OFFICIAL STATEMENT

Dated July 16, 2019

Ratings:
S&P: "AA"/BAM Insured
Moody's: "A2"/Underlying Rating
(see "BOND INSURANCE" and "OTHER INFORMATION – Ratings")

NEW ISSUE - Book-Entry-Only

The Certificates are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. Interest on the Certificates will be includable in gross income for purposes of federal income taxation under statutes, regulations, published rulings and court decisions existing on the date thereof. See "TAX MATTERS" herein.

$1,445,000
CITY OF VAN ALSTYNE, TEXAS
(Grayson County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2019

Dated Date: August 1, 2019 | **Due: February 15, as shown on page 2 hereof**

Interest to accrue from Delivery Date

PAYMENT TERMS. . . Interest on the $1,445,000 City of Van Alstyne, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2019 (the "Certificates" or "Obligations") will accrue from Delivery Date (defined below), will be payable February 15 and August 15 of each year commencing February 15, 2020 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Van Alstyne, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a pledge of the surplus net revenues of the City's waterworks and sewer system, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "The Obligations - Authority for Issuance of the Certificates").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) purchase of land sites to provide public parking facilities in downtown area; (ii) purchase of land sites for municipal park and recreational improvements, (iii) purchase of land sites for future municipal complex; and (iv) paying legal, fiscal and engineering fees in connection with such projects.

CUSIP PREFIX: 920494

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

INSURANCE. . . The scheduled payment of principal of and interest on the Obligations when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Obligations by Build America Mutual Assurance Company ("BAM").

LEGALITY. . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Disclosure Counsel for the City.

DELIVERY. . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about August 7, 2019 (the "Delivery Date").

SAMCO CAPITAL MARKETS, INC.

MATURITY SCHEDULE

CUSIP Prefix: 920494[1]

Amount	15-Feb Maturity	Interest Rate	Initial Yield	CUSIP Suffix [1]
$ 30,000	2021	4.000%	2.200%	CS8
30,000	2022	4.000%	2.350%	CT6
30,000	2023	4.000%	2.450%	CU3
30,000	2024	4.000%	2.500%	CV1
30,000	2025	4.000%	2.600%	CW9
75,000	2026	4.000%	2.700%	CX7
75,000	2027	4.000%	2.750%	CY5
80,000	2028	4.000%	2.850%	CZ2
80,000	2029	3.000%	2.950%	DA6
85,000	2030	3.000%	3.000%	DB4
85,000	2031	3.100%	3.100%	DC2
90,000	2032	3.150%	3.150%	DD0
95,000	2033	3.200%	3.200%	DE8
95,000	2034	3.250%	3.250%	DF5
100,000	2035	3.300%	3.300%	DG3

$435,000 3.250% Term Certificates due February 15, 2039 [2] at a Price of 97.872% to Yield 3.400% CUSIP No. [1] DL2

(Interest to Accrue from Delivery Date)

(1) 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 and is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The City, the Financial Advisor and the Initial Purchaser take no responsibility for the accuracy of such numbers.
(2) Subject to mandatory sinking fund redemption. See "THE OBLIGATIONS – Mandatory Sinking Fund Redemption."

Optional Redemption. . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2030, 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 par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption of the Obligations").

Extraordinary Optional Redemption . . . Upon the receipt of a preliminary opinion from a nationally recognized bond counsel that the Certificates can be refunded by obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended, the Issuer reserves the right to redeem the Certificates, as a whole, or in part and, if in part, the particular Certificates, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Certificate may be redeemed only in an integral multiple of $5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption (see "THE OBLIGATIONS – Extraordinary Optional Redemption").

Mandatory Sinking Fund Redemption . . . The Term Certificates maturing on February 15, 2039 are subject to mandatory redemption prior to maturity on the dates and in the amounts described herein under "THE OBLIGATIONS - Mandatory Sinking Fund Redemption".

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This Official Statement, which includes the cover pages, 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, salesperson or other person has been authorized to give 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 City or the Initial Purchaser.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Initial Purchaser. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Obligations or the advisability of investing in the Obligations. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "Appendix D - Specimen Municipal Bond Insurance Policy".

The Obligations are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Obligations in accordance with applicable securities law provisions of the jurisdiction in which the Obligations have been registered, qualified, or exempted should not be regarded as a recommendation thereof.

NONE OF THE CITY, ITS FINANCIAL ADVISOR OR THE INITIAL PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this 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. **See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.**

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 attached hereto, to obtain information essential to making an informed investment decision.

This Official Statement contains "Forward-Looking" Statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance, and achievements expressed or implied by such Forward-Looking Statements. Investors are cautioned that the actual results could differ materially from those set forth in the Forward-Looking Statements.

TABLE OF CONTENTS

The cover pages hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE CITY.................................... The City of Van Alstyne, Texas (the "City") is a political subdivision and Type A general law municipal corporation of the State of Texas, located in Grayson County, Texas (see "Introduction - Description of the City").

THE CERTIFICATES……………..... The Certificates are issued as $1,445,000 Combination Tax and Revenue Certificates of Obligation, Taxable Series 2019. (see "THE OBLIGATIONS – Description of the Obligations").

PAYMENT OF INTEREST ON THE CERTIFICATES .... Interest on the Certificates accrues from the Delivery Date, and is payable February 15, 2020, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations" and "THE OBLIGATIONS - Optional Redemption of the Obligations").

AUTHORITY FOR ISSUANCE FOR THE CERTIFICATES.............. The Certificates are authorized and issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance adopted by the City Council of the City on July 16, 2019 (the "Ordinance") (see "THE OBLIGATIONS – Authority for Issuance of the Certificates").

SECURITY FOR THE CERTIFICATES............................. The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the surplus net revenues of the City's waterworks and sewer system, as provided in the Ordinance (see "THE OBLIGATIONS – Security and Source of Payment for the Certificates").

REDEMPTION OF THE OBLIGATIONS....................... The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2030, 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 par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption of the Obligations.) Additionally the Certificates maturing on February 15, 2039 are subject to mandatory sinking fund redemption in accordance with the Ordinance. (See "THE OBLIGATIONS – Mandatory Sinking Fund Redemption.")

Upon the receipt of a preliminary opinion from a nationally recognized bond counsel that the Certificates can be refunded by obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended, the Issuer reserves the right to redeem the Certificates, as a whole, or in part and, if in part, the particular Certificates, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Certificate may be redeemed only in an integral multiple of $5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption (see "THE OBLIGATIONS – Extraordinary Optional Redemption").

TAX TREATMENT.......................... The Certificates are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. Interest on the Certificates will be includable in gross income for purposes of federal income taxation under statutes, regulations, published rulings and court decisions existing on the date thereof. See "TAX MATTERS" herein.

USE OF PROCEEDS FOR THE CERTIFICATES............................. Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) purchase of land sites to provide public parking facilities in downtown area; (ii) purchase of land sites for municipal park and recreational improvements, (iii) purchase of land sites for future municipal complex; and (iv) paying legal, fiscal and engineering fees in connection with such projects.

RATING .... The Obligations have been rated "AA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), by virtue of a municipal bond insurance policy to be issued by BAM upon delivery of the Obligations to the Underwriter. In addition, the underlying rating on the Obligations is "A2" by Moody's Investors Service ("Moody's"), without regard to any credit enhancement (See "OTHER INFORMATION – Rating").

INSURANCE .... The scheduled payment of principal of and interest on the Obligations when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Obligations by BAM**.** (see "BOND INSURANCE").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System").

PAYMENT RECORD .... The City has never defaulted in the payment of its general obligation tax debt.

PAYING AGENT/REGISTRAR........ The initial Paying Agent/Registrar for the Certificates is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas .

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2015	3,321	$ 218,785,164	$ 65,879	$ 3,295,000	1.51%	$ 992
2016	3,372	230,358,532	68,315	2,985,000	1.30%	885
2017	3,894	244,452,886	62,777	2,660,000	1.09%	683
2018	4,529	237,647,635	52,472	2,822,000	1.19%	623
2019	4,529	292,933,177	64,679	4,085,000 [(4)]	1.39% [(4)]	902 [(4)]

(1) Source: City of Van Alstyne.
(2) As reported by the Appraisal District (defined herein) on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Projected. Includes the Certificates.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2018	2017	2016	2015	2014
Beginning Balance	$ 1,306,483	$ 1,102,301	$ 851,879 [(1)]	$ 1,161,226	$ 629,229
Total Revenues	4,050,710	4,092,213	3,713,742	3,388,188	3,168,417
Total Expenditures	4,118,372	3,935,323	3,634,797	3,764,079	3,475,807
Net Transfers	68,984	47,292	171,477	52,509	839,388
Net Funds Available	1,238,821	1,259,191	930,824	785,335	321,839
Ending Balance	$ 1,307,805	$ 1,306,483	$ 1,102,301	$ 837,844	$ 1,161,226

(1) Restated.

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Steven Riley Mayor	1 Year	May 2021	Retired
Lee Thomas Alderman	2 Years	May 2021	Project Manager
Katrina Arsenault Alderman	1 Month	May 2021	Registered Nurse
Ryan T. Neal Alderman	1 Year	May 2020	Financial Planner
Marla E. Butler Alderman	1 Year	May 2020	Mortgage Banker
Robert Jaska Alderman	6 years	May 2020	Banker

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with City	Years in City Government
Lane Jones	City Manager	1 Year	10 Years
Jennifer Gould	City Clerk	14 Years	14 Years
Angela McNeil	Controller	1 Year	1 Year

CONSULTANTS AND ADVISORS

Auditors .... Brown and Davis, L.L.P., C.P.A.
Denison, Texas

Bond and Disclosure Counsel.. McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor ....Hilltop Securities Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$1,445,000
CITY OF VAN ALSTYNE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2019

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $1,445,000 City of Van Alstyne, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2019 (the "Certificates" or the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Obligations (as defined below) which authorized the issuance of the Obligations (the "Ordinance").

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City of Van Alstyne, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Dallas, Texas ("HilltopSecurities").

DESCRIPTION OF THE CITY. . . The City is a political subdivision and Type A general law municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State. The City incorporated in 1873. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Alderman members who are elected for staggered two-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, environmental health services, parks and recreation, public facilities, planning and zoning, and general administrative services. The 2000 Census population for the City was 2,502. The estimated population for 2019 is 4,529.

PLAN OF FINANCING

PURPOSE. . . The Certificates are being issued for the purpose of paying contractual obligations to be incurred for (i) purchase of land sites to provide public parking facilities in downtown area; (ii) purchase of land sites for municipal park and recreational improvements, (iii) purchase of land sites for future municipal complex; and (iv) paying legal, fiscal and engineering fees in connection with such projects.

USE OF CERTIFICATE PROCEEDS. . . Proceeds from the sale of the Certificates are expected to be expended as follows:

SOURCES OF FUNDS:	
Par Amount of Certificates	$ 1,445,000.00
Original Issue	17,742.45
Total Sources	$ 1,462,742.45
USES OF FUNDS:	
Deposit to Project Fund	$ 1,381,000.00
Original Issue Discount	17,439.75
Cost of Issuance	64,302.70
Total Uses	$ 1,462,742.45

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS. . . The Obligations are dated August 1, 2019 (the "Dated Date"), and are scheduled to mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery of the Obligations to the Initial Purchaser, anticipated to be August 7, 2019 (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on each February 15 and August 15 until maturity or prior redemption, commencing February 15, 2020. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity of Certificates and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - Book-Entry-Only System" herein.

Interest on the Obligations 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 of the Obligations will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "THE OBLIGATIONS - Book-Entry-Only System" herein. If the date for any payment on the Obligations 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.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES. . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES. . . The Certificates are payable from a combination of (i) a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property within the City and (ii) a pledge of the surplus net revenues of the City's waterworks and sewer system, as provided in the Ordinance.

TAX RATE LIMITATION. . . 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 sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

OPTIONAL REDEMPTION OF THE OBLIGATIONS. . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2030, 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 par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of the Obligations to be redeemed. If less than all of the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given as described below, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

EXTRAORDINARY OPTIONAL REDEMPTION . . . Upon the receipt of a preliminary opinion from a nationally recognized bond counsel that the Certificates can be refunded by obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended, the Issuer reserves the right to redeem the Certificates, as a whole, or in part and, if in part, the particular Certificates, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Certificate may be redeemed only in an integral multiple of $5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

MANDATORY SINKING FUND REDEMPTION. . . The Obligations maturing on February 15, 2039 (the "Term Certificates") are subject to mandatory sinking fund redemption in the principal amounts and at the price of par plus accrued interest to the redemption date as described below:

<u>Term Certificates Due February 15, 2039</u>

Redemption Date	Principal Amount
February 15, 2036	$105,000
February 15, 2037	$105,000
February 15, 2038	$110,000
February 15, 2039 (maturity)	$115,000

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by the lot,. Or by any other method that results in a random selection, the numbers of the Term Certificates to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Ordinance). Any Term Certificate not selected for prior redemption shall be paid on the date of its stated maturity.

