City of Center's investment in capital assets for its governmental and business-type activities amounts to \$37,127,104 (net of accumulated depreciation) at the end of the current fiscal year increasing from last year's amount of \$36,364,148. This investment in capital assets includes land, buildings, improvements, vehicles and equipment. Due to the size of the City, past asset valuations for major infrastructure (streets, bridges, drainage, etc.) are not required to comply with reporting requirements, however beginning in fiscal year 2004, the City began prospectively accumulating values for these major capital assets.

City of Center's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 73 072	\$ 43 872	\$ 665 250	\$ 638 805	\$ 738 322	\$ 682 677
Buildings	6 838 859	7 059 839	-	-	6 838 859	7 059 839
Improvements other than buildings	3 792 257	2 965 089	-	-	3 792 257	2 965 089
Machinery and equipment	980 461	642 213	731 119	747 186	1 711 580	1 389 399
Buildings and systems	-	-	13 725 662	9 729 831	13 725 662	9 729 831
Infrastructure	10 243 246	10 219 688	-	-	10 243 246	8 336 349
Construction in progress	152 076	977 747	25 102	3 339 878	177 178	4 317 625
Total	<u>\$ 22 079 971</u>	<u>\$ 21 908 448</u>	<u>\$ 15 147 133</u>	<u>\$ 14 455 700</u>	<u>\$ 37 127 104</u>	<u>\$ 36 364 148</u>

Long-Term Debt. At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$10,945,000, a decrease from last year's total bonded debt of \$11,670,000. All is backed by the full faith and credit of the government.

Short-Term Notes Payable. Short-term notes payable includes a note by the City's Tax Increment Reinvestment Zone Fund to the Center Economic Development Corporation in 2011.

City of Center's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 6 440 000	\$ 6 955 000	\$ 4 505 000	\$ 4 715 000	\$ 10 945 000	\$ 11 670 000
Compensated absences	119 116	94 652	36 335	35 835	155 451	130 487
Notes payable	886 256	810 934	-	-	886 256	810 934
Total	<u>\$ 7 445 372</u>	<u>\$ 7 860 586</u>	<u>\$ 4 541 335</u>	<u>\$ 4 750 835</u>	<u>\$ 11 986 707</u>	<u>\$ 12 611 421</u>

The City of Center's debt issuance rating by Moody's was upgraded in 2007 from a rating of "Baa2" to a rating of "A2". This pertains to the current debt issuances for general obligation and any other bonded debt. This rating was reaffirmed by Moody's in 2018.

As a Home Rule City, the City of Center, Texas is not limited by law in the amount of debt it may issue. However, the City's Debt Management Policy limits total ad valorem supported outstanding debt to 4% of the taxable base. Utility Fund debt service is limited to 20% of Utility Fund expenditures.

Additional information on the City's long-term debt can be found in note 3. D. of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of August 2018 for Shelby County, according to Texas Workforce Commission statistics, is 4.6%. The unemployment rates for August 2018, according to the Texas Workforce Commission, are 3.9% for the State of Texas and 4.5% for the Deep East Texas Region.

- The City's total state sales tax receipts, including the 1¼% for governmental purposes and the two Economic Development Corporations, for the current fiscal year, totaled \$3,199,187 an increase of \$143,478 or 4.7% from the previous year (\$3,069,326). This primarily reflects a return of oil and gas industry activities in the region.
- Economic trends in the area are stabilizing relative to state and national indices and trends.

All of these factors were considered in preparing the City of Center's budget for the 2019 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Center's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, P. O. Box 1744, 617 Tenaha Street, City of Center, Texas, 75935-1744.

FINANCIAL STATEMENTS

CITY OF CENTER, TEXAS
STATEMENT OF NET POSITION
September 30, 2018

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATIONS
ASSETS				
Cash and cash equivalents	\$ 2 736 810	\$ 1 222 359	\$ 3 959 169	\$ 2 153 844
Receivables (net)	1 159 590	648 785	1 808 375	441 333
Due from other governments	159 201	-	159 201	95 521
Inventories	14 238	80 365	94 603	-
Restricted Assets:				
Cash and cash equivalents	-	742 739	742 739	-
Capital assets (net of accumulated depreciation)	21 938 893	15 147 133	37 086 026	289 530
TOTAL ASSETS	26 008 732	17 841 381	43 850 113	2 980 228
DEFERRED OUTFLOWS				
Deferred outflow - Pension	205 280	79 012	284 292	-
Deferred outflow - OPEB	8 645	3 327	11 972	-
Deferred outflow - Subsequent contribution - Pension	388 415	93 691	482 106	-
Deferred outflow - Subsequent contribution - OPEB	804	309	1 113	-
TOTAL DEFERRED OUTFLOWS	603 144	176 339	779 483	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	26 611 876	18 017 720	44 629 596	2 980 228
LIABILITIES				
Current Liabilities:				
Accounts payable	151 655	89 685	241 340	-
Accrued liabilities	123 129	41 978	165 107	-
Accrued interest payable	30 903	22 591	53 494	-
Premium on bond issue	144 317	-	144 317	-
Customer deposits payable	-	172 477	172 477	-
Due within one year	784 594	213 750	998 344	-
Noncurrent Liabilities:				
Due in more than one year	7 623 692	4 698 207	12 321 899	-
TOTAL LIABILITIES	8 858 290	5 238 688	14 096 978	-
DEFERRED INFLOWS				
Deferred inflows - Pension	1 279 133	492 334	1 771 467	-
Unavailable revenues	806 459	-	806 459	-
TOTAL DEFERRED INFLOWS	2 085 592	492 334	2 577 926	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	10 943 882	5 731 022	16 674 904	-
NET POSITION				
Net investment in capital assets	14 463 076	10 635 379	25 098 455	289 530
Restricted for:				
Debt service	96 654	-	96 654	-
Grants	642 483	-	642 483	-
Capital projects	25 204	742 739	767 943	-
Perpetual care	164 817	-	164 817	-
Unrestricted	275 760	908 580	1 184 340	2 690 698
TOTAL NET POSITION	\$ 15 667 994	\$ 12 286 698	\$ 27 954 692	\$ 2 980 228

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

CITY OF CENTER, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 1 146 049	\$ 5 236	\$ -	\$ -
Public safety	2 201 437	16 120	30 098	-
Community services	1 301 334	333 320	174 097	475 320
Streets and drainage	1 139 283	-	-	-
Inspections	42 285	8 267	-	-
Interest on long-term debt	335 466	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>6 165 854</u>	<u>362 943</u>	<u>204 195</u>	<u>475 320</u>
Business-Type Activities:				
Water and sewer fund	3 410 541	3 821 141	-	186 429
Sanitation fund	1 265 848	1 590 848	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4 676 389</u>	<u>5 411 989</u>	<u>-</u>	<u>186 429</u>
 TOTAL PRIMARY GOVERNMENT	 \$ <u>10 842 243</u>	 \$ <u>5 774 932</u>	 \$ <u>204 195</u>	 \$ <u>661 749</u>
Component Units:				
Economic Development	\$ 122 937	\$ -	\$ -	\$ -
Economic Development				
Street Improvement	28 976	-	-	-
TOTAL COMPONENT UNITS	<u>\$ 151 913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:				
Taxes:				
Property taxes				
Sales taxes				
Other taxes and permits				
Fines and fees				
Unrestricted investment earnings				
Other unrestricted revenue				
Loss on sale of assets				
Transfers				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
Net position - Beginning				
Prior period adjustment				
NET POSITION - BEGINNING, RESTATED				
NET POSITION - ENDING				

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	ECONOMIC DEVELOPMENT CORPORATIONS
\$ (1 140 813)	\$ -	\$ (1 140 813)	\$ -
(2 155 219)	-	(2 155 219)	-
(318 597)	-	(318 597)	-
(1 139 283)	-	(1 139 283)	-
(34 018)	-	(34 018)	-
(335 466)	-	(335 466)	-
(5 123 396)	-	(5 123 396)	-
-	597 029	597 029	-
-	325 000	325 000	-
-	922 029	922 029	-
(5 123 396)	922 029	(4 201 367)	-
-	-	-	(122 937)
-	-	-	(28 976)
-	-	-	(151 913)
1 623 556	-	1 623 556	-
2 003 672	-	2 003 672	1 202 203
1 052 599	-	1 052 599	-
162 675	-	162 675	-
51 353	42 210	93 563	42 033
182 071	3 114	185 185	-
-	-	-	(318)
1 399 602	(861 600)	538 002	(538 002)
6 475 528	(816 276)	5 659 252	705 916
1 352 132	105 753	1 457 885	554 003
14 425 297	12 223 066	26 648 363	2 474 733
(109 435)	(42 121)	(151 556)	(48 508)
14 315 862	12 180 945	26 496 807	2 426 225
\$ 15 667 994	\$ 12 286 698	\$ 27 954 692	\$ 2 980 228

CITY OF CENTER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2018

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 1 448 670	\$ 44 854	\$ 997 898	\$ 2 491 422
Receivables (Net of Uncollectibles):				
Taxes	284 860	-	-	284 860
Accounts	-	-	441 750	441 750
Court fines receivable	361 709	-	-	361 709
Governmental agencies	159 201	-	-	159 201
Sundry	71 271	-	-	71 271
Due from other funds	85 138	-	500	85 638
Inventories	14 238	-	-	14 238
TOTAL ASSETS	\$ 2 425 087	\$ 44 854	\$ 1 440 148	\$ 3 910 089
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 117 458	\$ 19 550	\$ 6 414	\$ 143 422
Accrued liabilities	118 006	-	2 992	120 998
Due to other funds	500	100	85 038	85 638
TOTAL LIABILITIES	235 964	19 650	94 444	350 058
Deferred Inflows:				
Unavailable revenue	645 823	-	441 750	1 087 573
TOTAL DEFERRED INFLOWS	645 823	-	441 750	1 087 573
Fund Balances:				
Restricted for:				
Debt service	-	-	96 654	96 654
Other purposes	-	-	807 300	807 300
Capital projects	-	25 204	-	25 204
Unassigned:				
General fund	1 543 300	-	-	1 543 300
TOTAL FUND BALANCES	1 543 300	25 204	903 954	2 472 458
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 2 425 087	\$ 44 854	\$ 1 440 148	
Amounts Reported for Governmental Activities in the Statement of Net Activities are Different Because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				21 938 893
An internal service fund is used for equipment acquisition and replacement. The governmental funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.				366 913
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				281 114
Long-term liabilities, including bonds, pensions, and other post-employment benefits, are not due and payable in the current period and, therefore, are not reported in the funds				(9 786 724)
NET POSITION OF GOVERNMENTAL ACTIVITIES				\$ 15 272 654

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

CITY OF CENTER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
General property taxes	\$ 954 182	\$ -	\$ 645 367	\$ 1 599 549
Other local taxes and permits	2 708 258	-	348 013	3 056 271
Fines and fees	163 320	-	6 991	170 311
Charges for services	239 143	-	175 621	414 764
Contributions and grants	38 858	121 221	526 069	686 148
Miscellaneous	7 939	-	57 446	65 385
TOTAL REVENUES	<u>4 111 700</u>	<u>121 221</u>	<u>1 759 507</u>	<u>5 992 428</u>
Expenditures:				
General government	1 144 040	-	-	1 144 040
Public safety	2 445 440	-	9 260	2 454 700
Community services	659 881	-	401 722	1 061 603
Streets and drainage	320 515	-	641 765	962 280
Inspections	41 200	-	-	41 200
Capital outlay	-	303 141	-	303 141
Debt Service:				
Principal	-	-	717 435	717 435
Interest and fiscal charges	-	-	345 429	345 429
TOTAL EXPENDITURES	<u>4 611 076</u>	<u>303 141</u>	<u>2 115 611</u>	<u>7 029 828</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(499 376)</u>	<u>(181 920)</u>	<u>(356 104)</u>	<u>(1 037 400)</u>
Other Financing Sources (Uses):				
Debt proceeds	-	265 117	-	265 117
Interest income	23 344	3 655	20 775	47 774
Transfers in	693 410	195 226	1 015 689	1 904 325
Transfers (out)	<u>(257 383)</u>	<u>(103 763)</u>	<u>(295 010)</u>	<u>(656 156)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>459 371</u>	<u>360 235</u>	<u>741 454</u>	<u>1 561 060</u>
NET CHANGE IN FUND BALANCES	(40 005)	178 315	385 350	523 660
Fund balances at beginning of year	<u>1 583 305</u>	<u>(153 111)</u>	<u>518 604</u>	<u>1 948 798</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1 543 300</u>	<u>\$ 25 204</u>	<u>\$ 903 954</u>	<u>\$ 2 472 458</u>

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

CITY OF CENTER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net change in fund balances - Total governmental funds	\$ 523 660
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 depreciation exceeded outlays in the current period.	(101 444)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	24 007
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.	94 015
The issuance of long-term debt (e.g., bonds, notes, and pension and other post employment benefits) financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debts and other related items.	<u>417 952</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>958 190</u>

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

CITY OF CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1 062 156	\$ 160 203	\$ 1 222 359
Receivables (Net):			
Accounts	347 175	295 252	642 427
Sundry	6 358	-	6 358
Inventories	80 365	-	80 365
TOTAL CURRENT ASSETS	1 496 054	455 455	1 951 509
Noncurrent Assets:			
Restricted cash	742 739	-	742 739
Capital Assets:			
Land	665 250	-	665 250
Utility systems	31 668 551	-	31 668 551
Equipment	3 443 990	55 682	3 499 672
Construction in progress	25 102	-	25 102
Less accumulated depreciation	(20 662 514)	(48 928)	(20 711 442)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	15 140 379	6 754	15 147 133
TOTAL NONCURRENT ASSETS	15 883 118	6 754	15 889 872
TOTAL ASSETS	17 379 172	462 209	17 841 381
DEFERRED OUTFLOWS			
Deferred outflow - Pension	79 012	-	79 012
Deferred outflow - Subsequent contributions pensions	93 691	-	93 691
Deferred outflow - OPEB	3 327	-	3 327
Deferred outflow - Subsequent contributions OPEB	309	-	309
TOTAL DEFERRED OUTFLOWS	176 339	-	176 339
TOTAL ASSETS AND DEFERRED OUTFLOWS	17 555 511	462 209	18 017 720
LIABILITIES			
Current Liabilities:			
Accounts payable	75 622	14 063	89 685
Accrued expense	41 978	-	41 978
Debt payable - Current	213 750	-	213 750
Accrued interest payable	22 591	-	22 591
Customer deposits payable	172 477	-	172 477
TOTAL CURRENT LIABILITIES	526 418	14 063	540 481
Noncurrent Liabilities:			
Compensated absences	36 335	-	36 335
Pension liability	321 634	-	321 634
OPEB liability	48 988	-	48 988
Long term debt payable	4 291 250	-	4 291 250
TOTAL NONCURRENT LIABILITIES	4 698 207	-	4 698 207
TOTAL LIABILITIES	5 224 625	14 063	5 238 688
DEFERRED INFLOWS			
Deferred inflow - Pension	492 334	-	492 334
TOTAL DEFERRED INFLOWS	492 334	-	492 334
TOTAL LIABILITIES AND DEFERRED INFLOWS	5 716 959	14 063	5 731 022
NET POSITION			
Net investment in capital assets	10 635 379	6 754	10 642 133
Restricted for capital projects	740 384	-	740 384
Unrestricted	460 434	441 392	908 580
TOTAL NET POSITION	\$ 11 838 552	\$ 448 146	\$ 12 286 698

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

INTERNAL SERVICE FUNDS	
EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
\$ 154 649	\$ 90 739
-	-
-	-
-	-
154 649	90 739
-	-
-	-
-	-
385 295	-
-	-
(112 328)	-
272 967	-
272 967	-
427 616	90 739
-	-
-	-
-	-
-	-
427 616	90 739
-	8 233
-	2 131
-	-
-	-
-	-
-	10 364
-	-
-	-
-	-
-	-
-	10 364
-	-
-	-
-	-
272 967	-
-	-
154 649	80 375
\$ 427 616	\$ 80 375

CITY OF CENTER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Revenues:			
Charges for service	\$ 3 728 065	\$ 1 588 873	\$ 5 316 938
Taps and connections	6 115	-	6 115
Miscellaneous	86 961	1 975	88 936
TOTAL OPERATING REVENUES	<u>3 821 141</u>	<u>1 590 848</u>	<u>5 411 989</u>
Operating Expenses:			
Nondepartmental	176 063	-	176 063
Public works	224 497	-	224 497
Water production	1 215 673	-	1 215 673
Water distribution	342 110	-	342 110
Sewer collection	221 734	-	221 734
Sewer treatment	576 108	-	576 108
Sanitation	-	1 259 995	1 259 995
Depreciation	654 356	5 853	660 209
TOTAL OPERATING EXPENSES	<u>3 410 541</u>	<u>1 265 848</u>	<u>4 676 389</u>
OPERATING INCOME	<u>410 600</u>	<u>325 000</u>	<u>735 600</u>
Nonoperating Revenues (Expenses):			
Income from investments	40 209	2 001	42 210
Other revenue	3 114	-	3 114
Grants and contributions	186 429	-	186 429
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>229 752</u>	<u>2 001</u>	<u>231 753</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	<u>640 352</u>	<u>327 001</u>	<u>967 353</u>
Operating transfers in (out)	<u>(919 676)</u>	<u>58 076</u>	<u>(861 600)</u>
TOTAL NET OPERATING TRANSFERS	<u>(919 676)</u>	<u>58 076</u>	<u>(861 600)</u>
CHANGE IN NET POSITION	<u>(279 324)</u>	<u>385 077</u>	<u>105 753</u>
Beginning net position	12 159 997	63 069	12 223 066
Prior period adjustment	(42 121)	-	(42 121)
BEGINNING NET POSITION, RESTATED	<u>12 117 876</u>	<u>63 069</u>	<u>12 180 945</u>
NET POSITION, END OF YEAR	<u>\$ 11 838 552</u>	<u>\$ 448 146</u>	<u>\$ 12 286 698</u>

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

INTERNAL SERVICE FUNDS			
EQUIPMENT REPLACEMENT FUND		TECHNOLOGY FUND	
\$	56 481	\$	72 340
	-		-
	-		452
	<u>56 481</u>		<u>72 792</u>
	-		113 211
	-		-
	-		-
	-		-
	-		-
	-		-
	<u>77 059</u>		<u>-</u>
	<u>77 059</u>		<u>113 211</u>
	<u>(20 578)</u>		<u>(40 419)</u>
	2 400		1 179
	-		-
	<u>-</u>		<u>-</u>
	<u>2 400</u>		<u>1 179</u>
	<u>(18 178)</u>		<u>(39 240)</u>
	<u>80 000</u>		<u>71 433</u>
	<u>80 000</u>		<u>71 433</u>
	<u>61 822</u>		<u>32 193</u>
	365 794		48 182
	-		-
	<u>365 794</u>		<u>48 182</u>
\$	<u><u>427 616</u></u>	\$	<u><u>80 375</u></u>

CITY OF CENTER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Cash Flows from Operating Activities:			
Received from customers	\$ 3 812 369	\$ 1 555 255	\$ 5 367 624
Payments to suppliers	(2 121 908)	(1 373 413)	(3 495 321)
Payments to employees	(1 245 344)	-	(1 245 344)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	445 117	181 842	626 959
Cash Flows from Noncapital Financing Activities:			
Contributions and grants received	186 429	-	186 429
Operating transfers in (out)	(919 676)	58 076	(861 600)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(733 247)	58 076	(675 171)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1 343 153)	-	(1 343 153)
Principal paid on debt	(210 000)	-	(210 000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1 553 153)	-	(1 553 153)
Cash Flows from Investing Activities:			
Interest on investments	40 209	2 001	42 210
Royalties	3 114	-	3 114
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	43 323	2 001	45 324
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1 797 960)	241 919	(1 556 041)
Cash at beginning of year	3 602 855	(81 716)	3 521 139
CASH AT END OF YEAR	\$ 1 804 895	\$ 160 203	\$ 1 965 098

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating income (loss)	\$ 410 600	\$ 325 000	\$ 735 600
Adjustments:			
Depreciation	654 356	5 853	660 209
Changes in:			
Accounts receivable	(19 770)	(35 593)	(55 363)
Inventory	(3 107)	-	(3 107)
Deferred charges	369 353	-	369 353
Accounts payable	(535 835)	(113 418)	(649 253)
Accrued expense	(869)	-	(869)
Accrued compensated absences	500	-	500
Pension liability	(441 109)	-	(441 109)
Customer deposits	10 998	-	10 998
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	\$ 445 117	\$ 181 842	\$ 626 959

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

INTERNAL SERVICE FUNDS	
EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
\$ 56 481	\$ 72 797
-	(44 535)
-	(62 134)
56 481	(33 877)
-	-
80 000	71 433
80 000	71 433
(208 948)	-
-	-
(208 948)	-
2 400	1 179
-	-
2 400	1 179
(70 067)	38 735
224 716	52 004
\$ 154 649	\$ 90 739

\$ (20 578)	\$ (40 419)
77 059	-
-	-
-	-
-	-
-	4 411
-	2 131
-	-
-	-
-	-
56 481	(33 877)

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Center, Texas was incorporated in 1900. The City operates under a Home Rule Charter adopted April 7, 1984 under Section 5, Article XI of the Texas Constitution as a Council-Manager form of government under the provisions of the charter and the V.T.C.A., Local Government Code.