The principal amount of Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of the same maturity which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Certificate plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION. . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first-class, postage prepaid, in the name of the City, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of each registered owner appearing 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 SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Obligations, unless certain prerequisites to such redemption required by the Ordinance have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Obligations 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 such redemption is 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 or such prerequisites are not satisfied, such notice shall be of no force and effect, the City shall not redeem such Obligations and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Obligations have not been redeemed.

DEFEASANCE. . . The Ordinance provides for the defeasance of the Certificates when the 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 a paying agent, or other authorized entity, in trust (1) money sufficient to make such payment or (2) Defeasance 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, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligation 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, on the date the City Council approves such defeasance, rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are, on the date the City Council approves such defeasance, rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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

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

AMENDMENTS . . . The City may amend or supplement the Ordinance, without the consent of any registered owner, in order to (i) cure any ambiguity, defect or omission in the Ordinance that does not materially adversely affect the interests of the registered owners, (ii) grant additional rights or security for the benefit of the registered owners, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance and that shall not materially adversely affect the interests of the registered owners, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Ordinance as will not be inconsistent with the provisions of the Ordinance and that will not in the opinion of the City's Bond Counsel materially adversely affect the interests of the registered owners. Additionally, the registered owners of Certificates aggregating 51% of the aggregate principal amount of then outstanding Certificates have the right to approve any amendment that may be deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the registered owners of the then outstanding Certificates, no amendment shall: (1) make any change in the maturity of any of the outstanding Certificates; (2) reduce the rate of interest borne by any of the outstanding Certificates; (3) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (4) modify the terms of payment of principal or of interest on outstanding Certificates or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of Certificates necessary for consent to such amendment.

BOOK-ENTRY-ONLY SYSTEM. . . This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any and interest on the Obligations are to be paid to and credited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, 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 Obligations), 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 Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Obligations in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: 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 Obligations under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 interest in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system described herein is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Obligations, 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 (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Obligations 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 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical securities for the Certificates will be printed 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 Obligations 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 Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid, and any successor Paying

Agent/Registrar shall be a bank, trust company organized under the laws of the State of Texas, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration. . . In the event the Book-Entry-Only System should be discontinued, printed Certificate certificates will be delivered to the holders and thereafter the Certificates may be transferred and exchanged 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 transfer or exchange 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, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates 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 mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, 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 business days after the receipt of the Certificates to be canceled, 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 any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. Neither the City nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a holder any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Obligation; provided, however, such limitation on transferability shall not be applicable to an exchange by the holder of the unredeemed balance of an Obligation called for redemption in part. See "THE OBLIGATIONS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligation.

Record Date for Interest Payment. . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month.

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 (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 an Obligation 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.

Obligationholders' Remedies. . . If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Obligations 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 Obligations if there is no other available remedy at law to compel performance of the Obligations 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 Obligations 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 holders of the Obligations 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. 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 Obligations may not be able to bring such a suit against the City for breach of the Obligations or the covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. 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 Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States 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 holders of the Obligations 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 Obligations are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by principles of equity which permit the exercise of judicial discretion.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Obligations, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Obligations (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Obligations when due as set forth in the form of the Policy included as Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $513.9 million, $105 million and $408.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".*Additional Information Available from BAM*

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Obligations. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Obligations, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

INTRODUCTION . . . The City has obtained a commitment from BAM to provide the Policy. The following risk factors related to municipal bond insurance policies generally apply.

GENERAL . . . In the event of default of the payment of principal and interest with respect to the Obligations when all or some becomes due, any owner of the Obligations shall have a claim under the Policy for such payments. 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 Obligations by the City which is recovered by the City from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by BAM at such time and in such amounts as would have been due absent such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Payment of principal of and interest on the Obligations is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “The Obligations – Bondholders’ Remedies”). BAM may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bondholders.

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

The long term ratings on the Obligations will dependent in part on the financial strength of BAM and its claims-paying ability. BAM’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 BAM and of the ratings on the Obligations insured by BAM will not be subject to downgrade and such event could adversely affect the market price of the Obligations or the marketability (liquidity) for the Obligations (see “Other Information – Ratings” herein).

The obligations of BAM under the Policy would be general obligations of BAM and in an event of default by BAM, the remedies available to the Bondholders may be limited by applicable bankruptcy law or other similar laws related to insolvency. The City has not made an independent investigation into the claims-paying ability of BAM and no assurance nor representation regarding the financial strength or projected financial strength of BAM is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody’s Investor Services, Inc., S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, and Fitch Ratings (the “Rating Agencies”) have, since 2007, downgraded and/or placed on negative credit watch, the claims-paying ability and financial strength of most providers of municipal bond insurance, including BAM. Additional downgrades or negative changes in the rating outlook for all bond insurers, including BAM is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of bond insurers, including BAM. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Obligations and the claims-paying ability of BAM, particularly over the life of the Obligations.

TAX INFORMATION

AD VALOREM TAX LAW. . . The appraisal of property within the City is the responsibility of the Grayson Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title 1 of the Tax Code, as amended (the "Property Tax Code"), to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value for the most recent tax year in which the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

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

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

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000. However, the governing body of a political subdivision is prohibited from repealing or reducing the amount of this optional homestead exemption if it was in place for the 2014 tax year (fiscal year ending 2015) for a period ending December 31, 2019.

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces. The exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, 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. In addition, effective January 1, 2012, and subject to certain conditions, the surviving spouse of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Under Article VIII 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. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

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

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

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. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the State and transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 of the Property Tax Code permits local governmental entities, on a local option basis, to tax goods-in-transit if the governmental body of such entity, after conducting a public hearing, takes official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption, but not both, for items of personal property.

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

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development 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, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . 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. The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City Council for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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. 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 for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

LEGISLATION AFFECTING AD VALOREM TAXATION . . . The 86th Regular Legislative Session convened on January 8, 2019 and concluded on May 27, 2019. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which may have an adverse impact on the District's operations and, therefore, the marketability or market value of the Bonds.

SB 2 includes provisions that address the following goals as described by the Texas Senate Research Center: (1) lowering the rollback rate for maintenance and operations taxes from the existing levels; (2) requiring a tax ratification election if the rollback rate is exceeded; (3) making information about the tax rates proposed by local taxing units more accessible to property owners and more timely; and (4) making it easier for property owners to express their opinions about proposed tax rates to local elected officials before tax rates are adopted. Specifically, with respect to political subdivisions such as the City, SB 2, as signed by the Governor, lowers the rollback rate from 8% to 3.5% above the effective tax rate, and an election is automatically triggered if the City's adopted tax rate exceeds the rollback rate. However, there is a "de minimis" exception from the automatic election requirement if the total additional levy is less than $500,000 in any given year. At this time, the City cannot predict what impact SB 2 will have on its financial condition, and the City cannot predict whether the Governor will call a special session to address other property tax reforms not included in SB 2.

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 takes into account the future income from the sale of oil or gas to be produced form the interest and uses the average price of the oil or gas from the interest for the preceding calendar year multiplied by a price adjustment factor. 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.

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

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

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, 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. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

City Application of Tax Code . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $30,000; the disabled are also granted an exemption of $25,000. Also, there is a freeze on the taxable value of the residence homesteads of persons 65 years of age and older and disabled persons.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the City taxes are collected by the Grayson County Tax Assessor Collector.

The City does not permit split payments, and discounts are not allowed.

The City does not tax freeport property.

The City does collect the additional one-quarter cent sales tax for reduction of ad valorem taxes.

Economic Development Agreements . . In September 2008, the City entered into a development agreement (the "Development Agreement") with Viola Lordsmeer, L.P. (the "Developer"), who owned approximately 2,011.40 acres of real property in Collin and Grayson Counties, the vast majority of which is located in the City's extraterritorial jurisdiction, intended to be developed as a master-planned, mixed-use community (the "Property"). In the Development Agreement, the Developer agreed to construct certain public infrastructure, including without limitation streets and roads, utility lines, and wastewater treatment facilities (the "Public Infrastructure") to be connected to the City's system of streets, roads, and utility lines. The Developer also agreed to subject the subdivision and platting of the Property and the design, construction, installation, and inspection of water, sewer, drainage, roadway and other Public Infrastructure to the City's jurisdiction, pursuant to Section 242.001(a)(3), Texas Local Government Code. In exchange, the City agreed to consent to the creation by the Developer of one or more municipal utility districts or legislatively created districts that may in the future issue bonds to fund the construction of the Public Infrastructure. The City also agreed to enter into one or more Chapter 380 agreements (together with the Development Agreement, the "Agreements") between the Developer and one or more of the City, the Van Alstyne 4A Development Corporation, and the Van Alstyne 4B Development Corporation, to provide additional funds for the construction of the Public Infrastructure.

In 2018, the Property and the Developer's rights in the Agreement were sold and assigned to Risland Mantua LLC, a subsidiary of Risland, Hong Kong. To date, no development of the Property has begun, and the City cannot predict whether any development will occur in the future, or how such development might affect the City's financial condition.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2018/19 Market Valuation Established by Appraisal District (excluding totally exempt property)		$ 328,292,079
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap	$ 6,960,073	
Disabled Veterans	2,115,225	
Over 65	1,294,963	
Miscellaneous	40,964	
Freeport	825,116	
Agricultural Use Reductions	24,122,561	35,358,902
2018/19 Taxable Assessed Valuation		$292,933,177
General Obligation Debt as of 6/15/2019	$2,780,000	
The Certificates	1,445,000	
Total General Obligation Debt as of 6/15/2019		$4,225,000
Less: 2018/2019 Total Self-Supporting Debt (W&S)		$1,140,000
Net General Obligation Debt Payable from Ad Valorem Taxes		$3,085,000
General Obligation Interest and Sinking Fund as of May 15, 2019		$485,648
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		1.05%

2019 Estimated Population --	4,529
Per Capita Taxable Assessed Valuation --	$64,679
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes -	$681

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Assessed Value for Fiscal Year Ended September 30,								
	2019			2018			2017		
Category		Amount	% of Total		Amount	% of Total		Amount	% of Total
Real, Residential, Single-Family	$	201,722,541	61.45%	$	166,936,635	61.94%	$	146,624,912	53.43%
Real, Residential, Multi-Family		15,905,788	4.85%		7,831,659	2.91%		5,558,074	2.03%
Real, Vacant Lots/Tracts		4,595,229	1.40%		4,365,361	1.62%		4,402,308	1.60%
Real, Acreage (Land Only)		24,471,534	7.45%		23,234,358	8.62%		21,669,583	7.90%
Real, Farm and Ranch Improvements		2,521,824	0.77%		2,440,198	0.91%		2,585,986	0.94%
Real, Commercial and Industrial		37,014,777	11.27%		36,993,852	13.73%		35,837,279	13.06%
Real and Tangible Personal, Utilities		4,693,822	1.43%		4,212,025	1.56%		4,073,972	1.48%
Tangible Personal, Commercial		25,504,425	7.77%		11,675,666	4.33%		11,766,152	4.29%
Tangible Personal, Industrial		7,894,845	2.40%		8,990,750	3.34%		39,593,115	14.43%
Tangible Personal, Mobil Homes		21,365	0.01%		22,171	0.01%		16,125	0.01%
Real Property, Inventory		3,893,684	1.19%		2,492,737	0.92%		2,056,329	0.75%
Other		52,245	0.02%		328,275	0.12%		233,404	0.09%
Total Appraised Value Before Exemptions	$	328,292,079	100.00%	$	269,523,687	100.00%	$	274,417,239	100.00%
Less: Total Exemptions/Reductions		35,358,902			31,876,052			29,964,353	
Taxable Assessed Value	$	292,933,177		$	237,647,635		$	244,452,886	

	Taxable Assessed Value for Fiscal Year Ended September 30,					
	2016			2015		
Category		Amount	% of Total		Amount	% of Total
Real, Residential, Single-Family	$	118,914,269	46.95%	$	105,330,037	44.11%
Real, Residential, Multi-Family		5,195,711	14.69%		5,079,008	2.13%
Real, Vacant Lots/Tracts		4,018,301	11.36%		4,094,271	1.71%
Real, Acreage (Land Only)		18,205,314	51.49%		16,497,124	6.91%
Real, Farm and Ranch Improvements		1,791,935	5.07%		1,345,062	0.56%
Real, Business		32,025,962	90.57%		31,652,796	13.26%
Real and Tangible Personal, Utilities		3,572,865	10.10%		3,341,527	1.40%
Tangible Personal, Commercial		10,698,636	30.26%		10,566,019	4.43%
Tangible Personal, Industrial		55,184,749	156.07%		59,094,958	24.75%
Tangible Personal, Mobil Homes		13,437	0.04%		13,437	0.01%
Real Property, Inventory		3,477,883	9.84%		1,609,355	0.67%
Other		157,876	0.45%		152,945	0.06%
Total Appraised Value Before Exemptions	$	253,256,938	426.89%	$	238,776,539	100.00%
Less: Total Exemptions/Reductions		22,898,406			19,991,375	
Taxable Assessed Value	$	230,358,532		$	218,785,164	

NOTE: Valuations shown are certified taxable assessed values reported by the Grayson Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2015	3,321	$ 218,785,164	$ 65,879	$ 3,295,000	1.51%	$ 992
2016	3,372	230,358,532	68,315	2,985,000	1.30%	885
2017	3,894	244,452,886	62,777	2,660,000	1.09%	683
2018	4,529	237,647,635	52,472	2,822,000	1.19%	623
2019	4,529	292,933,177	64,679	4,085,000 [(4)]	1.39% [(4)]	902 [(4)]

(1) Source: City of Van Alstyne.
(2) As reported by the Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Does include self-supporting debt.
(4) Projected. Includes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2015	$0.6126	$0.4663	$0.1464	$ 1,312,905	98.72%	99.77%
2016	0.6126	0.4679	0.1448	1,411,266	98.92%	99.82%
2017	0.6126	0.4748	0.1378	1,467,770	98.56%	100.69%
2018	0.6351	0.4926	0.1425	1,860,530	98.93%	100.31%
2019	0.5959	0.4755	0.1205	1,745,683	94.96% [(2)]	95.43% [(2)]

(1) Collections as of May, 2019.