The accounting policies of the City of Center, Texas conform to generally accepted accounting principles as applicable to governments. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies:

A. Reporting Entity:

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

Individual Component Unit Disclosures:

Discretely Presented Component Units:

The City of Center Economic Development Corporation - Established in 1994, the Corporation is a 4A nonprofit industrial development corporation specifically governed by the Development Corporation Act. The purpose of the Corporation is to promote, assist, and enhance economic development. The Corporation is governed by a Board of Directors appointed by the City Council.

Complete financial statements of the Corporation can be obtained from: The City of Center Economic Development Corporation, 617 Tenaha Street, Center, Texas.

The City of Center Street Improvements for Economic Development Corporation - Established in 1996, the Corporation is a 4B nonprofit industrial development corporation specifically governed by the Development Corporation Act. The purpose of the Corporation is to promote, assist and enhance economic development by undertaking projects of street and road and related improvements. The Corporation is governed by a Board of Directors appointed by the City Council.

Complete financial statements of the Corporation can be obtained from: The City of Center Street Improvements for Economic Development Corporation, 617 Tenaha Street, Center, Texas.

B. Government-Wide and Fund Financial Statements:

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

The government reports the following governmental funds:

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

Capital Project Fund - The capital project fund is used to account for monies earmarked from bond activities.

Special Revenue Funds - Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Debt Service Fund - Debt service funds are used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs on long-term general obligation debt of governmental funds.

Permanent Fund - This fund is used to account for assets held by the City pursuant to a trust agreement. The principal portion of this fund must remain intact, but the earnings may be used to achieve the objectives of the fund.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government reports the following proprietary funds:

Water and Sewer Fund - This fund accounts for the provision of water and sewer services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt services, and billing and collection.

Sanitation Fund - This fund accounts for the provision of sanitation services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt services, and billing and collection.

Equipment Replacement Fund - This fund provides each department of the City an internal system to purchase capital assets. All such activities necessary to provide such services are accounted for in this fund.

Technology Fund - This fund provides each department of the City an internal system to acquire technology. All such activities necessary to provide such services are accounted for in this fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

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.

The City's investment policies are governed by state statutes and city ordinances. Permissible investments include direct obligations of the U. S. Government, certificates of deposit and savings accounts. Collateral is required for demand deposits and certificates of deposits of all amounts not covered by federal deposit insurance.

The Center Economic Development Corporation and the Center Street Improvements for Economic Development are authorized by their governing board to invest in obligations of the U. S. Government, certificates of deposit and savings accounts.

Investments for the government, as well as for its component units, are reported at fair value. Collateral is required for demand deposits and certificates of deposits of all amounts not covered by federal deposit insurance.

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".

All trade and property tax receivables are shown net of the allowance for uncollectibles. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Property taxes are levied on October 1, attach as an enforceable lien on property on January 1, and become delinquent on June 30 of every fiscal year.

3. Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first out (FIFO) method.

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.

4. Restricted Assets:

Restricted assets include cash and investments for the proprietary funds that are legally restricted as to their use. The primary restricted assets are related to debt retirement, renewal and replacement, and construction activity of the Water and Sewer enterprise fund.

5. Capital Assets:

All purchased capital assets are valued at cost where historical records are available and estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received or placed into service. Assets contributed by the general government to proprietary funds are valued at the lesser of their fair market value at the date of the transfer or original cost.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

For implementation of GASB 34 requirements for capital assets the City established the following categories and thresholds:

Land/land improvement	Any Amount
Buildings/building improvements	\$ 25 000
Facilities and other improvements	\$ 25 000
Infrastructure	\$ 25 000
Personal property	\$ 5 000
Leasehold improvements	\$ 25 000

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Depreciation is provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Structures and water and sewer systems	10 to 50 years
Infrastructure	10 to 30 years
Transportation and other equipment	3 to 20 years

6. Compensated Absences:

The City accounts for expenditures related to sick pay when such payments are made to employees as amounts do not vest. The City accounts for all material liabilities and expenditures related to vacation pay during the fiscal year in which such benefits accrue. Employees are required to take vacation time if at all possible, and vacation time will not be allowed to be accrued more than 160 hours on an anniversary date. Sick leave can be accumulated up to 320 hours.

The City has determined that the current portion of the accrued expense for compensated absences cannot be reasonably estimated. Therefore, the total accrued expense for compensated absences is recorded as long-term debt in the financial statements.

7. Long-Term Obligations:

In the government-wide financial statements and proprietary fund types 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.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Fund Equity:

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance - Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance - Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

9. 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow or resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

10. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. Subsequent Events:

Management has evaluated subsequent events through April 8, 2019, the date the financial statements were available to be issued.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting:

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

- (1) The City Manager submits to the City Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) The budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized by the City Council to transfer budgeted amounts within departments of any fund; however, any revisions that alter the total expenditures of any fund are approved by the City Council.
- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (6) The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

B. City Fund Balance Policy:

The City of Center recognizes the importance of maintaining an appropriate level of Unassigned Fund Balance. After evaluating the City's operating characteristics, diversity of tax base, reliability of non-property tax revenue sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk, and other contingent issues, the City establishes the following goals regarding the Unassigned Fund Balance of the General Fund for the City of Center, Texas.

Fund balance will be calculated by taking the total General Fund expenditure budget and deducting Airport departments. The rationale is this department receive a commensurate amount of funding from its own operations. The City now receives as much revenue from airport fuel sales to make the Center Municipal Airport self-sustaining.

The goal for this policy is that the City would retain in reserves a minimum of 20% and 25% optimally. This equates to 45 to 90 days of operating reserves which would allow the City to continue providing services without receiving additional funding.

Once the City achieves its goal of an appropriate level of Unassigned Fund Balance, any excess funds may be utilized for other municipal fiscal purposes, including without limitation, additional capital improvement needs or tax rate stabilization or reduction purposes. For example, by applying excess fund balances towards payment of capital improvement expenses, the City will reduce the need to incur long-term debt and will avoid creating an operating fund gap for subsequent fiscal years.

This policy has been adopted by the City to recognize the financial importance of a stable and sufficient level of the Unassigned Fund Balance. However, the City, reserves the right to appropriate funds from the Unassigned Fund Balance for emergencies and other unanticipated requirements the City believes to be in the best interest of the City.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

FUND BALANCE ANALYSIS

	2018
Beginning fund balance	\$ 1 583 305
Total general fund revenues and transfers	4 828 454
Total general fund expenditures and transfers	4 868 449
ENDING GENERAL FUND BALANCE	<u>\$ 1 543 310</u>
 Airport expense	 \$ 185 059
General fund expenditures	4 868 449
ADJUSTED GENERAL FUND EXPENDITURES	<u>\$ 4 683 390</u>
Required Fund Balance	<div style="display: flex; justify-content: space-around;"> <div>20% \$ 936 678</div> <div>25% \$ 1 170 847</div> </div>

Actual Fund Balance calculation represents 32.95% of adjusted General Fund Expenditures and 31.70% of non-adjusted General Fund Expenditures.

Tax Abatements

During the year ended September 30, 2018, the City abated property from local property taxes to create an economic development incentive. The results of the abated property was a reduction in property tax income of \$35,200 for the year.

YEAR	VALUE OF ABATED PROPERTY
2018	\$ 6 121 762
2019	5 824 014
2020	4 540 120
2021	3 256 218
2022	1 972 316
2023	986 162

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of September 30, 2018, consists of the following:

Primary Government:	
Unrestricted cash and investments	\$ 3 960 985
Restricted cash and investments	740 384
Component Units:	
Cash and investments	2 153 844
TOTAL CASH AND INVESTMENTS	<u>\$ 6 855 213</u>
Primary Government:	
Cash on hand	\$ (5 838)
Deposits with financial institutions	102 303
Investments in LOGIC	4 604 904
Component Units:	
Deposits with financial institutions	3 463
Investments in LOGIC	2 150 381
TOTAL CASH AND INVESTMENTS	<u>\$ 6 855 213</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

At September 30, 2018, the total deposits (as shown on the records of the bank) for the primary government and the component units amounted to \$443,625 and \$2,781, respectively. Deposits were with the contracted depository bank, Farmers State Bank, in a combination of interest and non-interest bearing accounts and interest bearing Certificates of Deposits. The deposits were fully secured at the balance sheet date by federal depository coverage and by pledged U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of deposits.

Investments - The State Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. It requires the City to adopt, implement, and publicize an investment policy. The investment policy must address requirements outlined by the Act. Management of the City believes it is in compliance with those requirements and local policies. The City's temporary investments consist of balances held by the Local Government Investment Cooperative (LOGIC). LOGIC is an AAA rated investment pool administered by First Southwest Asset Management, Inc. and JP Morgan Chase.

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

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Primary government - LOGIC	\$ 4 604 904	54
Component units - LOGIC	2 150 381	54
	<u>\$ 6 755 285</u>	

Although Local Government Investment Cooperative had a weighted average maturity of 76 days, the City considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

Interest rate risk is the risk that changes in market interest rates and will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value. The City concentrates its investments on short-term investments in order to limit market risk caused by changes in interest rates. The maximum allowed maturity of any investment by the City is three years.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. The City's depository fully collateralizes the City's deposits as outlined above.

B. Receivables

The City contracts with the Texas Department of Agriculture for various economic development programs. In accordance with certain terms of the contracts, funds have been loaned to specific entities at no interest. The City is liable to the State for repayment and the entity is liable to the City for repayment. The repayment of loans is accounted for as miscellaneous revenue and expenditures. The contracts are managed in a special revenue fund. At September 30, 2018 the City has two active loans. The following is a summary of transactions for the year ended September 30, 2018.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2018	\$ 140 260	\$ 140 260
Loan payments received	-	(42 875)
Loans paid	(42 875)	-
Balance at September 30, 2018	<u>\$ 97 385</u>	<u>\$ 97 385</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

The loans are comprised of the following individual issues:

1997 Texas Capital Fund, \$500,000, due in 240 monthly payments of \$2,083	\$ 33 334
1998 Texas Capital Fund, \$357,500, due in 240 monthly payments of \$1,490	64 051
TOTAL	<u>\$ 97 385</u>

Future requirements are as follows:

YEAR	PAYABLE/ RECEIVABLE
2019	\$ 42 875
2020	26 209
2021	17 875
2022	10 426
	<u>\$ 97 385</u>

C. Capital Assets

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

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ 977 747	\$ 730 538	\$ (1 556 209)	\$ 152 076
Land	43 872	29 200	-	73 072
TOTAL ASSETS NOT BEING DEPRECIATED	<u>1 021 619</u>	<u>759 738</u>	<u>(1 556 209)</u>	<u>225 148</u>
Capital Assets, Being Depreciated:				
Buildings	9 207 697	-	-	9 207 697
Improvements other than buildings	4 118 925	951 279	-	5 070 204
Vehicles and equipment	2 268 459	161 705	-	2 430 164
Infrastructure	15 218 808	746 986	-	15 965 794
TOTAL ASSETS BEING DEPRECIATED	<u>30 813 889</u>	<u>1 859 970</u>	<u>-</u>	<u>32 673 859</u>
Less Accumulated Depreciation For:				
Buildings	2 147 858	220 980	-	2 368 838
Improvements other than buildings	1 153 836	124 111	-	1 277 947
Vehicles and equipment	1 626 246	96 424	-	1 722 670
Infrastructure	4 999 120	723 428	-	5 722 548
TOTAL ACCUMULATED DEPRECIATION	<u>9 927 060</u>	<u>1 164 943</u>	<u>-</u>	<u>11 092 003</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>20 886 829</u>	<u>695 027</u>	<u>-</u>	<u>21 581 856</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 21 908 448</u>	<u>\$ 1 454 765</u>	<u>\$ (1 556 209)</u>	<u>\$ 21 807 004</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 638 805	\$ 26 445	\$ -	\$ 665 250
Construction in progress	3 339 878	1 245 107	(4 559 883)	25 102
TOTAL ASSETS NOT BEING DEPRECIATED	<u>3 978 683</u>	<u>1 271 552</u>	<u>(4 559 883)</u>	<u>690 352</u>
Capital Assets, Being Depreciated:				
Buildings and systems	27 108 668	4 559 883	-	31 668 551
Vehicles and equipment	3 419 582	80 090	-	3 499 672
TOTAL ASSETS BEING DEPRECIATED	<u>30 528 250</u>	<u>4 639 973</u>	<u>-</u>	<u>35 168 223</u>
Less Accumulated Depreciation For:				
Buildings and systems	17 378 837	564 052	-	17 942 889
Vehicles and equipment	2 672 396	96 157	-	2 768 553
TOTAL ACCUMULATED DEPRECIATION	<u>20 051 233</u>	<u>660 209</u>	<u>-</u>	<u>20 711 442</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>10 477 017</u>	<u>3 979 764</u>	<u>-</u>	<u>14 456 781</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 14 455 700</u>	<u>\$ 5 251 316</u>	<u>\$ (4 559 883)</u>	<u>\$ 15 147 133</u>
Internal Service Fund:				
Capital Assets, Being Depreciated:				
Vehicles and equipment	\$ 176 347	\$ 208 948	\$ -	\$ 385 295
TOTAL ASSETS NOT BEING DEPRECIATED	<u>176 347</u>	<u>208 948</u>	<u>-</u>	<u>385 295</u>
Less Accumulated Depreciation For:				
Vehicles and equipment	35 269	77 059	-	112 328
TOTAL ACCUMULATED DEPRECIATION	<u>35 269</u>	<u>77 059</u>	<u>-</u>	<u>112 328</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>141 078</u>	<u>131 889</u>	<u>-</u>	<u>272 967</u>
INTERNAL SERVICE FUND CAPITAL ASSETS, NET	<u>\$ 141 078</u>	<u>\$ 131 889</u>	<u>\$ -</u>	<u>\$ 272 967</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Component Units:				
Capital Assets, Not Being Depreciated:				
Land	\$ 315 500	\$ -	\$ (25 970)	\$ 289 530
Construction in progress	48 508	-	(48 508)	-
TOTAL ASSETS NOT BEING DEPRECIATED	364 008	-	(74 478)	289 530
Capital Assets, Being Depreciated:				
Buildings and systems	-	-	-	-
Vehicles and equipment	-	-	-	-
TOTAL ASSETS BEING DEPRECIATED	-	-	-	-
Less Accumulated Depreciation For:				
Buildings and systems	-	-	-	-
Vehicles and equipment	-	-	-	-
TOTAL ACCUMULATED DEPRECIATION	-	-	-	-
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	-	-	-	-
COMPONENT UNITS CAPITAL ASSETS, NET	\$ 364 008	\$ -	\$ (74 478)	\$ 289 530

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

Governmental Activities:

General government	\$ 18 335
Public safety	119 323
Community services	388 858
Street and drainage	638 427
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 1 164 943

Business-Type Activities:

Water	\$ 441 626
Sewer	212 730
Sanitation	5 853
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	\$ 660 209

D. Changes In Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended September 30:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 6 955 000	\$ -	\$ (515 000)	\$ 6 440 000	\$ 531 250
Note payable	810 934	265 117	(189 795)	886 256	253 344
Compensated absences	94 652	24 464	-	119 116	-
Pension liability	2 045 350	-	(1 209 711)	835 639	-
OPEB liability	109 435	17 840	-	127 275	-
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 10 015 371	\$ 307 421	\$ (1 914 506)	\$ 8 408 286	\$ 784 594
Business-Type Activities:					
General obligation bonds	\$ 4 715 000	\$ -	\$ (210 000)	\$ 4 505 000	\$ 213 750
Compensated absences	35 835	500	-	36 335	-
Pension liability	769 610	-	(447 976)	321 634	-
OPEB liability	42 121	6 867	-	48 988	-
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 5 562 566	\$ 7 367	\$ (657 976)	\$ 4 911 957	\$ 213 750

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Bonds payable at September 30, 2018 are comprised of the following individual issues:

General Obligation Debt:

\$1,500,000, 2007 Combination Tax and Waterworks and Sewer System Revenue Certificate of Obligation Bonds due in annual installments of \$80,000 to \$140,000 through February 2022; interest at 4.0 to 5.5 percent (Liability recorded in governmental activities)	\$ 515 000
\$1,290,000, 2011 General Obligation Refunding Bond, due in annual installments of \$25,000 to \$190,000 through August 15, 2019 interest at 2.0 to 3.0 percent (Liability recorded in governmental activities)	190 000
\$3,941,314, 2011 Combination Tax and Revenue Certificate of Obligation, due in annual installments of \$95,000 to \$505,000 through August 15, 2030, interest at 2.0 to 4.0 percent (Liability recorded in governmental activities)	3 596 314
\$168 686, 2011 Combination Tax and Revenue Capital Appreciation Bonds, due in annual installments of \$116,448 to \$104,978 through August 15, 2023, interest at 3.10 to 3.50 percent (Liability recorded in governmental activities)	168 686
\$2,070,000, 2014 Combination Tax and Water and Sewer Revenue Certificate of Obligation, due in annual installments of \$10,000 to \$125,000 through August 15, 2035, interest at 0.0 to 3.05 percent (Liability recorded in business-type activities)	1 760 000
\$1,760,000, 2014 General Obligation Refunding Bond, due in annual installments of \$65,000 to \$225,000 through August 15, 2023, with interest of 2.0% to 2.5% (Liability recorded in governmental activities)	1 055 000
\$4,000,000, 2018 Combination Tax and Water and Sewer Revenue Certificate of Obligation, due in annual installments of \$130,000 to \$265,000 through August 15, 2036, interest at 2.49 percent (Liability recorded in governmental activities and business-type activities)	3 660 000
	<u>\$ 10 945 000</u>

The annual debt service requirements to maturity for all bonds and certificates of obligation are as follows:

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2019	\$ 531 250	\$ 194 566	\$ 213 750	\$ 112 447
2020	531 250	182 391	213 750	109 140
2021	543 750	172 166	221 250	105 585
2022	558 750	161 591	221 250	101 655
2023	425 000	152 416	230 000	97 501
Thereafter	3 850 000	611 194	3 405 000	684 249
TOTAL	<u>\$ 6 440 000</u>	<u>\$ 1 474 324</u>	<u>\$ 4 505 000</u>	<u>\$ 1 210 577</u>

Notes Payable:

\$450,000 loan from the City of Center Economic Development Corporation to be paid in annual installments through 2029, with an interest rate of 3%	\$ 261 139
\$875,000 tax anticipation note to be paid in annual installments of \$170,000 to \$190,000 through August 2020, with interest of 2.75%	360 000
\$265,117 note to be paid in annual installments of \$62,955 to \$69,679 through November 2021, with interest of 3.45%	265 117
	<u>\$ 886 256</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES	
	PRINCIPAL	INTEREST
2019	\$ 253 344	\$ 22 969
2020	276 122	17 351
2021	88 993	11 308
2022	91 959	8 341
2023	22 948	5 275
Thereafter	152 890	16 447
TOTAL	<u>\$ 886 256</u>	<u>\$ 81 691</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