TABLE 5 - TEN LARGEST TAXPAYERS [(1)]

Name of Taxpayer	Nature of Property	2018/19 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Lacore Labs LLC	Manufacturing	$ 12,631,564	4.31 %
Palladium Van Alstyne Senior Living	Nursing Homes	8,152,429	2.78
Techline Inc.	Industrial	4,074,937	1.39
Foxworth Galbraith Lumber Co.	Lumber Processing	4,071,960	1.39
Stonehollow Homes LLC	Home Builder	2,455,164	0.84
Lacore Enterprises LLC	Advertising	2,333,810	0.80
Atmos Energy/Mid-Tex Distribution	Utilities	2,058,508	0.70
Texas Star Bank	Financial/Banking	1,785,201	0.61
Douglass Distributing Co.	Oil & Gas	1,650,000	0.56
Grayson-Collin Electric Co-Op	Electric Utility	1,536,864	0.52
		$ 40,750,437	13.91 %

(1) Source: The Appraisal District.

GENERAL OBLIGATION DEBT LIMITATION. . . No general obligation debt limitation is imposed on the City under current State law (see "THE OBLIGATIONS – Tax Rate Limitation").

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

	2018/2019 Taxable Assessed [1]	2018/2019 Tax	Total G.O. Tax as of 6/30/2019	Estimated %	City's Overlapping G.O. Tax Debt as of 6/30/2019
City of Van Alstyne	292,933,177	$ 0.5959	$ 4,225,000	100.00%	$ 4,225,000 [2]
Grayson County	9,447,966,189	0.4420	42,045,000	2.37%	996,467
Grayson County JCD	10,471,485,127	0.1770	25,385,000	2.37%	601,625
Van Alstyne ISD	621,468,567	1.6200	56,340,000	45.26%	25,499,484
Total Direct and Overlapping G. O. Tax Debt					$ 31,322,575
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation					10.69%
Per Capita Overlapping G. O. Tax Debt					$ 6,916

(1) Includes self-supporting debt. Includes the Obligations.

TABLE 7 – TAX ADEQUACY [1]

2019 Net Principal and Interest Requirements	$ 308,669
$0.1086 Tax Rate at 97.0% Collection Produces	$ 308,695
Average Net Principal and Interest Requirements (2019-2039)	$ 178,178
$0.0627 Tax Rate at 97.0% Collection Produces	$ 178,187
Maximum Net Principal and Interest Requirements, 2020	$ 358,279
$0.1261 Tax Rate at 97.0% Collection Produces	$ 358,307

(1) Includes self-supporting debt. Projected. Includes the Obligations.

DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 30-Sep	Outstanding Debt Service			The Certificates			Less: Self-Supporting Debt Service	Net General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S			
2019	$ 377,000	$ 118,141	$ 495,141	$ -	$ -	$ -	$ 186,472	$ 308,669	
2020	391,000	99,533	490,533	-	50,278	50,278	182,532	358,279	
2021	364,000	82,806	446,806	30,000	48,585	78,585	188,565	336,826	
2022	375,000	68,677	443,677	30,000	47,385	77,385	183,185	337,877	
2023	412,000	54,097	466,097	30,000	46,185	76,185	203,792	338,490	45.02%
2024	425,000	38,032	463,032	30,000	44,985	74,985	203,371	334,646	
2025	227,000	21,484	248,484	30,000	43,785	73,785	207,724	114,545	
2026	193,000	13,650	206,650	75,000	41,685	116,685	206,650	116,685	
2027	34,000	6,348	40,348	75,000	38,685	113,685	40,348	113,685	
2028	34,000	5,434	39,434	80,000	35,585	115,585	39,434	115,585	71.99%
2029	35,000	4,506	39,506	80,000	32,785	112,785	39,506	112,785	
2030	36,000	3,551	39,551	85,000	30,310	115,310	39,551	115,310	
2031	37,000	2,569	39,569	85,000	27,718	112,718	39,569	112,718	
2032	38,000	1,560	39,560	90,000	24,983	114,983	39,560	114,983	
2033	39,000	525	39,525	95,000	22,045	117,045	39,525	117,045	85.88%
2034	-			95,000	18,981	113,981	-	113,981	
2035	-			100,000	15,788	115,788	-	115,788	
2036	-			105,000	12,431	117,431	-	117,431	
2037	-			105,000	9,019	114,019	-	114,019	
2038	-			110,000	5,525	115,525	-	115,525	97.42%
2039	-			115,000	1,869	116,869	-	116,869	100.00%
	$ 3,017,000	$ 520,912	$ 3,537,912	$ 1,445,000	$ 598,611	$ 2,043,611	$ 1,839,783	$ 3,741,740	

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

General Purpose Net Debt Service Requirements, Fiscal Year Ending 9/30/19		$ 308,669
Interest and Sinking Fund Balance, Fiscal Year Ending 9/30/18	$ 584,086	
Budgeted Interest and Sinking Fund Tax Levy for September 30, 2019	343,469	
	$ 927,555	
Ending Fund Balance, Fiscal Year Ending 9/30/19		$ 618,886

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS… The City has no authorized but unissued bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The City does not anticipate issuing any tax supported debt within the next twelve months.

EMPLOYEE BENEFITS

PLAN DESCRIPTION . . . The City provides pension benefits for all of its eligible full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the State-wide Texas Municipal Retirement System ("TMRS"), one of over 883 plans administered by TMRS, an agent multiple-employer public employee retirement system. Benefits from the TMRS administered plan depend upon the sum of the employee's contributions to the plan, with interest, and City-financed monetary credits, with interest.

All eligible employee of the City are required to participate in TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 or more years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the City Council, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes.

In order to fund its unfunded actuarial accrued liability ("UAAL") over a 25-year period, the City contributes at the "full rate", which for calendar year 2020 is estimated to be 9.75% of its employees' salaries, subject to actuarial adjustments. Additionally, the City contributes 0.17% of the amount of its employees' salaries to provide life insurance benefits for its employees through TMRS (See "Other Post-Employment Benefits" below), making the City's total contribution rate equal to 9.92%. The employee contribution rate for fiscal year 2018 was 6%. City contributions under the TMRS plan for calendar years ending September 30, 2016, 2017 and 2018 were $114,596, $161,434 and $170,563, respectively. The following table illustrates the trends with respect to the City's funding of its pension liability under TMRS for the last five calendar years for which audited information is available:

Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Accrued Liability as a % of Covered Payroll
2014	$2,969,417	$3,611,069	82.2%	$641,652	$1,458,549	44.0%
2015	$3,217,253	$3,856,424	83.4%	$639,171	$1,434,991	44.5%
2016	$3,538,986	$4,215,657	83.9%	$676,671	$1,424,336	47.5%
2017	$3,954,570	$4,499,035	87.9%	$544,465	$1,640,103	33.2%
2018	$4,358,775	$4,893,130	89.1%	$534,355	$1,702,132	31.4%

Source: City audited financial statements and TMRS correspondence.

For more detailed information concerning the Pension Plan, see Note 11 in "APPENDIX B - Excerpts from the City of Van Alstyne, Texas Annual Financial Report". More information regarding the City's TMRS contribution rates is available at https://www.tmrs.com/rate_letters/2019/01316.pdf.

OTHER POST-EMPLOYMENT BENEFITS . . . The City provides life insurance benefits for both active employees and retirees through the Supplemental Death Benefits Fund ("SDBF"), a cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for $7,500.

For additional information concerning the City's pension plans and other benefits, see Note 12 in "APPENDIX B - Excerpts from the City of Van Alstyne, Texas Annual Financial Report".

ACCRUED COMPENSATED ABSENCES . . . City employees accrue 40 hours of vacation leave after six full months of service. After that, regular full time employees earn 80 to 160 hours of paid vacation leave based on years of service. The City allows its employees to carryover earned and unused vacation hours at an amount not to exceed one-half of the hours they are eligible to receive that year. After six full months of employment, city employees accumulate sick leave at the rate of 60 hours per year with a maximum of 720 hours. Accumulated sick leave will not be compensated for in any way at the time of termination. The accrued compensated absences for governmental and business-type activities at September 30, 2018 are $49,659 and $6,448, respectively.

TABLE 10 – OTHER OBLIGATIONS (1)

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Due within one year
Governmental Activities					
Contractual obligations and bonds payable:					
2014 Contractual Obligation #6602	$ 114,834	$ -	$ (56,416)	$ 58,418	$ 58,972
2014 Contractual Obligation #6603	289,680	-	(37,649)	252,031	38,697
2017 Series - Contractual Obligation	-	275,000	-	275,000	55,595
Total:	$ 404,514	$ 275,000	$ (94,065)	$ 585,449	$ 153,264
Business-Type Activities					
Contractual obligations and bonds payable:					
GTUA CGMA Phase 1 Contractual Obligation	$ 435,000	$ -	$ (30,000)	$ 405,000	$ 31,250
GTUA CGMA Phase 2 Contractual Obligation	2,168,750	-	-	2,168,750	-
GTUA CGMA Phase 3 Contractual Obligation	900,000	-	(11,250)	888,750	12,500
GTUA 2014A Series - Contractual Obligation	350,000	-	(45,000)	305,000	50,000
GTUA 2014B Series - Contractual Obligation	1,525,000	-	(65,000)	1,460,000	70,000
2014 Contractual Obligation #6577	490,649	-	(75,501)	415,148	77,967
2014 Contractual Obligation #6578	82,894	-	(26,716)	56,178	27,691
GTUA 2015 Series Contractual Obligation	2,715,000	-	(95,000)	2,620,000	95,000
2018 Contractual Obligation #7987	-	154,668	(31,200)	123,468	29,534
Total:	$ 8,667,293	$ 154,668	$ (379,667)	$ 8,442,294	$ 393,942

(1) For more information regarding the City's Other Obligations, please see Note 7 and Note 8 in the City's FYE 2018 Audit attached as Appendix B.

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TABLE 11 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2018	2017	2016	2015	2014
Revenues:					
General Revenues					
Property Taxes	$ 1,146,293	$ 1,142,332	$ 1,059,762	$ 1,001,883	$ 843,226
Ambulance	476,124	521,051	516,938	544,814	635,526
Sales Tax	1,018,400	930,797	816,344	728,813	672,403
Court Fees	598,033	611,521	719,801	732,753	618,018
FEMA reimbursement	-	-	73,779	-	-
Franchise Taxes	211,880	181,721	184,768	188,285	173,515
Interest Revenue	5,304	4,806	4,609	3,795	3,581
Other Revenue	238,864	377,391	101,929	94,938	126,764
Permits and Fees	323,040	238,141	222,458	92,907	50,437
Grants & Donations	32,772	84,453	13,354	-	44,948
Total Revenues	$ 4,050,710	$ 4,092,213	$ 3,713,742	$ 3,388,188	$ 3,168,417
Expenditures:					
Current					
Police	$ 640,248	$ 718,930	$ 681,530	$ 578,140	$ 589,216
Ambulance and Fire	642,590	599,335	641,160	844,509	837,359
General Government	1,389,477	1,009,994	811,594	721,137	533,450
Streets and Drainage	124,639	51,221	52,502	100,283	345,886
Library	170,499	151,200	160,100	151,765	153,459
Emergency Communications	214,087	201,667	217,773	203,444	185,209
Municipal Court	331,976	359,221	373,294	344,197	262,492
Parks and Other	175,386	92,144	82,195	90,692	80,674
Debt Service					
Principal Payments	94,065	272,799	136,273	139,973	111,330
Interest and Other Charges	12,562	15,309	19,069	17,485	9,944
Capital Outlay	322,843	463,503	459,307	572,454	366,788
Total Expenditures	$ 4,118,372	$ 3,935,323	$ 3,634,797	$ 3,764,079	$ 3,475,807
Excess (deficiency) of Revenue Over Expenditures	$ (67,662)	$ 156,890	$ 78,945	$ (375,891)	$ (307,389)
Other Financing Sources					
Transfers In (Out)	64,979	44,979	26,359	50,452	-
Debt proceeds	-	-	109,051	-	675,000
Sale of General Capital Assets	4,005	2,313	36,067	2,057	164,388
Total Other Sources (Uses)	$ 68,984	$ 47,292	$ 171,477	$ 52,509	$ 839,388
Net Changes In Fund Balance	$ 1,322	$ 204,182	$ 250,422	$ (323,382)	$ 531,999
Fund Balances - Beginning	$ 1,306,483	$ 1,102,301	$ 837,844	$ 1,161,226	$ 629,229
Prior Period Adjustment	-	-	14,035	-	-
Beginning Fund Balance	$ 1,306,483	$ 1,102,301	$ 851,879	$ 1,161,226	$ 629,229
Ending Fund Balance	$ 1,307,805	$ 1,306,483	$ 1,102,301	$ 837,844	$ 1,161,226