NOTE 4 - OTHER INFORMATION

A. Component Units Condensed Statements

Condensed Statement of Net Position

	CITY OF CENTER ECONOMIC DEVELOPMENT CORPORATION	CITY OF CENTER STREET IMPROVEMENTS FOR ECONOMIC DEVELOPMENT CORPORATION	TOTAL COMPONENT UNITS
Assets:			
Cash, investments and other assets	\$ 1 671 267	\$ 1 019 431	\$ 2 690 698
Capital Assets:			
Land	<u>289 530</u>	<u>-</u>	<u>289 530</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1 960 797</u>	<u>\$ 1 019 431</u>	<u>\$ 2 980 228</u>
Liabilities:			
Accounts payable and other current liabilities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:			
Net Investment in capital assets	289 530	-	289 530
Unrestricted	<u>1 671 267</u>	<u>1 019 431</u>	<u>2 690 698</u>
TOTAL NET POSITION	<u>\$ 1 960 797</u>	<u>\$ 1 019 431</u>	<u>\$ 2 980 228</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

Condensed Statement of Activities

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	ECONOMIC DEVELOPMENT	STREET IMPROVEMENT ECONOMIC DEVELOPMENT	TOTAL
	EXPENSES						
Center Economic Development Corporation:							
Projects	\$ 27 081	\$ -	\$ -	\$ -	\$ (27 081)	\$ -	\$ (27 081)
Operating expenses	95 856	-	-	-	(95 856)	-	(95 856)
TOTAL	122 937	-	-	-	(122 937)	-	(122 937)
Center Street Improvements for Economic Development Corporation:							
Operating expenses	28 976	-	-	-	-	(28 976)	(28 976)
TOTAL	28 976	-	-	-	-	(28 976)	(28 976)
TOTAL COMPONENT UNITS	\$ 151 913	\$ -	\$ -	\$ -	(122 937)	(28 976)	(151 913)
General Revenues:							
					400 734	801 469	1 202 203
Sales tax					26 910	15 123	42 033
Interest income					(318)	-	(318)
Other income (loss)					-	(538 002)	(538 002)
Transfer							
TOTAL GENERAL REVENUE					427 326	278 590	705 916
CHANGE IN NET POSITION					304 389	249 614	554 003
Net position - Beginning					1 704 916	769 817	2 474 733
Prior Period Adjustment					(48 508)	-	(48 508)
Net position - Beginning (Restated)					1 656 408	769 817	2 426 225
NET POSITION - ENDING					\$ 1 960 797	\$ 1 019 431	\$ 2 980 228

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

B. Pension Plan

Plan Description

The City of Center participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

Employees Covered by Benefit Terms:

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

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	13
Active employees	71
	<hr/> 127 <hr/>

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.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

Employees for the City of Center were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Center were 16.60% and 15.88% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$482,106, and were equal to the required contribution.

Net Pension Liability

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

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50 to 10.5% per year (including inflation)
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, 2017, 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 2018 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.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

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 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (A)	PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at December 31, 2016	\$ 13 056 244	\$ 10 241 284	\$ 2 814 960
Changes for the Year:			
Service cost	522 065	-	522 065
Interest	879 442	-	879 442
Change of benefit terms	-	-	-
Difference between expected and actual experience	(915 461)	-	(915 461)
Changes of assumptions	-	-	-
Contributions - Employer	-	514 644	(514 644)
Contributions - Employee	-	216 496	(216 496)
Net investment income	-	1 420 322	(1 420 322)
Benefit payments, including refunds of employee	(577 012)	(577 012)	-
Administrative expense	-	(7 356)	7 356
Other changes	-	(373)	373
NET CHANGES	(90 966)	1 566 721	(1 657 687)
Balance at December 31, 2017	\$ 12 965 278	\$ 11 808 005	\$ 1 157 273

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

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

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

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
Net pension liability	\$ 3 201 366	\$ 1 157 273	\$ (495 338)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the city recognized pension expense of \$527,732.

At September 30, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 4 976	\$ 1 170 866
Changes in actuarial assumptions	-	16 648
Difference between projected and actual investment earnings	279 316	583 953
Contributions subsequent to the measurement date	482 106	-
TOTAL	\$ 766 398	\$ 1 771 467

\$369,646 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED DECEMBER 31,	PENSION EXPENSE AMOUNT
2019	\$ (331 804)
2020	(357 325)
2021	(448 477)
2022	(328 114)
2023	(21 455)
Thereafter	-
Total	\$ (1 487 175)

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

C. Other Postemployment Benefit (OPEB)

Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

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

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered and other postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

Membership:

Number of:

Inactive employees currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	5
Active employees	71
TOTAL	<u>105</u>

Covered Payroll

\$ 3 092 802

Contributions

PLAN/ CALENDAR YEAR	TOTAL SDB CONTRIBUTION (RATE)	RETIREE PORTION OF SDB CONTRIBUTION (RATE)
2017	0.19%	0.07%
2018	0.18%	0.05%

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

The City's contributions to the SDBF for the year ended September 30, 2018 were \$1,723, and were equal to the required contribution.

Summary of Actuarial Assumptions

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - Service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - Disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in OPEB Liability

Total OPEB liability - Beginning of year	\$ 151 556
Changes for the Year:	
Service cost	6 804
Interest on total OPEB liability	5 816
Changes of benefit terms	-
Differences	-
Changes in assumptions or other inputs	14 252
Benefit payments	(2 165)
NET CHANGES	24 707
TOTAL OPEB LIABILITY - END OF YEAR	\$ 176 263

Total OPEB Liability as a Percentage of Covered Payroll 5.70%

Sensitivity of OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB Liability	\$ 213 251	\$ 176 263	\$ 147 713

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$14,900.

As of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ -	\$ -
Changes in actuarial assumptions	11 972	-
Difference between projected and actual earnings	-	-
Subsequent contributions	1 113	-
TOTAL	\$ 13 085	\$ -

\$1,113 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

YEAR ENDED AUGUST 31,	AMORTIZATION
2019	\$ 2 280
2020	2 280
2021	2 280
2022	2 280
2023	2 280
Thereafter	572
TOTAL	\$ 11 972

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The City provides employee health and accident insurance coverage with commercial insurance purchased from independent third parties. Coverages have not significantly decreased and settlements have not exceeded insurance coverage for each of the past three years.

NOTE 5 - PRIOR PERIOD ADJUSTMENT

During the current year, the City implemented GASB 75 related to the recognition of Other Post-Employment Benefits. This implementation required the liability be recognized at the beginning of the prior year resulting in an adjustment of \$15,556. The City determined that a project previously capitalized by the Economic Development Corporation would not progress and recorded a prior period adjustment to remove the asset in the amount of \$48,508.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
General Property Taxes:				
Current taxes	\$ 870 500	\$ 870 500	\$ 892 848	\$ 22 348
Delinquent taxes	27 000	27 000	32 961	5 961
Penalties, interest and cost	25 000	25 000	28 373	3 373
TOTAL GENERAL PROPERTY TAXES	922 500	922 500	954 182	31 682
Other Local Taxes and Permits:				
City sales taxes	1 950 000	1 998 800	2 003 672	4 872
Franchise taxes	646 800	664 800	687 494	22 694
Mixed drink taxes	4 000	4 000	4 189	189
License and permit fees	14 000	13 800	12 903	(897)
TOTAL OTHER LOCAL TAXES AND PERMITS	2 614 800	2 681 400	2 708 258	26 858
Fines and Fees:				
Municipal court fines	185 000	133 300	137 827	4 527
Court cost fees	38 100	37 800	24 848	(12 952)
Fines and fees	3 600	3 600	645	(2 955)
TOTAL FINES AND FEES	226 700	174 700	163 320	(11 380)
Charges For Service:				
Administration	80 000	80 000	82 390	2 390
Airport fuel	45 000	64 000	64 201	201
Airport hangar lease	24 000	29 500	29 699	199
Civic Center	60 200	60 200	50 233	(9 967)
Building rental	12 100	12 100	12 620	520
TOTAL CHARGES FOR SERVICES	221 300	245 800	239 143	(6 657)
Contributions and Grants:				
Grant proceeds	4 000	38 400	38 858	458
TOTAL CONTRIBUTIONS AND GRANTS	4 000	38 400	38 858	458
Miscellaneous Revenue:				
Miscellaneous receipts	4 100	13 400	7 939	(5 461)
TOTAL MISCELLANEOUS REVENUE	4 100	13 400	7 939	(5 461)
TOTAL REVENUES	3 993 400	4 076 200	4 111 700	35 500

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Expenditures:				
General Government:				
City Hall:				
Payroll	656 100	656 100	657 856	(1 756)
Supplies	19 100	19 100	14 312	4 788
Contractual services	46 100	46 100	42 285	3 815
Utilities	15 200	15 200	20 741	(5 441)
Sundry charges	17 500	17 500	14 532	2 968
Maintenance	4 800	4 800	6 360	(1 560)
Capital outlay	3 500	3 500	2 661	839
TOTAL CITY HALL	<u>762 300</u>	<u>762 300</u>	<u>758 747</u>	<u>3 553</u>
Nondepartmental:				
Payroll	2 700	2 700	10 303	(7 603)
Supplies	2 400	2 400	887	1 513
Contractual services	184 200	263 500	186 265	77 235
Sundry charges	89 100	89 100	59 278	29 822
Capital outlay	-	89 200	29 900	59 300
TOTAL NONDEPARTMENTAL	<u>278 400</u>	<u>446 900</u>	<u>286 633</u>	<u>160 267</u>
Municipal Court:				
Payroll	54 500	54 500	40 930	13 570
Supplies	2 200	2 200	620	1 580
Contractual services	55 800	55 800	55 324	476
Utilities	1 000	1 000	333	667
Sundry charges	1 000	1 000	1 453	(453)
Maintenance	300	300	-	300
TOTAL MUNICIPAL COURT	<u>114 800</u>	<u>114 800</u>	<u>98 660</u>	<u>16 140</u>
TOTAL GENERAL GOVERNMENT	<u>1 155 500</u>	<u>1 324 000</u>	<u>1 144 040</u>	<u>179 960</u>
Public Safety:				
Police Department:				
Payroll	1 641 800	1 641 800	1 630 466	11 334
Supplies	42 300	42 300	40 359	1 941
Contractual services	81 000	81 000	63 837	17 163
Utilities	40 800	40 800	44 694	(3 894)
Sundry charges	16 800	16 800	12 193	4 607
Maintenance	102 200	102 200	123 785	(21 585)
Capital outlay	-	24 400	26 839	(2 439)
TOTAL POLICE DEPARTMENT	<u>1 924 900</u>	<u>1 949 300</u>	<u>1 942 173</u>	<u>7 127</u>
Fire Department:				
Payroll	401 100	401 100	403 026	(1 926)
Supplies	10 700	10 700	8 757	1 943
Contractual services	17 300	17 300	17 379	(79)
Utilities	9 000	9 000	8 719	281
Sundry charges	8 400	8 400	2 611	5 789
Maintenance	36 000	34 300	31 395	2 905
Capital outlay	24 000	25 700	8 501	17 199
TOTAL FIRE DEPARTMENT	<u>506 500</u>	<u>506 500</u>	<u>480 388</u>	<u>26 112</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Animal Control Department:				
Supplies	5 000	5 000	5 881	(881)
Contractual services	16 000	16 000	15 932	68
Utilities	700	700	726	(26)
Sundry charges	4 500	4 500	340	4 160
Maintenance	1 500	1 500	-	1 500
TOTAL ANIMAL CONTROL DEPARTMENT	27 700	27 700	22 879	4 821
TOTAL PUBLIC SAFETY	2 459 100	2 483 500	2 445 440	38 060
Community Services:				
Airport Department:				
Payroll	22 900	22 900	25 822	(2 922)
Supplies	1 700	1 700	249	1 451
Contractual services	4 700	4 700	10 502	(5 802)
Utilities	14 400	14 400	14 616	(216)
Sundry charges	31 500	31 500	55 256	(23 756)
Maintenance	8 500	8 500	6 252	2 248
Capital outlay	5 000	71 850	72 362	(512)
TOTAL AIRPORT DEPARTMENT	88 700	155 550	185 059	(29 509)
Cemetery Department:				
Contractual services	22 000	22 000	22 130	(130)
Maintenance	500	500	1 938	(1 438)
TOTAL CEMETERY DEPARTMENT	22 500	22 500	24 068	(1 568)
Parks Department:				
Payroll	71 200	71 200	72 672	(1 472)
Supplies	6 300	6 300	10 721	(4 421)
Contractual services	42 800	42 800	41 394	1 406
Utilities	10 600	10 600	12 254	(1 654)
Sundry charges	1 000	1 000	517	483
Maintenance	24 100	36 600	37 260	(660)
Capital outlay	-	-	5 252	(5 252)
TOTAL PARKS DEPARTMENT	156 000	168 500	180 070	(11 570)
Civic Center Department:				
Payroll	129 600	129 600	108 390	21 210
Supplies	6 650	6 650	7 725	(1 075)
Contractual services	27 200	27 200	20 925	6 275
Utilities	24 600	24 600	28 724	(4 124)
Sundry charges	7 700	7 700	3 816	3 884
Maintenance	23 900	23 900	15 000	8 900
Capital outlay	3 000	3 000	5 384	(2 384)
TOTAL CIVIC CENTER DEPARTMENT	222 650	222 650	189 964	32 686
Community Facilities Department:				
Supplies	900	900	17	883
Contractual services	63 900	63 900	62 101	1 799
Utilities	13 800	13 800	16 210	(2 410)
Sundry charges	1 000	1 000	-	1 000
Maintenance	6 600	6 600	2 392	4 208
TOTAL COMMUNITY FACILITIES DEPARTMENT	86 200	86 200	80 720	5 480
TOTAL COMMUNITY SERVICES	576 050	655 400	659 881	(4 481)

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Streets and Drainage:				
Streets Department:				
Payroll	189 200	189 200	132 125	57 075
Supplies	11 100	11 100	12 314	(1 214)
Contractual services	21 250	21 250	16 517	4 733
Utilities	83 500	83 500	86 301	(2 801)
Sundry charges	2 700	2 700	70	2 630
Maintenance	73 600	73 600	72 240	1 360
Capital outlay	1 000	1 000	948	52
TOTAL STREETS DEPARTMENT	382 350	382 350	320 515	61 835
TOTAL STREETS AND DRAINAGE	382 350	382 350	320 515	61 835
Inspection Services:				
Inspection Department:				
Payroll	27 600	27 600	19 498	8 102
Supplies	1 300	1 300	171	1 129
Contractual services	7 000	7 000	16 190	(9 190)
Utilities	1 000	1 000	1 962	(962)
Sundry charges	2 700	2 700	890	1 810
Maintenance	2 200	2 200	2 489	(289)
TOTAL INSPECTION DEPARTMENT	41 800	41 800	41 200	600
TOTAL INSPECTION SERVICES	41 800	41 800	41 200	600
TOTAL EXPENDITURES	4 614 800	4 887 050	4 611 076	275 974
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(621 400)	(810 850)	(499 376)	311 474
Other Financing Sources (Uses):				
Interest income	2 500	21 100	23 344	2 244
Operating transfers in	618 900	871 800	693 410	(178 390)
Operating transfers (out)	-	-	(257 383)	(257 383)
TOTAL OTHER FINANCING SOURCES (USES)	621 400	892 900	459 371	(433 529)
CHANGE IN FUND BALANCE	-	82 050	(40 005)	(122 055)
Fund balance at beginning of year	1 583 305	1 583 305	1 583 305	-
FUND BALANCE AT END OF YEAR	\$ 1 583 305	\$ 1 665 355	\$ 1 543 300	\$ (122 055)

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS*

	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 522 065	\$ 516 676	\$ 463 237	\$ 443 966
Interest (on the total pension liability)	879 442	867 048	860 379	804 999
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(915 461)	(587 907)	(191 770)	21 180
Change of assumptions	-	-	(39 880)	-
Benefit payments, including refunds of employee contributions	(577 012)	(652 767)	(476 550)	(500 735)
NET CHANGE IN TOTAL PENSION LIABILITY	(90 966)	143 050	615 416	769 410
Total pension liability - Beginning	13 056 244	12 913 194	12 297 778	11 528 368
TOTAL PENSION LIABILITY - ENDING	12 965 278	13 056 244	12 913 194	12 297 778
Plan Fiduciary Net Position:				
Contributions - Employer	514 644	503 737	439 335	424 581
Contributions - Employee	216 496	212 499	199 181	197 742
Net investment income	1 420 322	645 178	13 834	500 976
Benefit payments, including refunds of employee contributions	(577 012)	(652 767)	(476 550)	(500 735)
Administrative	(7 356)	(7 282)	(8 424)	(5 230)
Other	(373)	(392)	(416)	(430)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1 566 721	700 973	166 960	616 904
Plan fiduciary net position - Beginning	10 241 284	9 540 311	9 373 351	8 756 447
PLAN FIDUCIARY NET POSITION - ENDING	11 808 005	10 241 284	9 540 311	9 373 351
NET PENSION LIABILITY - ENDING	\$ 1 157 273	\$ 2 814 960	\$ 3 372 883	\$ 2 924 427
Plan fiduciary net position as a percentage of total pension liability	91.07%	78.44%	73.88%	76.22%
Covered employee payroll	\$ 3 092 802	\$ 3 035 696	\$ 2 845 439	2 824 891
Net pension liability as a percentage of covered employee payroll	37.42%	97.73%	118.54%	103.52%

SCHEDULE OF CONTRIBUTIONS

	2018	2017	2016	2015
Actuarially determine contribution				
Contributions in relation to the actuarially determined contribution	\$ 495 007	\$ 462 058	\$ 446 765	\$ 390 666
CONTRIBUTION DEFICIENCY (EXCESS)	(495 007)	(462 058)	(446 765)	(390 666)
	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3 097 987	\$ 3 035 696	\$ 2 845 439	2 824 891
Contributions as a percentage of covered employee payroll	15.98%	15.22%	15.70%	13.83%

Other Information

*This schedule is required to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides information only for those years for which information is available.

Details of the plan are included in the notes on pages 41-44.

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF THE CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
AND SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS*

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2017
Total OPEB Liability:	
Service cost	\$ 6 804
Interest on total OPEB liability	5 816
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	14 252
Benefit payments, including refunds of employee contributions	(2 165)
NET CHANGE IN TOTAL OPEB LIABILITY	24 707
Total OPEB liability, beginning	151 556
TOTAL PENSION LIABILITY, ENDING (a)	176 263
Plan Fiduciary Net Position:	
Contributions - Employer	-
Contributions - Employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	-
Administrative expense	-
Other	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-
Plan fiduciary net position, beginning	-
FIDUCIARY NET POSITION, ENDING (b)	-
NET OPEB LIABILITY ENDING (a) - (b)	\$ 176 263
Plan fiduciary net position as a % of total OPEB liability	00.00%
Covered employee payroll	\$ 3 092 802
Net OPEB liability as a % of covered employee payroll	5.70%

SCHEDULE OF CONTRIBUTIONS

	2018
Actuarially determined contribution	\$ 1 723
Contributions in relation to the actuarially determined contribution	(1 723)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -
Covered employee payroll	\$ 3 097 987
Contributions as a percentage of covered employee payroll	(0.06)%

Other Information:

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

Details of the plan are included in the notes on pages 45-47.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Texas Capital Fund - Grant Repayment Funds - To account revenues and expenditures related to Texas Department of Agriculture loans.

Court Technology and Security Funds - To account for certain fees assessed on fines.

Hotel - Motel Fund - To account for hotel-motel taxes and related expenditures.

Civic Center Fund - To account for the construction of the civic center for activity related to civic center capital asset improvements.

Tax Increment Financing Fund - To account for activities related to the tax increment finance district.

Industrial Development Fund - To account for activity related to industrial development initiatives.

Police Department Forfeiture Fund - To account for forfeited funds remitted to the police department.

Logic Park Fund - To account for the construction of park facilities.

Recreation Fund - To account for recreational activities for the citizens of Center.

Home Grant - To account for revenues and expenditures applicable to Home Grants.

Airport Construction Fund - To account for construction and activity related to airport capital asset improvements.