TABLE 12 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. The voters of the City approved the imposition of an additional sales and use tax of one-quarter percent (0.25%) for the benefit of the Van Alstyne 4A Development Corporation and an additional one-quarter percent (0.25%) for the benefit of the Van Alstyne 4B Development Corporation (collectively, the "Corporations"). The collective 0.5% sales and use tax for economic development is collected solely for the benefit of the Corporations, and may be pledged to secure payment of sales tax revenue bonds issued by the Corporations, but may not be pledged to payment on the Obligations. The voters have also approved the levy of a 0.25% sales and use tax for property tax relief and the revenues received from this sales and use tax are generally applied as in the same manner as property tax revenues. Finally, voters of the City have also approved the levy of a 0.25% sales and use tax for street repairs and maintenance. The current sales and use tax rates within the City total 2%, which is the maximum amount permitted by State law. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. **Sales and use tax proceeds are not pledged to payment of the Obligations and are not available to pay debt service on the Obligations.**

Fiscal Year Ended 9/30	Total Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (2)
2015	$ 714,183	54.40%	$ 0.3264	$ 215.05
2016	816,344	57.84%	0.3544	242.09
2017	930,797	63.42%	0.3808	239.03
2018	1,020,117	54.83%	0.4293	225.24
2019 (3)	590,912	33.85%	0.2017	130.47

(1) Total Collected does not include the 0.5% collected for the Van Alstyne 4B Development Corporation.
(2) Source: City Staff
(3) Collections through May 29, 2019.

FINANCIAL MANAGEMENT POLICIES

Basis of Accounting. . . All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

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

Budgetary Procedures . . The official city budget is prepared for adoption for the Governmental Fund Type and the Proprietary Fund Type during the month of September.

INVESTMENTS

The City invests its investable funds in investments authorized by State 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: (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 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 (the "FDIC") 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 FDIC or the National

Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) 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 (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) 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 FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer 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 by clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than 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 an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial 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 Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not le ss than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the 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 pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear 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 State 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, maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. 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 State 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, of each pooled fund group, (4) the book value and market value of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

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

TABLE 13 - CURRENT INVESTMENTS

As of May 29, 2019, the City's investable funds were invested in the following categories:

Description	% of Portfolio	Market Value
Bank Accounts	100.00%	$ 2,914,398
	100.00%	$ 2,914,398

TAX MATTERS

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE CERTIFICATES, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

GENERAL . . . The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Certificates and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Certificates and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Certificates as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the U.S. dollar". This summary is further limited to investors who will hold the Certificates as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Certificate who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Certificate that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF CERTIFICATES IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE CERTIFICATES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE CERTIFICATES, INCLUDING UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS . . . *Periodic Interest Payments and Original Issue Discount*. The Certificates are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Certificates or original issue discount, if any, accruing on the Certificates will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Certificates. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Certificate equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Certificates. Generally, a U.S. Holder's tax basis in the Certificates will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Certificates has been held for more than one year.

Defeasance of the Certificates. Defeasance of any Certificate may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

STATE, LOCAL AND OTHER TAX CONSEQUENCES . . . Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Certificates under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Certificates. PROSPECTIVE PURCHASERS OF THE CERTIFICATES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS . . . A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Certificate, will not be subject to U.S. federal income or withholding tax in respect of a Certificate, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Certificate.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligation, because the City does not currently have outstanding more than $10,000,000 in aggregate amount of outstanding municipal securities (excluding securities offered in transactions that were exempt from the Rule 15c2-12(d)(2)). Pursuant to the exemption, 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 an "obligated person" with respect to the Certificates, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City that is customarily prepared by the City and publicly available, which currently consists of an annual audited financial statement. The City will update and provide this information within twelve (12) months after the end of each fiscal year ending in and after 2019. The City will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial information by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, updated financial information and operating data included in the above-referenced tables must be provided by March 31 in each year, and audited financial statements must be provided by September 30 of each year (or unaudited financial statements if audited financial statements are not available), unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS…The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations 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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, 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".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. 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. . . The City has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS. . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations 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 the registered and beneficial owners of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreements 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 Obligations 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 registered and beneficial owners of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any qualified person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Obligations. The City may also amend or repeal the provisions of its continuing disclosure agreements 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 Obligations in the primary offering of the Obligations. If the City so amends the continuing disclosure agreements, 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.

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

OTHER INFORMATION

RATING

The Obligations have been rated "AA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), by virtue of a municipal bond insurance policy to be issued by BAM upon delivery of the Obligations to the Initial Purchaser. In addition, they are rated "A2" by Moody's Investors Service ("Moody's") without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price or marketability of the Obligations.

LITIGATION

City staff believes there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended, requires that the Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations 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. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states. No representation is made that the Obligations will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

The City 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 Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes.

LEGAL OPINIONS

The City will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate, to the effect that the Obligations 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. Though it may represent the Financial Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. 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 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 Official 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 herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement to verify that such information 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 upon the sale and delivery of the Certificates.

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

FINANCIAL ADVISOR

HilltopSecurities is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. HilltopSecurities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City 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.

INITIAL PURCHASER OF THE OBLIGATIONS

After requesting competitive bids for the Certificates, the City accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of $302.70. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial 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 sole responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by a proper officer, acting in such officer's official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, 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.

The Ordinance authorizing the issuance of the Certificates approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Initial Purchaser.

STEVEN RILEY
Mayor
City of Van Alstyne, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

Van Alstyne is a growing city about 40 minutes north of Dallas, located between McKinney on the South and Sherman on the North. Van Alstyne has 11 Historical Markers in the City Limits. City's 2019 population is estimated at 4,529.

EDUCATION

Secondary education for the City is primarily provided by the Van Alstyne Independent School District. The District provides 3 campuses, as follows: 2 elementary schools, 1 middle school, and 1 high school. The school serves approximately 1,700 students.

Educational opportunities beyond the high school level include the Grayson County College, South Campus, located in Van Alstyne, Austin College, located in Sherman, Southeastern Oklahoma State University, located in Durant, Oklahoma, Texas A&M University - Commerce, located in Commerce, and the Texas Women's University, located in Denton.

MAJOR EMPLOYERS [1]

Company	Type of Business	Employees
Van Alstyne ISD	ISD Education	184
Grayson Collin Electric	Co-Op Electricity	90
Braum's	Ice Cream & Dairy Store	80
Foxworth Galbraith	Distribution Warehouse	75
Meadowbrook Nursing Home	Health Care	50
Texas Star Bank	Banking	46
Lone Star Foods	Convenience Store	40
Diamond Grocery	Grocery Store	40
Grayson County College-South Campus	Education	40
GCEC Telecom	Telecommunications Provider	35
City of Van Alstyne	City Services	33
Techline Sales & Installation	Electric Equipment & Supplies	30

(1) Source: Van Alstyne Economic Development Corporation.

HISTORICAL EMPLOYMENT (AVERAGE ANNUAL) [1]

	2019 [2]	2018	2017	2016	2015
Grayson County					
Labor Force	64,163	63,488	62,011	61,234	60,044
Employed	62,520	61,427	59,810	58,878	57,627
Unemployed	1,643	2,061	2,201	2,356	2,417
% of Unemployed	2.6%	3.2%	3.5%	3.8%	4.0%

(1) Source: Texas Employment Commission.
(2) May 2019.

MISCELLANEOUS

The City offers a suburban life style with varied neighborhoods. Two lakes, within a 30 minute drive, offer boating, fishing, camping and picnicking facilities.

The Cities of Fort Worth and Dallas with their varied cultural opportunities of theaters, museums, zoos, botanical gardens and professional sport teams are less than a 40 minute drive from the City.

APPENDIX B

EXCERPTS FROM THE

CITY OF VAN ALSTYNE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2018

The information contained in this Appendix consists of excerpts from the City of Van Alstyne, Texas Annual Financial Report for the Year Ended September 30, 2018, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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LaFollett and Abbott PLLC
Certified Public Accountants

Susan LaFollett, CPA – Partner
Rod Abbott, CPA – Partner

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Van Alstyne, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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.

LaFollett and Abbott PLLC
PO Box 717 · Tom Bean, TX · 75489
903-546-6975 · www.lafollettcpa.com

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, 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 and budgetary comparison information on pages 3 through 7 and 46 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. The retirement system funding information on pages 47 through 50 is also not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 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 the City of Van Alstyne, Texas internal control over financial reporting and compliance.

LaFollett & Abbott PLLC

Tom Bean, Texas
June 11, 2019

Our discussion and analysis of City of Van Alstyne's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of FY18 by $13,917,858. This is an increase of $1,326,655 over FY17's net position value of $12,591,203. Unrestricted net position at the close of FY18 is $391,732 and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by $1,326,655 or 11%, as a result of this year's operations.
- The City's governmental fund types on page 10 and 12 reported combined ending fund balances of $2,577,279, which is a decrease of $283,706 in comparison with the prior year amount of $2,860,985.
- The unassigned governmental fund balances of $1,202,335 (47%) are available for spending at the City's discretion. The remainder of the governmental fund balances are restricted for a specific purpose, primarily capital projects and debt service. For 2018, the General Fund had approximately $343,198 in monthly expenses, so the unassigned fund balance of $1,202,335 represents 4 plus months of expenses.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 8 and 9). These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 10) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests. Proprietary fund financial statements report activity for the City's water, sewer, and sanitation operations.

The notes to the financial statements (starting on page 17) provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

Reporting the City as a Whole – Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

Government-wide financial statements, which provide an analysis of the City's overall financial condition and operation, begin on page 8. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets, deferred inflow and outflows, and liabilities (including long-term items) while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions, 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities, as well as, the component units:

Governmental Activities – City services such as police, fire protection and ambulance services, municipal court, street maintenance, parks, library, City administration, and interest on long-term debt are reported here. City property taxes and charges for services finance most of these activities.

Business-Type Activities - The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The services are supported by monthly charges to citizens.

Discretely Presented Component Units - The Economic Development Corporation (EDC) and Community Development Corporation (CDC) are reported in separate columns to emphasize that they are separate entities.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the most significant funds. The City's two kinds of funds-governmental and proprietary – use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found on pages 11 and 13.

Proprietary Funds – The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The full-accrual basis of accounting is used for all proprietary type funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves as one useful indicator of a government's financial position. In the case of the City, net position is $13,917,858 at the close of FY18. Seventy-five percent (75%) of the City's net position is invested in capital assets; land, buildings, infrastructure, machinery and equipment, less any outstanding debt used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending. The following is a summary of the Statement of Net Position and the Statement of Activities as of and for the year ended September 30, 2018:

City of Van Alstyne - Statement of Net Position

	FY17	FY18
Current and other assets	$5,767,656	$6,918,701
Capital assets	20,447,590	22,129,718
Total assets	26,215,246	29,048,419
Deferred outflow of resources	271,135	125,991
Total deferred outflow of resources	271,135	125,991
Current liabilities	2,193,044	3,518,466
L-T liabilities	11,696,646	11,540,486
Total liabilities	13,889,690	15,058,952
Deferred inflow of resources	5,488	197,600
Total deferred outflow of resources	5,488	197,600
Net position		
Net investment in capital assets	8,715,783	10,452,595
Restricted	3,088,572	3,073,531
Unrestricted	786,848	391,732
Total net position	$ 12,591,203	$ 13,917,858

City of Van Alstyne - Statement of Activities

	FY17	FY18
Revenues:		
Program revenues	$ 4,333,281	$ 5,208,750
Operating grants and contributions	184,225	32,772
Capital grants and contribtutions	3,516,281	-
General revenues	2,906,857	2,878,605
Total revenues	10,940,644	8,120,127
Expenses:		
Water, sewer, and sanitation	2,351,204	2,565,047
General government	1,031,053	1,389,382
Police and communcations	999,332	909,949
Fire protection and ambulance	704,022	754,516
Municipal court	362,223	331,478
Streets and infrastructure	220,994	346,075
Parks	193,043	275,147
Library	165,440	181,154
Interest	88,849	76,550
Total expenses	6,116,160	6,829,298
Increase in net position	4,824,484	1,290,829
Net position - beginning of year	7,766,719	12,591,203
Cumulative change in accounting principle	-	(54,914)
Prior period adjustment	-	90,740
Net position - end of year	$ 12,591,203	$ 13,917,858

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Net position of the City's governmental activities increased from $5,493,494 to $6,358,599. $1,090,222 of the increase in net position of governmental activities is attributable to an increase in receivables and deposits held in trust by GTUA. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is $1,179,881 for governmental activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's Governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of $2,577,279 compared to $2,860,985 in FY17. This represents a decrease of $283,706 compared to last year's increase of $600,886.

Revenues for the City's General Fund (as shown on page 12) were $4,050,710 while total expenditures were $4,118,372. This resulted in a deficiency of revenues under expenditures in the amount of $67,662 from current operations. Last year's result was an excess of revenues over expenditures in the amount of $156,890. The unassigned portion of $1,202,335 represents approximately 3.5 months of operating expenses.

The City's Water and Sewer Funds (as presented in the Statement of Net Position on page 14) reported a net position of $7,559,259 compared to the net position $7,097,709 in FY17. This represents an increase of $461,550. $280,783 of the increase in net position is attributable to an increase in deposits held in trust by GTUA.

Revenues for the City's Water and Sewer Fund (as shown on page 15) were $2,989,534 while total operating expenses were $2,120,024. These totals plus non-operating items resulted in an increase in net position of $378,852. Last year's result was a net increase of $2,066,043. FY17 unrestricted net position of negative ($176,391) was increased to negative ($788,149) in FY18. The negative unrestricted portion of net position ($788,149) does not allow for any reserves for the Water and Sewer Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted budget for the General Fund was amended. See General Fund Budgetary Comparison presented on page 46. A review of the actual expenditures compared to the appropriations in the General Fund budget yields several significant variances, as discussed below. The following is a summary discussion of General Fund budget variances for FY18:

Revenues were $133,298 less than budgeted

- Miscellaneous revenue was $35,157 (410%) more than budgeted due to increased reimbursed salary revenue in the General Fund.
- Court revenues were $157,756 (21%) less than budgeted because violation receipts were less than anticipated.
- Ambulance revenues were $36,787 (7%) less than budgeted because collection rates and non-emergency transfers declined during FY18.

Expenses were $377,137 less than budgeted

- General government expenses were $46,414 (3%) less than budgeted due to a decrease in legal expenses, building inspections, and payroll for the EDC and CDC.
- Debt service principal payments were $11,652 (12%) less than budgeted due to the addition of new debt during the fiscal year that has not yet required payments.

- Police and municipal court expenditures were $152,712 (19%) and $82,183 (20%) less than budgeted, respectively, because revenues were down and certain expenditures were not made.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets net of accumulated depreciation for all activities as of September 30, 2018 amounts to $22,129,718, compared to $20,447,590 at September 30, 2017. This investment in capital assets includes land, buildings and improvements, street improvements, city parks, machinery and equipment, and water and sewer facilities. Major capital asset purchases during the current fiscal year included the construction of shared use paths and water lines, as well as, the purchase of equipment, water and sewer system improvements, and street and infrastructure additions city wide in the amount of $2,784,091.

Long-term Debt

At year-end, the City had total contractual obligations, bonds, notes and other debt outstanding of $12,017,743. The City entered into new debt during the year in the original principal amount of $1,116,668 for the purchase and construction of capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic factors currently affect the City and were considered in developing the 2018 – 2019 budget.

- Water/wastewater rates were increased 5% to keep up with costs and inflation. To keep rates competitive staff worked with City Council to address the ongoing need for infrastructure repair work and the ongoing/increasing utility debt payments. Rates are primarily addressed by forecasting water sales and impact fees through historical consumption trends, development and system needs.
- The property tax rate decreased from $0.635138 to $0.595932 per $100 assessed valuation. The rate decrease is due to ongoing residential development as well as the addition of a large manufacturing company in Van Alstyne's Industrial Park.
- In FY18 sixty-two single family permits have been issued. This is a 33% decrease over those issued in FY17. However, as we enter FY19, there are 1,312 residential lots in the city limits in various stages of development.
- Sales tax revenues continue to increase providing funds to Street Maintenance and Repair, Economic Development Corporation, Community Development Corporation, and Property Tax Relief.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, write to City Hall, at P.O. Box 247, Van Alstyne, Texas 75495-0247 or call (903) 482-5426.

City of Van Alstyne, Texas
Statement of Net Position
September 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and cash equivalents	$ 3,335,023	$ 725,318	$ 4,060,341	$ 460,533	$ 293,502
Receivables, net	817,809	341,964	1,159,773	30,091	30,091
Internal balances	(130)	130	-	-	-
Restricted Assets:					
Deposits held in trust by GTUA	-	1,698,587	1,698,587	-	-
Capital assets not being depreciated:					
Land	56,958	283,956	340,914	261,316	-
Construction in progress	1,001,823	762,322	1,764,145	-	-
Capital assets net of accumulated depreciation:					
Buildings and improvements	208,965	-	208,965	46,255	-
Machinery and equipment	681,408	358,643	1,040,051	-	-
Parks	698,152	-	698,152	-	-
Streets and infrastructure	3,226,917	14,850,574	18,077,491	-	-
Total Assets	10,026,925	19,021,494	29,048,419	798,195	323,593
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - OPEB	6,092	1,027	7,119	-	-
Deferred outflows - pension	99,699	19,173	118,872	-	-
Total Deferred Outflows of Resources	105,791	20,200	125,991	-	-
LIABILITIES					
Accounts payable	1,027,401	176,314	1,203,715	33,532	3,331
Accrued liabilities	62,993	31,704	94,697	4,285	2,171
Accrued interest	21,253	993,245	1,014,498	6,101	-
Customer deposits	-	197,232	197,232	-	-
Unearned revenue	-	27,011	27,011	-	-
Long term liabilities:					
Due within one year:					
Debt	398,264	526,942	925,206	8,867	-
Compensated absenses	49,659	6,448	56,107	-	-
Due in more than one year:					
Debt	1,672,185	9,420,352	11,092,537	98,532	-
Total OPEB liability	63,723	11,138	74,861	-	-
Net pension liability	312,911	60,177	373,088	-	-
Total Liabilities	3,608,389	11,450,563	15,058,952	151,317	5,502
DEFERRED INFLOW OF RESOURCES					
Deferred inflow - pension	165,728	31,872	197,600	-	-
Total Deferred Inflows of Resources	165,728	31,872	197,600	-	-
NET POSITION					
Net investment in capital assets	3,803,774	6,648,821	10,452,595	200,172	-
Restricted for:					
Deposits held in trust by GTUA	-	1,698,587	1,698,587	-	-
Capital projects	685,388	-	685,388	-	-
Debt service	584,086	-	584,086	-	-
Court security and technology	56,597	-	56,597	-	-
Police seizure	22,329	-	22,329	-	-
Streets	23,192	-	23,192	-	-
Library technology	3,352	-	3,352	-	-
Unrestricted	1,179,881	(788,149)	391,732	446,706	318,091
Total Net Position	$ 6,358,599	$ 7,559,259	$ 13,917,858	$ 646,878	$ 318,091

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

City of Van Alstyne, Texas
Statement of Activities
For the Year Ended September 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
Primary government:									
Governmental activities:									
General government	1,389,382	$ 510,058	$ -	$ -	(879,324)		$ (879,324)		
Police	697,551	-	6,039	-	(691,512)		(691,512)		
Fire protection and ambulance	754,516	653,417	788	-	(100,311)		(100,311)		
Municipal court	331,478	653,722	-	-	322,244		322,244		
Streets and infrastructure	346,075	484,518	-	-	138,443		138,443		
Emergency communications	212,397	-	-	-	(212,397)		(212,397)		
Parks	275,147	-	25,945	-	(249,202)		(249,202)		
Library	181,154	8,109	-	-	(173,045)		(173,045)		
Interest on long-term debt	76,550	-	-	-	(76,550)		(76,550)		
Total governmental activities	4,264,251	2,309,824	32,772	-	(1,921,655)		(1,921,655)		
Business-type activities:									
Water, sewer, and sanitation	2,565,047	2,898,926	-	-	-	$ 333,879	333,879		
Total business-type activities	2,565,047	2,898,926	-	-	-	333,879	333,879		
Total primary government	$ 6,829,298	$ 5,208,750	$ 32,772	$ -	(1,921,655)	333,879	(1,587,776)		
Component units:									
Economic Development Corporation	$ 213,382	$ -	$ -	$ -				$ (213,382)	$ -
Community Development Corporation	172,240	-	-	-				-	(172,240)
Total component units	$ 385,622	$ -	$ -	$ -				(213,382)	(172,240)
			General revenues:						
			Property taxes		1,476,957	-	1,476,957	-	-
			General sales and use taxes		1,018,400	-	1,018,400	173,022	169,733
			Franchise taxes		211,880	-	211,880	-	-
			Insurance proceeds		-	-	-	-	-
			Gain on sale of assets		4,005	-	4,005	-	-
			Miscellaneous		43,737	90,608	134,345	327	-
			Investment earnings		13,674	19,344	33,018	1,223	905
			Transfers in (out)		64,979	(64,979)	-	-	-
			Total general revenues		2,833,632	44,973	2,878,605	174,572	170,638
			Change in net position		911,977	378,852	1,290,829	(38,810)	(1,602)
			Net position- beginning		5,493,494	7,097,709	12,591,203	685,688	319,693
			Cumulative change in accounting principle		(46,872)	(8,042)	(54,914)	-	-
			Prior period adjustment		-	90,740	90,740	-	-
			Net position - ending		$ 6,358,599	$ 7,559,259	$ 13,917,858	$ 646,878	$ 318,091

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

City of Van Alstyne, Texas
Balance Sheets
Governmental Funds
September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,236,584	$ 554,499	$ 1,543,940	$ 3,335,023
Due from other funds	-	26,656	-	26,656
Receivables, net of allowance	797,352	20,457	-	817,809
Total assets	2,033,936	601,612	1,543,940	4,179,488
LIABILITIES				
Accounts payable	168,849	-	858,552	1,027,401
Accrued liabilities	62,993	-	-	62,993
Due to other funds	26,786	-	-	26,786
Total liabilities	258,628	-	858,552	1,117,180
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues:				
Ambulance	313,560	-	-	313,560
Property taxes	46,183	17,526	-	63,709
Court fines	107,760	-	-	107,760
Total deferred inflows of resources	467,503	17,526	-	485,029
FUND BALANCES				
Restricted for:				
Capital projects	-	-	685,388	685,388
Debt service	-	584,086	-	584,086
Court security and technology	56,597	-	-	56,597
Police seizure	22,329	-	-	22,329
Streets	23,192	-	-	23,192
Library technology	3,352	-	-	3,352
Unassigned	1,202,335	-	-	1,202,335
Total fund balances	1,307,805	584,086	685,388	2,577,279
Total liabilities, deferred inflows of resources and fund balances	$ 2,033,936	$ 601,612	$ 1,543,940	$ 4,179,488

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

City of Van Alstyne, Texas
Reconciliation of the Governmental Funds Balance Sheets
to the Statement of Net Position
For the Year Ended September 30, 2018

Amounts reported for the governmental activities in the Statement of Net Position (pg 8) are different because:

Total fund balances - governmental funds (pg 10)	$	2,577,279
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.		5,874,223
Delinquent property taxes, ambulance revenue, and court fines are not current financial resources. Therfore, they are deferred in the governmental funds.		485,029
Long term liabilities, including bonds payable and compensated absences, are not due and payable in the current period. Therefore, they are not reported in the governmental funds.		(2,120,108)
Other net amounts, including interest payable on long term debt are not due in the current period. Therefore, they are not reported in the governmental funds.		(21,253)
Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds.		(312,911)
Total OPEB liability is not a current financial use; therefore, it is not reported in the governmental funds.		(63,723)
Deferred outflows (inflows) of resources represent a consumption (source) of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of resources (expense/expenditure) until then.		
Pension amounts		(66,029)
OPEB amounts		6,092
Net position of governmental activities (pg 8)	$	6,358,599

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

City of Van Alstyne, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 1,146,293	$ 332,441	$ -	$ 1,478,734
General sales and use	1,018,400	-	-	1,018,400
Franchise	211,880	-	-	211,880
Municipal court	598,033	-	-	598,033
Ambulance services	476,124	-	-	476,124
Street development fees	-	-	484,518	484,518
License and permits	142,312	-	-	142,312
Intergovernmental	187,018	-	-	187,018
Grants	6,827	-	-	6,827
Developer construction fees	180,728	-	-	180,728
Park donations	25,945	-	-	25,945
Miscellaneous	43,737	-	-	43,737
Investment earnings	5,304	2,172	6,198	13,674
Library	8,109	-	-	8,109
Total revenues	4,050,710	334,613	490,716	4,876,039
EXPENDITURES				
Current:				
General government	1,389,477	-	-	1,389,477
Police	640,248	-	-	640,248
Fire protection and ambulance	642,590	-	-	642,590
Municipal court	331,976	-	-	331,976
Emergency communications	214,087	-	-	214,087
Library	170,499	-	-	170,499
Parks	175,386	-	-	175,386
Streets and infrastructure	124,639	-	20,028	144,667
Debt Service:				
Principal	94,065	230,000	-	324,065
Interest	12,562	64,150	-	76,712
Capital Outlay:				
Streets and infrastructure	252,601	-	1,266,179	1,518,780
Parks	41,187	-	-	41,187
Police	29,055	-	-	29,055
Total expenditures	4,118,372	294,150	1,286,207	5,698,729
Excess (deficiency) of revenues over (under) expenditures	(67,662)	40,463	(795,491)	(822,690)
OTHER FINANCING SOURCES(USES)				
Proceeds from the sale of general capital assets	4,005	-	-	4,005
Proceeds from issuance of tax note payable	-	-	470,000	470,000
Transfers in (out)	64,979	-	-	64,979
Total other financing sources (uses)	68,984	-	470,000	538,984
Net change in fund balances	1,322	40,463	(325,491)	(283,706)
Fund balances - beginning	1,306,483	543,623	1,010,879	2,860,985
Fund balances - ending	$ 1,307,805	$ 584,086	$ 685,388	$ 2,577,279

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

City of Van Alstyne, Texas
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2018

Amounts reported for the governmental activities in the Statement of Activities (pg 9) are different because:

Net change in fund balances - total governmental funds (pg 12)	$ (283,706)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	1,589,022
Depreciation expense	(498,800)
Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances.	
Long-term debt repaid in current year.	324,065
New debt proceeds	(470,000)
Governmental funds report some prior year tax, court, and ambulance revenues as income in the current year. However, in the Statement of Activities, the revenue is recognized in the year in which it is earned.	231,205
Accrued long term debt interest is not recorded in the govermental fund financials but the increase in the balance is recognized for the full accrual government-wide financial statements as interest expense.	162
Changes to accrued compensated absenses are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	6,927
Full accrual based pension expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.	23,861
Full accrual based OPEB expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.	(10,759)
Change in net position of governmental activities (pg 9)	$ 911,977

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

City of Van Alstyne, Texas
Statement of Net Position
Proprietary Fund
September 30, 2018

	Water & Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 725,318
Accounts receivables, net	341,964
Due from other funds	130
Total current assets	1,067,412
Noncurrent Assets:	
Deposits held in trust by GTUA	1,698,587
Total noncurrent assets	1,698,587
Capital assets:	
Land	283,956
Construction in progress	762,322
Machinery and equipment	797,971
Infrastructure	20,193,936
Less accumulated depreciation	(5,782,690)
Total capital assets	16,255,495
Total assets	19,021,494
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	19,173
Deferred outflow - OPEB	1,027
Total deferred outflows of resources	20,200
LIABILITIES	
Current Liabilities:	
Accounts payable	176,314
Accrued liabilities	31,704
Unearned revenue	27,011
Customer deposits payable	197,232
Accrued interest payable	993,245
Compensated absences	6,448
Contractual obligations - current	301,942
Bonds payable - current	225,000
Total current liabilities	1,958,896
Noncurrent Liabilities:	
Net pension liability	60,177
Total OPEB liability	11,138
Contractual obligations	6,840,352
Bonds payable	2,580,000
Total noncurrent liabilities	9,491,667
Total liabilities	11,450,563
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	31,872
Total deferred inflows of resources	31,872
NET POSITION	
Net investment in capital assets	6,648,821
Restricted deposits held in trust by GTUA	1,698,587
Unrestricted	(788,149)
Total net position	$ 7,559,259

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

City of Van Alstyne, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2018

	Water & Sewer Fund
Operating Revenues	
Water	$ 1,451,891
Sewer	1,121,958
Sanitation	219,120
Other services	49,467
Late charges and penalties	56,490
Miscellaneous	90,608
Total operating revenues	2,989,534
Operating Expenses	
Contractual services	533,338
Depreciation and amortization	574,248
Maintenance and repairs	421,610
Personnel services	382,898
Utilities	164,707
Administrative	43,223
Total operating expenses	2,120,024
Operating income	869,510
Nonoperating Revenues (Expenses)	
Interest income	19,344
Fiscal agent fees	(94,214)
Interest expense	(350,809)
Total nonoperating revenue (expenses)	(425,679)
Income before capital contributions and transfers	443,831
Transfers in (out)	(64,979)
Change in net position	378,852
Net position - beginning	7,097,709
Prior period adjustment	90,740
Cumulative effect of change in accounting principle	(8,042)
Net position - ending	$ 7,559,259

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

City of Van Alstyne, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2018

	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and users	$ 2,861,484
Cash paid to employees	(392,410)
Cash paid to suppliers	(778,736)
Net cash provided by operating activities	1,690,338
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (out) to other funds	(64,979)
Net cash provided by noncapital financing activities	(64,979)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for acquisition and construction of capital assets	(1,166,153)
Cash from GTUA restricted deposits	(280,783)
Proceeds from debt issuance	646,668
Cash paid for fiscal agent fees	(94,214)
Interest paid on long-term debt	(350,809)
Principal payments on debt	(506,667)
Net cash provided by (used for) capital and related financing activities	(1,751,958)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	19,344
Net cash provided by investing activities	19,344
Net increase (decrease) in cash and cash equivalents	(107,255)
Cash and cash equivalents, October 1, 2017	832,573
Cash and cash equivalents, September 30, 2018	725,318
Reconciliation of operating income (loss) to net cash provided by (used for) operating octivities:	
Operating income (loss)	869,510
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization	574,248
(Increase) decrease in accounts receivable	(37,310)
(Increase) decrease in due from other funds	(130)
(Increase) decrease in deferred OPEB balances	(1,027)
Increase (decrease) in deferred pension balances	51,607
Increase (decrease) in accounts payable	112,527
Increase (decrease) in deferred revenue	(12,787)
Increase (decrease) in customer deposits	16,673
Increase (decrease) in compensated absences	1,654
Increase (decrease) in accrued liabilities	7,858
Increase (decrease) in net pension liability	(47,851)
Increase (decrease) in total OPEB liability	3,095
Increase (decrease) in accrued interest payable	152,271
Net cash provided by operating activities	$ 1,690,338

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

Note 1: Summary of Significant Accounting Policies

A. Description of government-wide financial statements

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

B. Reporting entity

The City of Van Alstyne, Texas (City) operates under a city manager form of government. The general governmental functions include fire protection, ambulance services, general administrative services, police protection, municipal court, streets and infrastructure, parks, emergency communications, and library services. Enterprise Funds are used to account for the operations of its water, sewer, and sanitation services.

The accompanying financial statements present the primary government, the City, and its component units, entities that are legally separate but are included in the financial statements because the primary government is considered to be financially accountable. The component units presented are those separately administered organizations that are controlled by or dependent on the City. Control or dependency of the component unit to the City is determined on the basis of the appointment of the respective governing board, ability to influence projects, whether a financial benefit/burden relationship exists, and other factors. Further, the presentation in the financial statements is determined by whether the component unit's governing body is substantially the same as the City, who is the primary beneficiary of the services provided, and the expectation of what resources will be used to pay debts.

Based on the criterion stated above, The Van Alstyne Economic Development Corporation (EDC) and the Van Alstyne Community Development Corporation (CDC) are component units of the City. The EDC and CDC are non-profit organizations established on behalf of the City under the Development Act of 1979. The transactions of the EDC and CDC are maintained in separate funds and are discretely presented in separate columns in the financial statements. The discretely presented methodology was selected after evaluation of the circumstances and standards, as noted above. The EDC and CDC do not issue separate financial statements.

C. Basis of presentation – government-wide financial statements

While separate government–wide and fund financials are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds, while the business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

Note 1: Summary of Significant Accounting Policies (continued)

C. Basis of presentation – government-wide financial statements (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The City reports the following major governmental funds:

General Fund – The General Fund is the City's primary operating fund. It accounts for all financial resources, except those accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. The General Fund accounts for the transactions relating to most City operations including police, fire, ambulance, court, streets, library, and parks.

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

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of water, sewer and sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collections activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water and sewer debt. Most costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

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

Note 1: Summary of Significant Accounting Policies (continued)

D. Basis of presentation – fund financial statements (continued)

Similarly, balances between funds included in the business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

E. Measurement focus and basis of accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

General capital asset acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source.

Note 1: Summary of Significant Accounting Policies (continued)

E. Measurement focus and basis of accounting (continued)

Reimbursement basis grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measureable and available only when cash is received by the City.

F. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the council. The level of budgetary control is the department level. Appropriations in all budgeted funds lapse at the end of the fiscal year.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Accordingly, actual results could differ from those estimates. Significant estimates used in the preparation of the financial statements include the assumptions in recording receivable allowances and depreciation.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of $5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line methods. Estimated useful lives are as follows:

Building	20 Years
Water and Sewer System	50 Years
Infrastructure	10-20 Years
Machinery and Equipment	5 - 16 Years

Note 1: Summary of Significant Accounting Policies (continued)

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

Pension and Other Post-Employment Benefits (OPEB)

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

Information regarding the City's Total Pension Liability and Total OPEB Liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Financial Position and/or Balance Sheet will sometimes report a separate section for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting as deferred outflows of resources. These deferred outflows result from pension and OPEB contributions after the measurement date (deferred and recognized in the following year) and differences in pension and OPEB assumption changes.

The City has several items that qualify for reporting as deferred inflows of resources. Deferred inflows of resources described as unavailable revenues only arise under modified accrual basis of accounting and are reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes, court fines, and ambulance billing. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, the City reports deferred inflows of resources for pension amounts that relate to the differences in expected and actual economic experience, changes in actuarial assumptions, and projected and actual investment earnings.

Note 1: Summary of Significant Accounting Policies (continued)

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

Net Position

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets with unspent proceeds added back. Net positions are reported as restricted when there are limitations imposed on use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments.

Fund Balances

The City reports fund balances based on the requirements of GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

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

Non-spendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

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

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

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purpose. Under the City's policy, only the City Council may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

Note 1: Summary of Significant Accounting Policies (continued)

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

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

The City allocates to the proprietary funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations.

H. Revenues and expenditures/expenses

Program Revenues

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and products in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services.

The Water and Sewer Fund also recognize 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.

Note 1: Summary of Significant Accounting Policies (continued)

H. Revenues and expenditures/expenses (continued)

Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st each year and become delinquent on February 1st. Delinquent real property taxes are expected to be collected, as the delinquent amounts are a lien against the related property until paid. Revenue from property taxes not collected during the current period is deferred until such collection is made. Property subject to taxation consists of real property and certain personal property situated in the City. Certain properties of religion, education and charitable organizations, as well as the Federal government and the State of Texas are exempt from taxation. Additionally, certain exemptions are granted to property owners in arriving at the net assessed valuation of property subject to City taxation. The effective property ad valorem tax rate for property tax year 2017 was 0.635138 per $100 of assessed value for General Fund operations and Debt Service.

Sales Taxes

The City levies a two percent (2%) sales tax on taxable sales within the City. Seventy-five percent (75%) of the sales tax is allocated to the General Fund and twenty-five percent (25%) is allocated to the ECD and CDC. Further, within the General Fund allocation twenty-five percent (25%) is allocated to fund street projects.

Compensated Absences

City employees accrue 40 hours of vacation leave after six full months of service. After that, regular full time employees earn 80 to 160 hours of paid vacation leave based on years of service. The City allows its employees to carryover earned and unused vacation hours at an amount not to exceed one-half of the hours they are eligible to receive that year. After six full months of employment, city employees accumulate sick leave at the rate of 60 hours per year with a maximum of 720 hours. Accumulated sick leave will not be compensated for in any way at the time of termination. The accrued compensated absences for governmental and business-type activities at September 30, 2018 are $49,659 and $6,448, respectively.

Note 2: Cash and Cash Equivalents

As of September 30, 2018, the City maintained all banking accounts at Independent Bank.

At September 30, 2018, the City's total carrying value of cash and cash equivalents is $4,060,341, which consists of $850 in petty cash and $4,144,377 held by depository banks. The cash and cash equivalents held by banks is insured for $250,000 by the Federal Deposit Insurance Corporation (FDIC) and $5,692,650 in securities pledged in the City's name by the depository bank to collateralize 100% of all remaining deposits.

At September 30, 2018, the EDC has cash and cash equivalents in the amount of $493,725 held by depository banks and all amounts are insured by the FDIC.

At September 30, 2018, the CDC has cash and cash equivalents in the amount of $330,080 held by depository banks of which $250,000 is insured by the FDIC and $250,000 in securities pledged in the CDC's name by the depository bank to collateralize 100% of all remaining deposits.

Note 3: Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2018:

	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 56,958	$ 173,277	$ -	$ 230,235
Construction in progress	121,350	880,473	-	1,001,823
Depreciable capital assets:				
Building and improvements	644,370	-	-	644,370
Machinery and equipment	1,992,670	282,671	-	2,275,341
Parks	1,921,824	-	-	1,921,824
Streets and infrastructure	4,234,195	252,601	-	4,486,796
Totals	8,971,367	1,589,022	-	10,560,389
Less accumulated depreciation	(4,187,366)	(498,800)	-	(4,686,166)
Governmental activities capital assets, net	$ 4,784,001	$ 1,090,222	$ -	$ 5,874,223
Business-Type Activities				
Capital assets not being depreciated:				
Land	$ 312,872	$ -	$ (28,916)	$ 283,956
Construction in progress	86,570	675,752	-	762,322
Depreciable capital assets:				
Waterworks system	14,077,551	272,727	-	14,350,278
Sewer system	5,747,669	95,989	-	5,843,658
Machinery and equipment	647,369	150,602	-	797,971
Totals	20,872,031	1,195,070	(28,916)	22,038,185
Less accumulated depreciation	(5,208,442)	(574,248)	-	(5,782,690)
Business-type activities capital assets, net	$15,663,589	$ 620,822	$ (28,916)	$ 16,255,495

Note 3: Capital Assets (continued)

	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Economic Development Corporation				
Capital assets not being depreciated:				
Land	$ 261,316	$ -	$ -	$ 261,316
Depreciable capital assets:				
Building and improvements	84,877	-	-	84,877
Less accumulated depreciation	(36,265)	(2,357)	-	(38,622)
EDC capital assets, net	$ 309,928	$ (2,357)	$ -	$ 307,571

Depreciation expense for the year ended September 30, 2018 was charged to functions of the primary government and the business-type activities as follows:

Governmental Activities:	
General Government	$ 5,785
Library	11,735
Ambulance	54,854
Fire Department	61,558
Police Department	63,227
Parks	100,233
Streets	201,408
	$ 498,800
Business-Type Activities:	
Water and sewer	$ 574,248
	$ 574,248
EDC Activities:	
Economic Development	$ 2,357
	$ 2,357

Note 4: Receivables

Receivables as of the year ended September 30, 2018 for the primary government, component units, and the proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Water and Sewer Fund	Total	EDC	CDC
Ambulance	$ 1,238,740	$ -	$ -	$ 1,238,740	$ -	$ -
Municipal court	741,578	-	-	741,578	-	-
Sales taxes	180,544	-	-	180,544	30,091	30,091
Property taxes	51,216	20,844	-	72,060	-	-
Franchise & other	122,116	-	-	122,116	-	-
Accounts	-	-	346,878	346,878	-	-
	2,334,194	20,844	346,878	2,701,916	30,091	30,091
Less: allowance for doubtful accounts	(1,536,842)	(387)	(4,914)	(1,542,143)	-	-
Net	$ 797,352	$ 20,457	$ 341,964	$ 1,159,773	$ 30,091	$ 30,091

Governmental funds report unavailable revenue in connection with receivables for revenue that are not considered available to liquidate liabilities of the current period. At September 30, 2018, the components of the unavailable revenue in the General and Debt Service Funds are as follows:

Ambulance services	$ 313,560
Delinquent property taxes	63,709
Municipal court fines	107,760
	$ 485,029

Note 5: Inter-fund Transfers and Due to/from

The Water/Sewer Fund transferred funds to the General Fund for reimbursement of salaries. The General Fund owes the Debt Service for bond interest. The composition of inter-fund transfers and due to/from in and out for the year ended September 30, 2018 is as follows:

	Transfers In:	
Transfers Out:	General Fund	Total
Water/Sewer Fund	$ 64,979	$ 64,979
Total	$ 64,979	$ 64,979

Note 5: Inter-fund Transfers and Due to/from (continued)

Due from:	Due to: Debt Service Fund	Water and Sewer Fund	Total
General Fund	$ 26,656	$ 130	$ 26,786
Total	$ 26,656	$ 130	$ 26,786

Note 6: Changes in Long-Term Debt

The following schedule summarizes the changes in long term debt for the year ended September 30, 2018:

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Due within one year
Governmental Activities					
Contractual obligations, bonds, and notes payable:					
2006 Series - General Obligation Tax & Revenue Refunding Bond	$ 625,000	$ -	$ (200,000)	$ 425,000	$ 210,000
2011A Series - General Obligation Refunding Bond	895,000	-	(30,000)	865,000	35,000
2014 Contractual Obligation #6602	114,834	-	(56,416)	58,418	58,972
2014 Contractual Obligation #6603	289,680	-	(37,649)	252,031	38,697
2017 Series - Contractual Obligation	-	275,000	-	275,000	55,595
2018 Series - Tax Note	-	195,000	-	195,000	-
Total:	1,924,514	470,000	(324,065)	2,070,449	398,264
Compensated absences:	$ 56,586	$ -	$ (6,927)	$ 49,659	$ 49,659
Business-Type Activities					
Contractual obligations and bonds payable:					
GTUA CGMA Phase 1 Contractual Obligation	$ 435,000	$ -	$ (30,000)	$ 405,000	$ 31,250
GTUA CGMA Phase 2 Contractual Obligation	2,168,750	-	-	2,168,750	-
GTUA CGMA Phase 3 Contractual Obligation	900,000	-	(11,250)	888,750	12,500
2011B Series - General Obligation Refunding Bond	1,140,000	-	(100,000)	1,040,000	105,000
GTUA 2014A Series - Contractual Obligation	350,000	-	(45,000)	305,000	50,000
GTUA 2014B Series - Contractual Obligation	1,525,000	-	(65,000)	1,460,000	70,000
2014 Contractual Obligation #6577	490,649	-	(75,501)	415,148	77,967
2014 Contractual Obligation #6578	82,894	-	(26,716)	56,178	27,691
GTUA 2015 Series Contractual Obligation	2,715,000	-	(95,000)	2,620,000	95,000
2017 Series - Certificates of Obligation	-	492,000	(27,000)	465,000	28,000
2018 Contractual Obligation #7987	-	154,668	(31,200)	123,468	29,534
Total:	9,807,293	646,668	(506,667)	9,947,294	526,942
Compensated absences:	$ 4,794	$ 1,654	$ -	$ 6,448	$ 6,448
Economic Development Corporation					
Contractual obligations and bonds payable:					
2018 Series - Sales Tax Note	$ -	$ 113,500	$ -	$ 113,500	$ 8,867
Total:	$ -	$ 113,500	$ -	$ 113,500	$ 8,867

Note 7: Long Term Debt – Governmental Activities

Contractual Obligations, Bonds, and Notes Payable

On November 16, 2006, the City issued 2006 series General Obligation Tax and Revenue Refunding Bonds in the amount of $2,400,000 payable to the Bank of America. The proceeds were utilized to decease 1995 series contractual obligations in the amount of $225,000 and 2000 series contractual obligations in the amount of $2,035,000 through an advanced refunding. The 2006 series bonds have a fixed interest rate of 4.52% and are secured by the tax revenues of the City. The 2006 series bonds require principal and interest payments beginning on October 1, 2006 through the maturity date of June 1, 2020. The outstanding principal balance of the 2006 series bonds at September 30, 2018 is $425,000

On May 1, 2011, the City issued General Obligation Refunding Bonds series 2011A in the amount of $1,060,000 payable to the Bank of New York Mellon, N.A. The proceeds were utilized to refund a portion of the City's outstanding debt. The 2011A bonds have an interest rate that varies from 2.0% to 4.0%. The bonds are secured and payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinances. The 2011A series bonds require principal and interest payments beginning on May 1, 2011 through the maturity date of September 1, 2024. The outstanding principal balance of the 2011A series bonds at September 30, 2018 is $865,000

On April 8, 2014, the City entered into four long-term contract obligations with Government Capital Corporation ("GCC") for the purpose of financing public works equipment, vehicles and heavy equipment, a fire engine, an ambulance and a command vehicle. The cost of the above noted equipment is to be funded with contractual obligations in four contracts, two contracts are for primary governmental activities and two contracts are for the proprietary fund.

Per the agreement, contract #6603 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of $400,000. The proceeds of the note were utilized to purchase a fire engine truck, which serves as collateral. The note is payable in annual installments of principal and interest in the amount of $46,707 beginning November 16, 2015 through the maturity date of November 16, 2023. The note has an interest rate of 3.185%. The outstanding principal balance of the note payable at September 30, 2018 is $252,031

Per the agreement, contract #6602 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of $275,000. The proceeds of the note were utilized to purchase an ambulance and command vehicle, which serve as collateral. The note is payable in annual installments of principal and interest in the amount of $59,902 beginning April 15, 2015 through the maturity date of April 15, 2019. The note has an interest rate of 2.926%. The outstanding principal balance of the note payable at September 30, 2018 is $58,418

Note 7: Long Term Debt – Governmental Activities (continued)

On March 30, 2018, the City issued 2018 series Tax Note in the original principal amount of $195,000 payable to Independent Bank. The proceeds were utilized to finance the costs incurred with acquiring land for a future municipal complex. The Note has a fixed interest rate of 3.80% and is secured by the tax revenues of the City. The Note requires principal and interest payments beginning on February 15, 2019 through the maturity date of February 15, 2025. The outstanding principal balance of the 2018 series Tax Note at September 30, 2018 is $195,000

On May 30, 2018, the City entered into a long-term contract obligation with GCC. Per the agreement, contract #8200 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of $275,000. The proceeds of the note were utilized to purchase an ambulance, which serves as collateral. The note is payable in annual installments of principal and interest in the amount of $60,205 beginning October 15, 2018 through the maturity date of October 15, 2022. The note has an interest rate of 3.90%. The outstanding principal balance of the note payable at September 30, 2018 is $275,000

Total contractual obligations, bonds, and notes payable at September 30, 2018: $2,070,449

The principal and interest requirements related to the contractual obligations, bonds, and notes payable at September 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 398,264	$ 78,069	$ 476,333
2020	349,675	65,335	415,010
2021	314,965	50,285	365,250
2022	329,374	38,127	367,501
2023	343,906	25,607	369,514
2024-2028	334,266	12,863	347,129
	$ 2,070,449	$ 270,286	$ 2,340,735

Note 8: Long-Term Debt – Business-Type Activities

Contractual Obligations and Bonds with Greater Texoma Utility Authority

On December 14, 2004, the City, along with the City of Anna, Howe, and Melissa, formed a group called the Collin Grayson Municipal Alliance ("CGMA"). CGMA entered into a long-term contract with the Greater Texoma Utility Authority ("GTUA") for the purpose of providing funds for the construction of a transmission water pipeline that will provide water to the CGMA cities. The cost of the pipeline is being funded with contractual obligations in three phases.

Note 8: Long-Term Debt – Business-Type Activities (continued)

The original principal obligation for Phase I of the pipeline project was $2,800,000, of which twenty–five percent (25%) or $700,000 pertained to the City. The Phase I contract has interest rates varying between 2.29% and 5.74%. The City's obligation to GTUA under the Phase I contract is to expire with the retirement of the obligation in the fiscal year ending September 30, 2028. As of September 30, 2018, the City's obligation under this contract is $405,000

The original principal obligation for Phase II of the pipeline project was $8,675,000, of which twenty–five percent (25%) or $2,168,750 pertained to the City. The Phase II contract has interest rates varying between 5.68% and 5.83%. The payments for this contract were deferred until fiscal year 2009 when interest only payments commenced. Principal payments will begin in fiscal year 2026. As a result of the deferred principal payments, the obligation is accruing deferred interest payable. At September 30, 2018, the obligation had deferred interest payable in the amount of $962,295. The City's obligation under the contract will expire with the retirement of the obligation in the fiscal year ending September 30, 2040. At September 30, 2018, the City's obligation under this contract is $2,168,750

The original principal obligation for Phase III of the pipeline project was $5,000,000, of which twenty–five percent (25%) or $1,250,000 pertained to the City. The Phase III contract has interest rates varying between 2.67% and 5.62%. The City's obligation to GTUA under Phase III contract expires with the retirement of the GTUA obligation in the fiscal year ending September 30, 2036. At September 30, 2018, the City's obligation under this contract is $888,750

Each CGMA city is required to make payments to GTUA in an amount equivalent to twenty-five percent (25%) of the total obligation to cover their portion of the cost of the obligation until the pipeline project is complete and the water is pumping for three months. GTUA has the capacity to pump water to the CGMA cities. From the time water has been delivered to each CGMA city through the pipeline for three months and forward and while water continues to flow to each CGMA city, upon a monthly basis, the City shall be charged it's percentage or fraction share of debt service on the obligation based upon: the amount of water to be paid by the City under its water contract (i.e. the greater of its minimum take-or-pay amount or the actual amount of water taken) divided by the total amount of water to be paid by all CGMA cities.

The sum of the four (4) fractional amounts shall always equal one-hundred percent (100%) of the debt service on the contractual obligation with GTUA. The billing rates for each City will be calculated to provide funds necessary to cover the contractual obligation, interest, repairs, maintenance, and production costs. The City is taking water from the pipeline and incurred a take or pay charge in the amount of $171,420 for the year ended September 30, 2018.

At the end of the contractual obligation with GTUA, the City will own an undivided interest in the transmission water pipeline based on the percentage of water it utilized and paid for during the contract term. Presently it appears that the undivided interest will be approximately twenty-five percent (25%) of the waterline. The contract will expire and the transfer of ownership will occur during the fiscal year ended September 30, 2040, as long as no new debt is issued.

Note 8: Long-Term Debt – Business-Type Activities (continued)

Under the terms of long term service contracts between the City and GTUA, the City recognizes that GTUA has an undivided ownership interest in the pipeline equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance and sale of GTUA bonds. The City has an obligation to make payments as specified in the contract with GTUA to pay the principal and interest on the bonds, maintain cash reserves for the security and payment of the bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the bonds, and pay any extraordinary expenses incurred by GTUA in connection with the bonds.

Under terms of the contracts, the City's obligation to make payments to GTUA and GTUA's ownership interest in the facilities will terminate when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding. The City is obligated for the repayment of principal and interest on the debt through a pledging of water and sewer revenues. The structure of the transaction has the qualities of a capital lease therefore the amounts are included in long-term liabilities and capital assets with the associated accumulated depreciation.

On August 18, 2014, the City issued Contract Revenue Bonds series 2014A in the amount of $485,000 payable to the Greater Texoma Utility Authority. The proceeds were for the construction, acquisition, and improvement of water system facilities for the City. The 2014A bonds have an interest rate that varies from 2.0% to 4.0%. The 2014A series bonds require interest payments beginning September 30, 2015 through the maturity date of September 30, 2024. The 2014A series bond has principal payments that begin September 30, 2015 through the maturity date. The outstanding balance of the 2014A series bonds at September 30, 2018 is $305,000

On August 18, 2014, the City issued Contract Revenue Bonds series 2014B in the amount of $1,730,000 payable to the Greater Texoma Utility Authority. The proceeds were for the construction, acquisition, and improvement of water system facilities for the City. The 2014B bonds have an interest rate that varies from 2.0% to 4.0%. The 2014B series bonds require interest payments beginning September 30, 2015 through the maturity date of September 30, 2034. The 2014B series bond has principal payments that begin September 30, 2015 through the maturity date. The outstanding balance of the 2014B series bonds at September 30, 2018 is $1,460,000

On April 25, 2015, the City issued Contract Revenue Bonds, Series 2015 in the amount of $2,875,000 payable to the Greater Texoma Utility Authority. It is the intent of the City to authorize the Authority to proceed with construction, acquisition, and improvement of facilities. The Series 2015 bonds have an interest rate that varies from .04% to 2.52%. The Series 2015 bonds require interest payments beginning September 30, 2015 through the maturity date of September 30, 2034. The Series 2015 bond has principal payments that begin September 30, 2015 through the maturity date. The outstanding balance of the Series 2015 bonds at September 30, 2018 is $2,620,000

Note 8: Long-Term Debt – Business-Type Activities (continued)

Contractual Obligations and Bonds Payable

On May 1, 2011, the City issued General Obligation Refunding Bonds series 2011B in the amount of $1,605,000 payable to the Bank of New York Mellon, N.A. The proceeds were utilized to restructure the City's debt service requirements. The 2011B bonds have an interest rate that varies from 2.0% to 4.0%. The bonds are secured and payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinances. The 2011B series bonds require interest payments beginning on September 1, 2011 through the maturity date of September 1, 2026. The 2011B series bond has principal payments that begin on September 1, 2014 through the maturity date. The outstanding principal balance of the 2011B series bonds at September 30, 2018 is $1,040,000

Per the agreement noted above in Note 7, contract #6577 with GCC requires payments to be remitted to Prosperity Bank in the original principal amount of $786,716. The proceeds were used to purchase various public works equipment. The contract has an interest rate of 3.185%. The contract requires ten annual payments of principal and interest in the amount of $91,140 beginning on August 15, 2015 through the maturity date August 16, 2023. As of September 30, 2018, the City's obligation under this contract is $415,148

Per the agreement noted above in Note 7, contract #6578 with GCC requires payments to be remitted to North Dallas Bank and Trust Company in the original amount of $186,367. The proceeds were used to purchase vehicles and heavy equipment. The contract has an interest rate of 3.116%. The contract requires seven annual payments of principal and interest in the amount of $29,420 beginning on August 15, 2015 through the maturity date August 15, 2020. As of September 30, 2018, the City's obligation under this contract is $56,178

On November 10, 2017, the City entered into a long-term contract obligation with GCC for the purpose of financing public works equipment. Per the agreement, contract #7987 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of $154,668. The note is payable in annual installments of principal and interest in the amount of $33,177 beginning April 15, 2018 through the maturity date of April 15, 2022. The note has an interest rate of 2.95%. The outstanding principal balance of the note payable at September 30, 2018 is $123,468

On December 1, 2017, the City issued Certificates of Obligation, Series 2017 with ZB, N.A. for the purpose of financing the construction of a new public works building, moving a water line and street repairs. Per the agreement, payments are required to be remitted in the original principal amount of $492,000. The note is payable in annual installments of principal and interest beginning December 1, 2017 through the maturity date of September 30, 2033. The note has an interest rate of 2.69%. The outstanding principal balance of the note payable at September 30, 2018 is $465,000

Total contractual obligations and bonds payable at September 30, 2018 $9,947,294

Note 8: Long-Term Debt – Business-Type Activities (continued)

The principal and interest requirements related to the business-type contractual obligations and bonds at September 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	526,942	467,695	994,638
2020	464,324	454,546	918,870
2021	529,501	440,425	969,926
2022	535,566	425,849	961,415
2023	544,544	410,371	954,915
2024-2028	2,609,000	1,490,623	4,099,623
2029-2033	2,773,750	814,696	3,588,446
2034-2038	1,558,667	321,711	1,880,378
2039-2040	405,000	35,709	440,709
	$ 9,947,294	$ 4,861,624	$ 14,808,919

Note 9: Long-Term Debt – Economic Development Corporation

On April 20, 2018, the EDC issued a 2018 Sales Tax Note with GCC for the purpose of acquiring land. Per the agreement, contract #8135 with GCC requires payments to be remitted to GCC in the original principal amount of $113,500. The note is payable in annual installments of principal and interest in the amount of $14,968 beginning April 20, 2019 through the maturity date of April 20, 2028. The note has an interest rate of 5.376%. The outstanding principal balance of the note payable at September 30, 2018 is $113,500

The principal and interest requirements related to the EDC note payable at September 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	8,867	6,102	14,968
2020	9,343	5,625	14,968
2021	9,846	5,123	14,968
2022	10,375	4,593	14,968
2023	10,933	4,036	14,968
2024-2028	64,137	10,705	74,842
	$ 113,500	$ 36,183	$ 149,684

Note 10: Other Information

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disaster. The City purchases commercial insurance through Texas Municipal League. The City retains no risk of loss for these coverages. The City accounts for risk management issues in accordance with GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues."

Restricted Assets

The governmental funds have restricted cash for debt service and capital projects in the amount of $584,086 and $685,388 respectively, at September 30, 2018. The governmental funds have restricted cash for certain other specified purposes, including special projects, police seizure, library technology, street infrastructure, and court security & technology in the amount of $105,737. The Water and Sewer Fund has restricted cash held in trust by GTUA in amount of $1,698,587 at September 30, 2018 that will be used for water and sewer system capital improvements and repayment of contractual obligation.

Note 11: Pension Plan

Plan Description

The City participates as one of 883 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 payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Note 11: Pension Plan (continued)

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

Employee deposit rate	6%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	Minimum age 60 with 5 years of service
	Any age with 20 years of service
Updated service credits	100% repeating transfers
Annuity increases (to retirees)	1.86% per year

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	16
Inactive employees entitled to but not yet receiving benefits	52
Active employees	31
	99

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%, 160%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.48% and 10.64% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $170,563 and were equal to the required contributions.

Net Pension Liability

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

Note 11: Pension Plan (continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.5-10.5% 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%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2017, valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. 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 2017 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.

Note 11: Pension Plan (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%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate

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

Note 11: Pension Plan (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2016	$ 4,215,657	$ 3,478,089	$ 737,568
Changes for the year:			
Service cost	226,715	-	226,715
Interest	288,734	-	288,734
Change of benefit terms	-	-	-
Difference between expected and actual experience	(129,120)	-	(129,120)
Changes of assumptions	-	-	-
Contributions - employer	-	173,050	(173,050)
Contributions - employee	-	99,074	(99,074)
Net investment income	-	481,310	(481,310)
Benefit payments, including refunds of employee contributions	(102,951)	(102,951)	-
Administrative expense	-	(2,498)	2,498
Other changes	-	(127)	127
Net changes	$ 283,378	$ 647,858	$ (364,480)
Balance at 12/31/2017	$ 4,499,035	$ 4,125,947	$ 373,088

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:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$1,294,947	$373,088	($338,743)

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*.

Note 11: Pension Plan (continued)

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 $148,025. The calculation and amount is provided in the TMRS Reporting Package. 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	$ -	$ (89,451)
Changes in actuarial assumptions	-	(2,837)
Difference between projected and actual investment earnings	-	(105,312)
Contributions subsequent to the measurement date	118,872	-
Total	$ 118,872	$ (197,600)

$118,872 reported as deferred outflow of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Net Deferred (Inflows) Outflows of Resources
2019	$ (40,098)
2020	(38,611)
2021	(69,584)
2022	(49,307)
2023	-
Thereafter	-
Total	$ (197,600)

Note 12: Other Post-Employment Benefits (OPEB) Plan

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. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer other postemployment benefit plan (OPEB) (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

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 another post-employment benefit ("OPEB") and is a fixed amount of $7,500.

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	9
Inactive employees entitled to but not yet receiving benefits	11
Active employees	31
Total:	51

Contributions

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city.

Note 12: Other Post-Employment Benefits (OPEB) Plan (continued)

There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The City's contributions to the SDBF for the year ended September 30, 2018 were $2,021, and were equal to the required contributions. The contribution rates to the SDBF for the City are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.12%	0.04%
2018	0.13%	0.04%

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Actuarial cost method:	Entry Age Normal
Inflation:	2.5% per year
Salary increases:	3.5% to 10.5%, including inflation
Discount rate:	3.31%
Retiree's share of benefit-related costs:	0.00%
Health care cost trend rates:	Not disclosed as the plan only provides SDB.
Administrative expenses:	All administraitive expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality:	
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.
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 improvments subject to the 3% floor.

Note 12: Other Post-Employment Benefits (OPEB) Plan (continued)

The actuarial assumptions used in the December 31, 2017, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal actuarial cost method. Salary increases were based on a service-related table.

Discount Rate:

A single discount rate of 3.31% was used to measure the Total OPEB Liability and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2016	$ 63,141
Changes for the year:	
Service cost	3,137
Interest on Total OPEB Liability	2,434
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	6,809
Benefit payments	(660)
Net changes	$ 11,720
Balance at 12/31/2017	$ 74,861

Note 12: Other Post-Employment Benefits (OPEB) Plan (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would 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:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
1% Decrease 2.31%	Current Discount Rate 3.31%	1% Increase 4.31%
$92,977	$74,861	$61,514

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 $12,827. At 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
Changes of assumptions	$ 5,667	$ -
Contributions made subsequent to measurement date	1,452	-
	$ 7,119	$ -

The $1,452 contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	Deferred outflows (inflows) of resources
2019	$ 1,142
2020	1,142
2021	1,142
2022	1,142
2023	1,099
Thereafter	-
Total	$ 5,667

Note 13: Cumulative Effects of Change in Accounting Principle

As a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)" an adjustment has been made to record the City's total OPEB liability as of October 1, 2017. As a result, beginning net position of the governmental activities has been decreased by $46,872 and the beginning net position of the proprietary fund has been decreased by $8,042.

Note 14: Prior Period Adjustment

The Water and Sewer Fund had the following restatements to net position due to revenue related to unbilled water revenue not reported in the previous period:

	Water and Sewer Fund
Beginning balances as previously reported	$ 7,097,709
Unbilled water revenue	90,740
Restated beginning balances	$ 7,188,449

Note 15: Subsequent Events

Management has evaluated subsequent events through May 14, 2019, the date on which the financial statements were available to be issued. There are no subsequent events requiring disclosure at this time.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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

$1,445,000
CITY OF VAN ALSTYNE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2019

AS BOND COUNSEL FOR THE CITY OF VAN ALSTYNE, TEXAS, (the "Issuer") in connection with the issuance of the Combination Tax and Revenue Certificates of Obligation, Taxable Series 2019, described above (the "Obligations"), we have examined into the legality and validity of the Obligations, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Obligations. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Obligations (the "Ordinance").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Obligations have been duly authorized, issued and delivered in accordance with law; and except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Obligations constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Obligations have been levied and pledged for such purpose, within the limit prescribed by law, and that the Obligations are additionally secured by and payable from a pledge of the surplus revenues of the Issuer’s waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer’s revenue obligations (now or hereafter outstanding) that are payable from all or part of said revenues, as provided in the Ordinance.

IT IS OUR OPINION THAT THE OBLIGATIONS ARE NOT OBLIGATIONS DESCRIBED IN SECTION 103(a) OF THE INTERNAL REVENUE CODE OF 1986.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Obligations, including the amount, accrual or receipt of interest on, the Obligations. Owners of the Obligations should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Obligations.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Obligations is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Obligations under the Constitution and laws of the State of Texas, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Obligations, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Obligations and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged surplus net revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Obligations has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

Very truly yours,

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company