Street Improvement Fund - To account for contributions of the Street Economic Development Corporation for city street improvements.

Debt Service Fund

Debt Service Fund - To account for the accumulation of monies for the payment of general obligation debt.

Permanent Funds

Cemetery Endowment Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the Fairview cemetery.

Animal Welfare Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain Animal Welfare.

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS
ASSETS		
Cash and cash equivalents	\$ 96 654	\$ 736 427
Receivables	-	441 750
Due from other funds	-	500
TOTAL ASSETS	<u>\$ 96 654</u>	<u>\$ 1 178 677</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 6 414
Due to other funds	-	85 038
Accrued expenses	-	2 992
TOTAL LIABILITIES	<u>-</u>	<u>94 444</u>
Deferred Inflows:		
Unavailable revenue	-	441 750
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>441 750</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>-</u>	<u>536 194</u>
Fund Balances:		
Restricted for grants	-	642 483
Restricted for debt service	96 654	-
Other restrictions	-	-
TOTAL FUND BALANCES	<u>96 654</u>	<u>642 483</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 96 654</u>	<u>\$ 1 178 677</u>

See independent auditors' report.

PERMANENT FUND			
CEMETERY ENDOWMENT FUND	ANIMAL WELFARE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	
\$ 123 253	\$ 41 564	\$	997 898
-	-		441 750
-	-		500
<u>\$ 123 253</u>	<u>\$ 41 564</u>	<u>\$</u>	<u>1 440 148</u>
\$ -	\$ -	\$	6 414
-	-		85 038
-	-		2 992
<u>-</u>	<u>-</u>	<u></u>	<u>94 444</u>
-	-		441 750
-	-		441 750
-	-		536 194
-	-		642 483
-	-		96 654
<u>123 253</u>	<u>41 564</u>		<u>164 817</u>
<u>123 253</u>	<u>41 564</u>		<u>903 954</u>
<u>\$ 123 253</u>	<u>\$ 41 564</u>	<u>\$</u>	<u>1 440 148</u>

CITY OF CENTER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS
Revenues:		
Taxes	\$ 645 367	\$ 348 013
Grants and contributions	-	526 057
Fines and fees	-	6 991
Charges for services	-	175 621
Other	-	57 446
TOTAL REVENUES	<u>645 367</u>	<u>1 114 128</u>
Expenditures:		
Public safety	-	9 260
Community services	-	401 722
Streets	-	641 765
Debt Service:		
Principal	698 165	19 270
Interest and fiscal charges	<u>336 425</u>	<u>9 004</u>
TOTAL EXPENDITURES	<u>1 034 590</u>	<u>1 081 021</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(389 223)</u>	<u>33 107</u>
Other Financing Sources (Uses):		
Interest	6 429	11 632
Operating transfers in	357 511	658 178
Operating transfers (out)	-	(295 010)
TOTAL OTHER FINANCING SOURCES (USES)	<u>363 940</u>	<u>374 800</u>
NET CHANGE IN FUND BALANCE	(25 283)	407 907
Fund balance at beginning of year	<u>121 937</u>	<u>234 576</u>
FUND BALANCES AT END OF YEAR	<u>\$ 96 654</u>	<u>\$ 642 483</u>

See independent auditors' report.

PERMANENT FUND		
CEMETERY ENDOWMENT FUND	ANIMAL WELFARE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 993 380
12	-	526 069
-	-	6 991
-	-	175 621
-	-	57 446
<u>12</u>	<u>-</u>	<u>1 759 507</u>
-	-	9 260
-	-	401 722
-	-	641 765
-	-	717 435
-	-	345 429
<u>-</u>	<u>-</u>	<u>2 115 611</u>
<u>12</u>	<u>-</u>	<u>(356 104)</u>
2 175	539	20 775
-	-	1 015 689
-	-	(295 010)
<u>2 175</u>	<u>539</u>	<u>741 454</u>
2 187	539	385 350
<u>121 066</u>	<u>41 025</u>	<u>518 604</u>
\$ <u>123 253</u>	\$ <u>41 564</u>	\$ <u>903 954</u>

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2018

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
ASSETS					
Cash and cash equivalents	\$ 1 010	\$ -	\$ 225 771	\$ 2 152	\$ 6 229
Receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS	\$ 1 010	\$ -	\$ 225 771	\$ 2 152	\$ 6 229
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	1 010	82 990	-	-	-
Accrued expenses	-	-	-	-	-
TOTAL LIABILITIES	1 010	82 990	-	-	-
Deferred Inflows:					
Unavailable revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	1 010	82 990	-	-	-
Fund Balance:					
Restricted	-	(82 990)	225 771	2 152	6 229
TOTAL FUND BALANCE	-	(82 990)	225 771	2 152	6 229
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 1 010	\$ -	\$ 225 771	\$ 2 152	\$ 6 229

See independent auditors' report.

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	TAX INCREMENT FINANCING FUND	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND
\$ 38 524	\$ 10 984	\$ 1 343	\$ 30 026	\$ 7 771	\$ 414 904
-	-	-	-	-	441 750
-	500	-	-	-	-
<u>\$ 38 524</u>	<u>\$ 11 484</u>	<u>\$ 1 343</u>	<u>\$ 30 026</u>	<u>\$ 7 771</u>	<u>\$ 856 654</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2 900
-	-	1 038	-	-	-
-	-	-	-	-	-
-	-	1 038	-	-	2 900
-	-	-	-	-	441 750
-	-	-	-	-	441 750
-	-	1 038	-	-	444 650
38 524	11 484	305	30 026	7 771	412 004
<u>38 524</u>	<u>11 484</u>	<u>305</u>	<u>30 026</u>	<u>7 771</u>	<u>412 004</u>
<u>\$ 38 524</u>	<u>\$ 11 484</u>	<u>\$ 1 343</u>	<u>\$ 30 026</u>	<u>\$ 7 771</u>	<u>\$ 856 654</u>

CITY OF CENTER, TEXAS
 COMBINING BALANCE SHEET - CONTINUED
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2018

	RECREATION FUND	STREET IMPROVEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS			
Cash and cash equivalents	\$ (2 287)	\$ -	\$ 736 427
Receivables	-	-	441 750
Due from other funds	-	-	500
TOTAL ASSETS	\$ <u>(2 287)</u>	\$ <u>-</u>	\$ <u>1 178 677</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 3 514	\$ -	\$ 6 414
Due to other funds	-	-	85 038
Accrued expenses	2 992	-	2 992
TOTAL LIABILITIES	<u>6 506</u>	<u>-</u>	<u>94 444</u>
Deferred Inflows:			
Unavailable revenue	-	-	441 750
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>441 750</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>6 506</u>	<u>-</u>	<u>536 194</u>
Fund Balance:			
Restricted	<u>(8 793)</u>	<u>-</u>	<u>642 483</u>
TOTAL FUND BALANCE	<u>(8 793)</u>	<u>-</u>	<u>642 483</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ <u>(2 287)</u>	\$ <u>-</u>	\$ <u>1 178 677</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2018

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
Revenues:					
Taxes	\$ -	\$ 3 994	\$ 323 109	\$ -	\$ -
Grants and contributions	-	-	-	-	-
Fines and fees	-	-	-	3 995	2 996
Charges for services	-	-	-	-	-
Other	42 875	-	5 442	-	-
TOTAL REVENUES	42 875	3 994	328 551	3 995	2 996
Expenditures:					
Public safety	-	-	-	2 844	6 416
Community services	42 907	-	35 070	-	-
Streets	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	42 907	-	35 070	2 844	6 416
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32)	3 994	293 481	1 151	(3 420)
Other Financing Sources (Uses):					
Interest	-	-	3 577	91	112
Operating transfers in	10	-	-	-	-
Operating transfers (out)	-	(10)	(223 400)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	10	(10)	(219 823)	91	112
NET CHANGE IN FUND BALANCE	(22)	3 984	73 658	1 242	(3 308)
Fund balance, beginning of year	22	(86 974)	152 113	910	9 537
FUND BALANCE, END OF YEAR	\$ -	\$ (82 990)	\$ 225 771	\$ 2 152	\$ 6 229

See independent auditors' report.

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	TAX INCREMENT FINANCING FUND	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND
\$ -	\$ -	\$ -	\$ 20 910	\$ -	\$ -
-	6 314	154 401	-	-	360 029
-	-	-	-	-	-
-	-	-	-	-	-
9 129	-	-	-	-	-
<u>9 129</u>	<u>6 314</u>	<u>154 401</u>	<u>20 910</u>	<u>-</u>	<u>360 029</u>
-	-	-	-	-	-
-	4 665	102 815	-	-	32 764
-	-	-	-	-	-
-	-	-	28 274	-	-
<u>-</u>	<u>4 665</u>	<u>102 815</u>	<u>28 274</u>	<u>-</u>	<u>32 764</u>
9 129	1 649	51 586	(7 364)	-	327 265
477	-	-	450	137	6 788
-	-	-	16 403	-	-
-	-	-	-	-	(70 000)
<u>477</u>	<u>-</u>	<u>-</u>	<u>16 853</u>	<u>137</u>	<u>(63 212)</u>
9 606	1 649	51 586	9 489	137	264 053
<u>28 918</u>	<u>9 835</u>	<u>(51 281)</u>	<u>20 537</u>	<u>7 634</u>	<u>147 951</u>
\$ <u>38 524</u>	\$ <u>11 484</u>	\$ <u>305</u>	\$ <u>30 026</u>	\$ <u>7 771</u>	\$ <u>412 004</u>

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2018

	RECREATION FUND	STREET IMPROVEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Revenues:			
Taxes	\$ -	\$ -	\$ 348 013
Grants and contributions	5 313	-	526 057
Fines and fees	-	-	6 991
Charges for services	175 621	-	175 621
Other	-	-	57 446
TOTAL REVENUES	<u>180 934</u>	<u>-</u>	<u>1 114 128</u>
Expenditures:			
Public safety	-	-	9 260
Community services	183 501	-	401 722
Streets and drainage	-	641 765	641 765
Debt service	-	-	28 274
TOTAL EXPENDITURES	<u>183 501</u>	<u>641 765</u>	<u>1 081 021</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2 567)</u>	<u>(641 765)</u>	<u>33 107</u>
Other Financing Sources (Uses):			
Interest	-	-	11 632
Operating transfers in	-	641 765	658 178
Operating transfers (out)	<u>(1 600)</u>	<u>-</u>	<u>(295 010)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1 600)</u>	<u>641 765</u>	<u>374 800</u>
NET CHANGE IN FUND BALANCE	(4 167)	-	407 907
Fund balance, beginning of year	<u>(4 626)</u>	<u>-</u>	<u>234 576</u>
FUND BALANCE, END OF YEAR	\$ <u><u>(8 793)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>642 483</u></u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES - PROPRIETARY FUNDS
Year Ended September 30, 2018

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Revenues:			
Charges for Service:			
Water charges	\$ 2 859 209	\$ -	\$ 2 859 209
Sewer charges	868 856	-	868 856
Sanitation charges	-	1 588 873	1 588 873
TOTAL	<u>3 728 065</u>	<u>1 588 873</u>	<u>5 316 938</u>
Taps and Connections:			
Water taps and connections	4 515	-	4 515
Sewer taps and connections	1 600	-	1 600
TOTAL	<u>6 115</u>	<u>-</u>	<u>6 115</u>
Miscellaneous Revenue:			
Administrative fees	6 835	-	6 835
Penalties	49 617	-	49 617
Reconnection fees	21 660	-	21 660
Miscellaneous receipts	8 849	1 975	10 824
TOTAL	<u>86 961</u>	<u>1 975</u>	<u>88 936</u>
TOTAL OPERATING REVENUES	<u>\$ 3 821 141</u>	<u>\$ 1 590 848</u>	<u>\$ 5 411 989</u>
Nonoperating Revenues:			
Grants and contributions	\$ 186 429	\$ -	\$ 186 429
Other revenue	3 114	-	3 114
Income from investments	40 209	2 001	42 210
TOTAL NONOPERATING REVENUES	<u>\$ 229 752</u>	<u>\$ 2 001</u>	<u>\$ 231 753</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS
Year Ended September 30, 2018

BUSINESS TYPE ACTIVITIES			
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Expenses:			
Nondepartmental:			
Payroll	\$ 4 090	\$ -	\$ 4 090
Supplies	12 132	-	12 132
Contractual services	7 845	-	7 845
Sundry charges	3 155	-	3 155
Utilities	112 060	-	112 060
Capital outlay	36 781	-	36 781
TOTAL	<u>176 063</u>	<u>-</u>	<u>176 063</u>
Public Works:			
Payroll	189 588	-	189 588
Supplies	4 399	-	4 399
Contractual services	10 172	-	10 172
Utilities	12 191	-	12 191
Sundry charges	1 757	-	1 757
Maintenance	6 390	-	6 390
TOTAL	<u>224 497</u>	<u>-</u>	<u>224 497</u>
Water Production:			
Payroll	469 860	-	469 860
Supplies	191 888	-	191 888
Contractual services	145 248	-	145 248
Utilities	190 912	-	190 912
Sundry charges	14 013	-	14 013
Maintenance	183 113	-	183 113
Capital outlay	20 639	-	20 639
TOTAL	<u>1 215 673</u>	<u>-</u>	<u>1 215 673</u>
Water Distribution:			
Payroll	149 875	-	149 875
Supplies	9 268	-	9 268
Contractual services	13 083	-	13 083
Utilities	1 350	-	1 350
Sundry charges	1 438	-	1 438
Maintenance	110 386	-	110 386
Capital outlay	56 710	-	56 710
TOTAL	<u>342 110</u>	<u>-</u>	<u>342 110</u>
Sewer Collection:			
Payroll	137 568	-	137 568
Supplies	4 467	-	4 467
Contractual services	9 505	-	9 505
Utilities	30 263	-	30 263
Sundry charges	430	-	430
Maintenance	39 501	-	39 501
TOTAL	<u>221 734</u>	<u>-</u>	<u>221 734</u>

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS - CONTINUED
Year Ended September 30, 2018

BUSINESS TYPE ACTIVITIES			
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Sewer Treatment:			
Payroll	226 328	-	226 328
Supplies	64 191	-	64 191
Contractual services	112 857	-	112 857
Utilities	55 587	-	55 587
Sundry charges	18 104	-	18 104
Maintenance	63 890	-	63 890
Capital outlay	35 151	-	35 151
TOTAL	576 108	-	576 108
Sanitation:			
Supplies	-	400	400
Contractual services	-	1 246 814	1 246 814
Maintenance	-	8 355	8 355
Sundry charges	-	4 426	4 426
TOTAL	-	1 259 995	1 259 995
Depreciation:			
Depreciation	654 356	5 853	660 209
TOTAL OPERATING EXPENSES	\$ 3 410 541	\$ 1 265 848	\$ 4 676 389

See independent auditors' report.

STATISTICAL SECTION

CITY OF CENTER, TEXAS
INSURANCE COVERAGE
September 30, 2018
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/17 to 10/01/18	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/17 to 10/01/18	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/17 to 10/01/18	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/17 to 10/01/18	\$ 18 139 672
Texas Municipal League	General Liability	* 10/01/17 to 10/01/18	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/17 to 10/01/18	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/17 to 10/01/18	\$ 277 482
Texas Municipal League	Automobile Liability	* 10/01/17 to 10/01/18	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/17 to 10/01/18	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/17 to 10/01/18	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/17 to 10/01/18	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/17 to 10/01/18	\$ 1 000 000

* Renewed at 10/01/2018

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS
September 30, 2018
"UNAUDITED"

The following schedule of rates was in effect for year ended September 30:

Water Rates:

A. Monthly Minimum Charge:

Meter Size	Residential/ Commercial	Small Industrial/ Manufacturer 1 st 200,000 Gallons Incl.	Wholesale 1 st 50,000 Gallons Incl.	Large Industrial Manufacturer 1 st 5,000,000 Gallons Incl.	Industrial/Manufacturer Supplemental Meter Charges Same Facility
5/8	\$11.70				
3/4	\$11.70				
1	\$16.50				
1.5	\$24.40				
2	\$33.00	\$ 800	\$ 260	\$12 250	\$ 47.50
3	\$49.50	\$ 875	\$ 350	\$12 500	\$ 135.00
4	\$66.00	\$1 025	\$ 500	\$12 875	\$ 310.00
6	\$99.00	\$1 350	\$ 775	\$13 400	\$ 575.00
8		\$1 750	\$1 250	\$14 200	\$1 000.00
10		\$2 350	\$1 775	\$15 300	\$1 600.00
Sprinklers	\$19.00				

B. Unit Cost Per 1,000 Gallons:

Residential, commercial and sprinklers	\$ 3.80
Small industrial/manufacturer	\$ 3.25
Wholesale	\$ 3.25
Large industrial/manufacturer	\$ 2.00
Over 1.75M/day or 30M/month	\$ 2.40
Over 2M/day or 40M/month	\$ 3.25

C. Outside City Limits:

Rates are double the rates expressed in A and B above.

D. Bulk Water Sales:

Water purchased in bulk quantities shall be billed at a charge based on \$10.85 per thousand gallons metered.

Sewer Rates:

Residential:

Inside City Limits:

Minimum	\$13.50 plus ½ of Water
Maximum	\$40.00

Commercial:

Minimum	\$13.75 plus ½ of Water
Maximum	None

Fixed Rates (Tyson office account)

\$260 per month

Outside City Limits:

The rate for services furnished outside the City limits shall be double the rate for the same service supplied inside the City limits.

Sewer Disposal

\$0.25 per gallon

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED
September 30, 2018
"UNAUDITED"

Garbage Rates:

Residential	\$21.25
Commercial Small	\$25.15
Commercial Large	\$34.15

Commercial Dumpster Rates:

p/u per week Size	1X	2X	3X	4X	5X	6X	Extra Collections
2 Yard	87	152	208	272	346		36
3 Yard	98	172	244	320	396		38
4 Yard	110	185	258	352	431		40
6 Yard	135	199	288	368	452		42
8 Yard	166	296	419	601	668	775	44

Industrial, Compactor or Special Services:

Special services other than hand pickup and dumpster services shall be billed at the current billing rates of the contract provider.

Utility Tap Fees:

1. Water

Meter Size	Inside City Limits Fee	Outside City Limits Fee
¾ inch	\$650.00 + Street Cut Repairs	\$850.00 + Street Cut Repairs
1 inch	\$775.00 + Street Cut Repairs	\$1,050.00 + Street Cut Repairs
1 ½ inch	\$1,000.00 + Street Cut Repairs	\$1,600.00 + Street Cut Repairs
2 inch	\$1,150.00 + Street Cut Repairs	\$1,850.00 + Street Cut Repairs
Any Larger Size	Cost of Meter, Materials, Labor and Street Cut Repairs	Cost of Meter, Materials, Labor and Street Cut Repairs

2. Sewer

Service Size	Inside City Limits Fee	Outside City Limits Fee
4 inch	\$400.00 + Street Cut Repairs	\$700.00 + Street Cut Repairs
6 inch	\$550.00 + Street Cut Repairs	\$950.00 + Street Cut Repairs

Utility Deposits:

Type Service			Deposit
Water	-	\$	115.00
Water, Sewer and Garbage Collection	-	\$	115.00
Garbage Collection Only	-	\$	40.00
Risk Account Additional Deposit	-	\$	100.00

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED
September 30, 2018
"UNAUDITED"

Utility Account Fees:

Administrative Fee	-	\$	20.00
Broken Lock Fee	-	\$	30.00
Curb Stop Replacement Fee	-	\$	75.00
Payment Agreement Fee	-	\$	25.00

At September 30, 2018, the records of the City indicated the following system connections:

Water System	2 430
Sewer System	2 050
Garbage System	2 084

See independent auditors' report.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Center, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Center, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Center, Texas' basic financial statements, and have issued our report thereon dated April 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Center, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Center, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Center, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Center, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lufkin, Texas
April 8, 2019


CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CENTER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant Deficiency(s) identified that are
not considered to be material weaknesses?

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF CENTER, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2018

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
There were no prior audit findings.		

CITY OF CENTER, TEXAS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2018

None required for the current year.

Financial Advisory Services
Provided By:

