

OFFICIAL STATEMENT
October 3, 2019

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

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

\$7,810,000
CITY OF CROWLEY, TEXAS

(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: October 1, 2019

Due: February 1, as shown on inside cover

The \$7,810,000 City of Crowley, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City of Crowley, Texas (the "City" or the "Issuer") on October 3, 2019, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Certificates will accrue from October 1, 2019 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2020, until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) the payment of professional services relating to the design, construction, project management, and financing of the aforementioned capital improvements. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

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

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about October 30, 2019.

\$7,810,000
CITY OF CROWLEY, TEXAS
(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

MATURITY SCHEDULE
(Due February 1)

CUSIP Prefix No. 228111⁽¹⁾

Stated				CUSIP	Stated				CUSIP
Maturity	Principal	Interest	Initial	No.	Maturity	Principal	Interest	Initial	No.
<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> ⁽¹⁾	<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> ⁽¹⁾
2020	\$ 310,000	5.000%	1.500%	VV9	2030	\$ 400,000	2.250%	2.000%	WF3 ⁽²⁾
2021	285,000	5.000%	1.500%	VW7	2031	410,000	2.250%	2.050%	WG1 ⁽²⁾
2022	295,000	5.000%	1.510%	VX5	2032	420,000	2.250%	2.100%	WH9 ⁽²⁾
2023	315,000	5.000%	1.520%	VY3	2033	430,000	2.250%	2.150%	WJ5 ⁽²⁾
2024	330,000	5.000%	1.530%	VZ0	2034	440,000	2.200%	2.200%	WK2
2025	340,000	2.000%	1.550%	WA4	2035	450,000	2.250%	2.250%	WL0
2026	350,000	4.000%	1.650%	WB2	2036	460,000	2.300%	2.300%	WM8
2027	365,000	4.000%	1.750%	WC0	2037	470,000	2.350%	2.350%	WN6
2028	380,000	4.000%	1.850%	WD8	2038	480,000	2.400%	2.400%	WP1
2029	390,000	2.250%	1.950%	WE6 ⁽²⁾	2039	490,000	2.450%	2.450%	WQ9

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2028, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

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

⁽²⁾ Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2028, the first optional call date for the Certificates, at a redemption price of par plus accrued interest to the date of redemption.

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CITY OF CROWLEY TEXAS
201 East Main Street
Crowley, Texas 76036
Telephone: (817) 297-2201

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Billy P. Davis Mayor	21	2022	Arborist
Jerry Beck, Jr. Mayor Pro-Tem	15	2022	Security Officer
Johnny Shotwell Councilmember, Place 1	16	2021	Operations Consultant – SSA Global
Jesse D. Johnson Councilmember, Place 3	17	2022	Funeral Plan Sales
Carl T. Weber III Councilmember, Place 4	1	2021	Business Consultant
Tina Pace Councilmember, Place 5	12	2020	Real Estate Agent
Christine M. Gilbreath Councilmember, Place 6	6	2020	Retired Military

ADMINISTRATION

Name	Position	Length of Service With the City (Years)
Robert Loftin	City Manager	29
Lori Watson	Assistant City Manager/Director of Finance	16
Carol Konhauser	City Secretary	2

CONSULTANTS AND ADVISORS

Bond CounselNorton Rose Fulbright US LLP
San Antonio, Texas

Certified Public AccountantsGeorge, Morgan & Sneed, P.C.
Weatherford, Texas

Financial AdvisorSAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact:

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Mr. Andrew T. Friedman
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

None of the City, the Financial Advisors or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its Book-Entry-Only System as such information is provided by DTC respectively.

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

TABLE OF CONTENTS

COVER PAGE	1	INVESTMENT POLICIES	13
ELECTED AND APPOINTED OFFICIALS	3	AD VALOREM TAX PROCEDURES	15
USE OF INFORMATION IN THE OFFICIAL STATEMENT	4	TAX RATE LIMITATIONS	19
SELECTED DATA FROM THE OFFICIAL STATEMENT	5	TAX MATTERS	21
INTRODUCTORY STATEMENT	7	CONTINUING DISCLOSURE OF INFORMATION	23
THE CERTIFICATES	7	LEGAL MATTERS	25
REGISTRATION, TRANSFER AND EXCHANGE	11	FORWARD LOOKING STATEMENTS	25
BOOK-ENTRY-ONLY SYSTEM	12	OTHER PERTINENT INFORMATION	26

Financial Information Relating to the City of Crowley, Texas	Appendix A
General Information Regarding the City of Crowley and Tarrant and Johnson Counties, Texas	Appendix B
Form of Legal Opinion of Bond Counsel	Appendix C
Excerpts from the Issuer’s Audited Financial Statements for the Year Ended September 30, 2018.....	Appendix D

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer

The City of Crowley, Texas (the "City" or "Issuer"), a municipal corporation and political subdivision of the State of Texas, was originally incorporated in 1951 and adopted a Home Rule Charter on May 1, 1999, as amended on November 5, 2013. The City operates under a Council/Manager form of government with a Mayor and six Council Members. The City is directly south of Fort Worth, approximately 30 miles southwest of the Dallas-Fort Worth International Airport and two miles west of Interstate Highway 35. Farm-to-market roads 1187 and 731 provide ready access to Interstate Highways 20 and 35. The 2019 estimated population is 16,721. (See "APPENDIX B – General Information Regarding the City of Crowley and Tarrant and Johnson Counties" herein.)

The Certificates

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City, on October 3, 2019 and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Paying Agent/Registrar

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

Security

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2028, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Tax Matters

In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS" and will not be included in calculating the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein.)

Qualified Tax-Exempt Obligations

The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) the payment of professional services relating to the design, construction, project management, and financing of the aforementioned capital improvements. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Rating

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

Payment Record

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Future Debt Issues

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

Delivery

When issued, anticipated on or about October 30, 2019.

Legality

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

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OFFICIAL STATEMENT
relating to

\$7,810,000

CITY OF CROWLEY, TEXAS

(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Crowley, Texas (the "City" or the "Issuer") of its \$7,810,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and the City's Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

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

THE CERTIFICATES

General Description of the Certificates

The Certificates are dated October 1, 2019 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2020, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Austin, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

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

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on October 3, 2019, and the City's Home Rule Charter.

Security for Payment

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

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described

and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

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

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will 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.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) the payment of professional services relating to the design, construction, project management, and financing of the aforementioned capital improvements.

Sources and Uses

Sources	
Par Amount of the Certificates	\$ 7,810,000.00
Accrued Interest on the Certificates	19,206.86
Reoffering Premium	<u>324,273.05</u>
Total Sources of Funds	<u>\$ 8,153,479.91</u>
Uses	
Project Fund Deposit	\$ 8,000,000.00
Purchaser's Discount	42,986.83
Certificate Fund Deposit	19,206.86
Costs of Issuance	<u>91,286.22</u>
Total Uses	<u>\$ 8,153,479.91</u>

Payment Record

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

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the redemption price or amounts, change the place or places at or the coin or currency in which any Certificate or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, (3) extend any waiver of default to subsequent defaults, or (4) reduce the aggregate principal amount of Certificates required for consent to any amendment, change, modification, or waiver.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), 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. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment 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, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the 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.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson*") the Texas Supreme Court (the "*Court*") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("*Chapter 9*"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

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

Record Date

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

Special Record Date for Interest Payment

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

Future Registration

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

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and

proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

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

INVESTMENT POLICIES

The Issuer invests its investable funds in investments authorized by Texas law, including Chapter 2256, as amended, Texas Government Code (the "Texas Public Funds Investment Act"), and in accordance with investment policies approved by the City Council. Both State law and the Issuer's investment policies are subject to change.

Legal Investments

Under State law, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5)

obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for Issuer deposits, or (ii) certificates of deposit where (a) the funds are invested by the Issuer through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the Issuer as required by law, or a depository institution that has its main office or a branch office in the State of Texas that is selected by the Issuer; (b) the broker or the depository institution selected by the Issuer arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Issuer, (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 Issuer appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the Issuer with respect to the certificates of deposit issued for the account of the Issuer; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the Issuer or cash held by the Issuer to be pledged to the Issuer, held in the Issuer's name and deposited at the time the investment is made with the Issuer or with a third party selected and approved by the Issuer, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the Issuer, held in the Issuer's name and deposited at the time the investment is made with the Issuer or a third party designated by the Issuer, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the Issuer with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (15) investment pools if the Issuer has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the Issuer and deposited with the Issuer or with a third party selected and approved by the Issuer.

The Issuer 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 Issuer retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Issuer must do so by order, ordinance, or resolution. The Issuer is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a final stated 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 Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, requirements for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such

investments consistent with the Texas Public Funds Investment Act. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Additional Provisions

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

Current Investments ⁽¹⁾

TABLE 1

As of May 31, 2019 the City held investments as follows:

<u>Type of Security</u>	<u>Market Value</u>	<u>Percentage of Total</u>
TexPool	\$ 33,624,562	100.00%
Total	\$ 33,624,562	100.00%

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

⁽¹⁾ Unaudited.

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Tax Code") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Tarrant Appraisal District (the "Appraisal District") is responsible for appraising property within the City generally as of January 1 of each year. (A small portion of the City lies within Johnson County, Texas. The Central Appraisal District of Johnson County appraises such property and acts in a manner similar to what is described herein with respect to the Tarrant County Appraisal District.) The appraisal values set by the Appraisal District are subject to review and change by the Tarrant County Review Board (the "Appraisal Review Board") which is appointed by the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the Issuer in establishing its tax roll and tax rate.

Valuation of Property for Taxation

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. Oil and gas reserves are assessed on the basis of pricing information contained in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. 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 in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board for the Appraisal District, the members of which are appointed by the Board of Directors of the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the City in establishing its tax roll and tax rate.

The Appraisal District is required to review the value of property within its jurisdiction 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.

Property Subject to Taxation by the Issuer

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes. Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

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

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

Nonbusiness personal property, 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 of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-l, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit", which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The City took official action before April 1, 1990 to tax freeport property. On October 23, 2007 the City adopted an ordinance that continued the taxation of all goods-in-transit for the tax year 2008 and beyond. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action after October 1 of the prior year but before January 1 of the first tax

year in which the governing body proposes to tax goods-in-transit in the 2012 tax year and beyond. The City has taken action to tax goods-in-transit.

Residential Homestead Exemptions

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

If the tax limitation is established, the total amount of ad valorem taxes imposed by the City on a homestead that receives the exemption may not be increased while it remains the residence homestead of that person or that person's spouse who is disabled or sixty-five years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse, and (3) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. In addition, the Texas Legislature by general law may provide for the transfer of all or a proportionate amount of the tax limitation applicable to a person's homestead to be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation.

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

1. An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. The City has elected to grant \$40,000 for persons 65 years of age or older and the disabled.
2. An exemption of up to 20% of the market value of residence homesteads; minimum exemption \$5,000. The City has not elected to grant this additional exemption.

After the exemption described in (1) above is authorized, such exemption may be repealed or decreased or increased in amount (a) by the governing body of the political subdivision or (b) 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. An eligible disabled person who is 65 or older may not receive both a disabled and an elderly residence homestead exemption but may choose either.

The surviving spouse of an individual who qualifies for the exemption listed in (1) above 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 the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000.

A disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

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

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

Tax Abatement

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

Tax Increment Reinvestment (Financing) Zones

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

Economic Development Programs of Grants and Loans

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.

Issuer and Taxpayer Remedies

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

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

The Financial Institutions Act of 1989

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

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

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

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Generally, before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit, the rate of taxation is set by the Issuer based upon the valuation of property within the City as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the Issuer. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. Certain taxpayers, including the disabled, persons 65 years or older, disabled veterans, and first responders who qualified for certain tax exemptions are permitted by State law to pay taxes on homesteads in four installments with the first due before February 1 of each year and the final installment due before August 1. The Property Tax Code also makes provision, on a local option basis, for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. The Issuer does not allow split payments but does allow discounts for early payment.

Issuer's Rights in the Event of Tax Delinquencies

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

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

TAX RATE LIMITATIONS

General

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

The Property Tax Code

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“effective tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“rollback tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.08, plus the debt service tax rate.

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

For the 2019 tax year, the procedures in this paragraph apply. After the assessor submits the appraisal roll, a designated officer or employee of the City is required to calculate its “rollback tax rate” and “effective tax rate”. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, and may not adopt a tax rate that exceeds the lower of its “rollback tax rate” or “effective tax rate” (as such terms are defined below) until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. The Property Tax Code provides that if the adopted tax rate exceeds the rollback tax rate, qualified voters of the city, by petition, may require that an election be held to determine whether or not to reduce the adopted tax rate to the rollback tax rate. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-effective tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

Effective January 1, 2020, the terms rollback tax rate and effective tax rate will be replaced, respectively, with the terms “voter-approval tax rate” and “no-new-revenue tax rate”. Beginning with the 2020 tax year, the procedures in this paragraph and the following paragraphs apply. A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax

rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.

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.

TAX MATTERS

Tax Exemption

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

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Issuer made in a certificate of even date with the initial delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Ordinance by the Issuer subsequent to the issuance of the Certificates. The Ordinance contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

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

Tax Changes

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

Ancillary Tax Consequences

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust

("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Certificates

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

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

Tax Accounting Treatment of Premium Certificates

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

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

Qualified Tax-Exempt Obligations

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

The City has designated the Certificates as "qualified tax-exempt obligations" and has certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be

subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information".

Annual Reports

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

The Issuer 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 Issuer of the general type included in Table 1 of the Official Statement and in Tables 1-14 of APPENDIX A to this Official Statement and in APPENDIX D. The Issuer will update and provide this information within six months after the end of each fiscal year in or after 2019. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA 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 Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. Neither the Certificates nor the Ordinance make any provision for debt service reserve funds, credit enhancement or liquidity enhancement. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB.

Availability of Information

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

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

Limitations and Amendments

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

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

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX RATE LIMITATIONS -General", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the 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 the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

At the time of the initial delivery of the Certificates, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT INFORMATION – Rating" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

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

FORWARD LOOKING STATEMENTS

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and

actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

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

Rating

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

Authenticity of Financial Information

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

Financial Advisor

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

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

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of FTN Financial Capital Markets (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of \$324,273.05, less a Purchaser's discount of \$42,986.83, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, 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 September 30, 2018, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Concluding Statement

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

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

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

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

CITY OF CROWLEY, TEXAS

/s/ Billy P. Davis

Mayor
City of Crowley, Texas

ATTEST:

/s/ Carol Konhauser

City Secretary
City of Crowley, Texas

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APPENDIX A

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

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2019 Certified Market Value of Taxable Property (100% of Market Value).....	\$ 1,274,175,928
Less Exemptions:	
Optional Over 65 or Disabled.....	\$ 37,039,069
Veterans' Exemptions.....	13,758,820
Pollution Control.....	130,208
Open Space Land and Timberland.....	12,435,901
Prorations.....	48,455,997
Loss to 10% HO Cap.....	3,731,637
Homestead Exemption.....	-
TOTAL EXEMPTIONS	\$ 115,551,632
2019 Certified Assessed Value of Taxable Property.....	\$ 1,158,624,296

Source: Tarrant Appraisal District and Central Appraisal District of Johnson County

GENERAL OBLIGATION BONDED DEBT

(as of September 1, 2019)

General Obligation Debt Principal Outstanding

General Obligation Refunding Bonds, Series 2005	\$ 115,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011	1,590,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	3,495,000
General Obligation Refunding Bonds, Series 2012	290,000
General Obligation Refunding Bonds, Series 2012A	1,125,000
General Obligation Refunding Bonds, Series 2013	2,635,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	5,435,000
General Obligation Refunding Bonds, Series 2017	6,505,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	10,900,000
The Certificates	7,810,000
Total Gross General Obligation Debt	\$ 39,900,000
Less: Self Supporting Debt	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 (100% Water & Sewer)	1,590,000
General Obligation Refunding Bonds, Series 2012A (76.89% Water & Sewer)	865,000
General Obligation Refunding Bonds, Series 2013 (52.94% Crime Control and Prevention District)	1,395,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 (50.78% Water and Sewer)	2,760,000
General Obligation Refunding Bonds, Series 2017 (27.44% Water & Sewer)	1,785,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (36.38% EDC)	3,965,000
The Certificates (100% Water and Sewer)	7,810,000
Total Self-Supporting Debt	\$ 20,170,000
Total Net General Obligation Debt Outstanding	\$ 19,730,000

2019 Net Assessed Valuation \$ 1,158,624,296

Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation 3.44%

Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation 1.70%

Population: 1990 - 6,974; 2000 - 7,467; 2010 - 12,838; est. 2019 - 16,721

Per Capita Certified Net 2017 Taxable Assessed Valuation - \$69,291.57

Per Capita Gross General Obligation Debt Principal - \$2,386.22

Per Capita Net General Obligation Debt Principal - \$1,179.95

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

(As of September 30, 2018)

None

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

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt ^(a)	The Certificates			Combined Debt Service ^(a)	Less: Self- Supporting Debt	Total Net Debt Service
		Principal	Interest	Total			
2019	\$ 3,539,090				\$ 3,539,090	\$ 1,605,901	\$ 1,933,188
2020	3,626,386	\$ 310,000	\$ 190,942	\$ 500,942	4,127,327	2,098,198	2,029,129
2021	3,679,936	285,000	215,805	500,805	4,180,741	2,098,269	2,082,472
2022	3,582,810	295,000	201,305	496,305	4,079,115	2,091,712	1,987,404
2023	3,496,548	315,000	186,055	501,055	3,997,603	2,096,682	1,900,921
2024	3,158,187	330,000	169,930	499,930	3,658,117	1,828,588	1,829,530
2025	2,918,717	340,000	158,280	498,280	3,416,997	1,703,803	1,713,194
2026	2,656,890	350,000	147,880	497,880	3,154,770	1,566,858	1,587,913
2027	2,657,169	365,000	133,580	498,580	3,155,749	1,572,031	1,583,718
2028	2,653,675	380,000	118,680	498,680	3,152,355	1,563,866	1,588,489
2029	2,647,404	390,000	106,693	496,693	3,144,096	1,557,513	1,586,584
2030	1,894,218	400,000	97,805	497,805	2,392,023	1,355,870	1,036,153
2031	1,906,553	410,000	88,693	498,693	2,405,245	1,360,014	1,045,231
2032	1,514,946	420,000	79,355	499,355	2,014,301	981,343	1,032,959
2033	1,187,030	430,000	69,793	499,793	1,686,823	980,900	705,923
2034	1,183,191	440,000	60,115	500,115	1,683,306	979,835	703,471
2035	1,183,600	450,000	50,213	500,213	1,683,813	983,169	700,644
2036	1,182,155	460,000	39,860	499,860	1,682,015	980,300	701,715
2037	808,725	470,000	29,048	499,048	1,307,773	793,648	514,125
2038	807,300	480,000	17,765	497,765	1,305,065	792,740	512,325
2039	-	490,000	6,003	496,003	496,003	496,003	-
Total	<u>\$ 46,284,528</u>	<u>\$ 7,810,000</u>	<u>\$ 2,167,797</u>	<u>\$ 9,977,797</u>	<u>\$ 56,262,325</u>	<u>\$ 29,487,240</u>	<u>\$ 26,775,085</u>

^(a) Includes self-supporting debt.

TAX ADEQUACY (Includes Self-Supporting Debt)

2019 Certified Assessed Value of Taxable Property	\$1,158,624,296
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	4,180,740.76 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.3682 *

*Includes the Certificates.

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

TAX ADEQUACY (Excludes Self-Supporting Debt)

2019 Certified Assessed Value of Taxable Property	\$1,158,624,296
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	2,082,471.51 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.18340 *

*Includes the Certificates.

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of June 1, 2018)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding ^(a)	The Certificates	Total		
2019	\$ -	\$ -	\$ -	\$ 39,900,000	0.00%
2020	2,395,000	310,000	2,705,000	37,195,000	6.78%
2021	2,520,000	285,000	2,805,000	34,390,000	13.81%
2022	2,505,000	295,000	2,800,000	31,590,000	20.83%
2023	2,500,000	315,000	2,815,000	28,775,000	27.88%
2024	2,240,000	330,000	2,570,000	26,205,000	34.32%
2025	2,075,000	340,000	2,415,000	23,790,000	40.38%
2026	1,885,000	350,000	2,235,000	21,555,000	45.98%
2027	1,950,000	365,000	2,315,000	19,240,000	51.78%
2028	2,020,000	380,000	2,400,000	16,840,000	57.79%
2029	2,085,000	390,000	2,475,000	14,365,000	64.00%
2030	1,395,000	400,000	1,795,000	12,570,000	68.50%
2031	1,450,000	410,000	1,860,000	10,710,000	73.16%
2032	1,310,000	420,000	1,730,000	8,980,000	77.49%
2033	1,015,000	430,000	1,445,000	7,535,000	81.12%
2034	1,040,000	440,000	1,480,000	6,055,000	84.82%
2035	1,070,000	450,000	1,520,000	4,535,000	88.63%
2036	1,100,000	460,000	1,560,000	2,975,000	92.54%
2037	755,000	470,000	1,225,000	1,750,000	95.61%
2038	780,000	480,000	1,260,000	490,000	98.77%
2039	-	490,000	490,000	-	100.00%
Total	\$ 32,090,000	\$ 7,810,000	\$ 39,900,000		

^(a) Includes self-supporting debt.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2009-2019

TABLE 3

Tax Year	Net Taxable	Change From Preceding Year	
	Assessed Valuation	Amount (\$)	Percent
2009-10	\$ 781,918,131	---	---
2010-11	748,510,664	(33,407,467)	-4.27%
2011-12	728,094,678	(20,415,986)	-2.73%
2012-13	707,516,015	(20,578,663)	-2.83%
2013-14	723,646,623	16,130,608	2.28%
2014-15	779,002,956	55,356,333	7.65%
2015-16	746,060,271	(32,942,685)	-4.23%
2016-17	778,957,906	32,897,635	4.41%
2017-18	851,918,491	72,960,585	9.37%
2018-19	966,374,232	114,455,741	13.44%
2019-20	1,158,624,296	192,250,064	19.89%

Source: Texas Comptroller of Public Accounts, Tarrant Appraisal District and Central Appraisal District of Johnson County.

PRINCIPAL TAXPAYERS 2019

TABLE 4

Name	Type of Business/Property	2019 Net Taxable Assessed Valuation	% of Total 2019 Assessed Valuation
Harbison Fischer MFG Co	Steel Manufacturing	\$ 45,545,475	3.93%
Wal-Mart Real Estate Business Trust	Retail Sales	20,860,192	1.80%
AZZ Inc	Manufacturing	16,908,698	1.46%
Stone Gate Station	Shopping Center	11,021,800	0.95%
Oncor Electric Delivery Co. LLC	Electric Utility	9,500,040	0.82%
Atwood Distributing LP	Distribution Center	15,851,693	1.37%
Yes Companies EXP2 WFC LLC	Manufactured Housing	14,456,356	1.25%
SFR Assets Owner LLC	Real Estate Development	8,409,654	0.73%
Powerhouse Partners LLC	Oil and Gas	12,130,133	1.05%
DR Horton - Texas LP	Home Builder	8,350,461	0.72%
		\$ 163,034,502	14.07%

Source: Texas Comptroller of Public Accounts, Tarrant Appraisal District and Central Appraisal District of Johnson County.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 5

	2019	% of Total	2018	% of Total	2017	% of Total
Real, Residential, Single-Family	\$ 929,513,246	72.95%	\$ 752,042,848	69.94%	\$ 683,820,690	68.49%
Real, Residential, Multi-Family	47,000,101	3.69%	42,673,345	3.97%	42,473,918	4.25%
Real, Vacant Lots/Tracts	16,958,150	1.33%	22,549,036	2.10%	20,585,605	2.06%
Real, Acreage (Land Only)	12,414,751	0.97%	17,522,642	1.63%	18,599,534	1.86%
Real, Farm and Ranch Improvements	437,004	0.03%	465,500	0.04%	-	0.00%
Real, Commercial	131,604,436	10.33%	113,234,253	10.53%	106,757,299	10.69%
Real, Industrial	17,750,775	1.39%	17,106,420	1.59%	12,748,636	1.28%
Oil and Gas	8,298,128	0.65%	1,914,520	0.18%	1,059,970	0.11%
Real & Tangible, Personal Utilities	28,296,875	2.22%	24,562,803	2.28%	28,576,149	2.86%
Tangible Personal, Commercial	24,865,148	1.95%	35,872,316	3.34%	29,838,917	2.99%
Tangible Personal, Industrial	39,591,093	3.11%	36,351,824	3.38%	42,061,637	4.21%
Tangible Personal, Mobile Homes	4,316,932	0.34%	4,404,112	0.41%	3,918,959	0.39%
Real Property, Inventory	13,129,289	1.03%	6,632,825	0.62%	8,048,297	0.81%
Total Appraised Value	\$ 1,274,175,928	100.00%	\$ 1,075,332,444	100.00%	\$ 998,489,611	100.00%
Less:						
Optional Over 65 or Disabled	\$ 37,039,069		\$ 34,248,724		\$ 32,091,009	
Veterans' Exemptions	13,758,820		10,473,349		7,084,103	
Pollution Control	130,208		145,349		160,489	
Open Space Land and Timberland	12,435,901		17,120,849		13,903,175	
Prorations	48,455,997		43,254,379		80,757,332	
Loss to 10% HO Cap	3,731,637		3,715,562		1,257,501	
Homestead Exemption	-		-		11,317,511	
Net Taxable Assessed Valuation	\$ 1,158,624,296		\$ 966,374,232		\$ 851,918,491	

Source: Tarrant Appraisal District and Central Appraisal District of Johnson County.

TAX DATA

TABLE 6

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2009	\$ 781,918,131	\$ 0.575500	\$ 4,042,979	98.93	101.98	9/30/2010
2010	748,510,664	0.640000	4,790,468	97.80	99.91	9/30/2011
2011	728,094,678	0.640000	4,659,806	97.62	98.83	9/30/2012
2012	707,516,015	0.669019	4,733,417	98.12	101.92	9/30/2013
2013	723,646,623	0.696829	5,042,580	98.96	102.90	9/30/2014
2014	779,002,956	0.696829	5,428,319	98.38	101.64	9/30/2015
2015	746,060,271	0.739270	5,515,400	96.68	97.75	9/30/2016
2016	778,957,906	0.739270	5,758,602	98.92	101.09	9/30/2017
2017	851,918,491	0.719000	6,125,294	99.41	100.60	9/30/2018
2018	966,374,232	0.709000	6,851,593	96.54	96.69	9/30/2019 *
2019	1,158,624,296	0.681992	7,901,725			9/30/2020

* Collections as of July 31, 2019.

TAX RATE DISTRIBUTION

TABLE 7

	2019	2018	2017	2016	2015
General Fund	\$ 0.486408	\$ 0.501279	\$ 0.514161	\$ 0.513591	\$ 0.512894
I & S Fund	0.195584	0.207721	0.204839	0.225679	0.226376
Total Tax Rate	\$ 0.681992	\$ 0.709000	\$ 0.719000	\$ 0.739270	\$ 0.739270

Source: Texas Comptroller of Public Accounts, Tarrant Appraisal District and Central Appraisal District of Johnson County.

MUNICIPAL SALES TAX COLLECTIONS**TABLE 8**

The Issuer has adopted the provisions of Chapter 321, Texas Tax Code, as amended, and pursuant thereto levies a sales and use tax at the rate of 1% on the retail sales of taxable items sold within the Issuer. In addition, some issuers, including the City, are eligible to levy a sales tax of up to ½ of 1% for property tax relief and/or an additional sales tax of up to ½ of 1% for economic development. State law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including municipal street maintenance and repair, sports and community venues, and funding certain projects through municipal development districts created by the City pursuant to Chapter 377, Texas Local Government Code. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

The Issuer has not authorized the additional ½ of 1% sales tax for property tax relief but has authorized an additional 1/2 of 1% sales tax for economic development and an additional 1/2 of 1% sales tax for the Crowley Crime Control and Prevention District. The figures below represent collections from the combined 2.00% sales tax.

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Crowley Crime Control and Prevention District
2010	\$ 1,428,874	29.83%	\$ 0.191	\$ 361,232
2011	1,333,610	28.62%	0.183	373,552
2012	1,736,107	36.68%	0.245	499,202
2013	1,929,287	38.26%	0.267	572,641
2014	1,982,611	36.52%	0.255	585,752
2015	2,080,250	37.72%	0.279	621,598
2016	2,240,620	38.91%	0.288	650,858
2017	2,443,066	39.88%	0.287	747,226
2018	2,507,238	36.59%	0.259	764,176
2019	1,925,963	(As of August 2019)		583,093

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

CITY OF CROWLEY ECONOMIC DEVELOPMENT CORPORATION

On June 1, 2016, the Crowley Economic Development Corporation issued its "City of Crowley Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2016", in the amount of \$2,180,000, secured by the previously mentioned 1/2 of 1% sales tax imposed for economic development purposes.

Fiscal Year Ended 9/30	Principal	Interest	Total
2020	\$ 125,000	\$ 81,900	\$ 206,900
2021	130,000	78,150	208,150
2022	135,000	74,250	209,250
2023	140,000	68,850	208,850
2024	145,000	63,250	208,250
2025	150,000	57,450	207,450
2026	155,000	51,450	206,450
2027	165,000	45,250	210,250
2028	170,000	37,000	207,000
2029	180,000	28,500	208,500
2030	190,000	19,500	209,500
2031	200,000	10,000	210,000
Total	\$ 1,885,000	\$ 615,550	\$ 2,500,550

OVERLAPPING DEBT INFORMATION

(As of September 1, 2019)

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

Taxing Body	Gross Debt (As of 9/1/2019)	% Overlapping	Amount Overlapping
Burleson Independent School District	\$ 340,570,852	0.90%	\$ 3,065,138
Crowley Independent School District	467,571,875	15.06%	70,416,324
Johnson County	24,205,000	0.03%	7,262
Tarrant County	266,375,000	0.53%	1,411,788
Tarrant County Hospital District	17,735,000	0.53%	93,996
Total Gross Overlapping Debt			<u>\$ 74,994,507</u>
City of Crowley			\$ 39,900,000
Total Gross Direct and Overlapping Debt			<u>\$ 114,894,507</u>
Ratio of Gross Direct and Overlapping Debt to 2019 Net Assessed Valuation			9.92%
Per Capita Gross Direct and Overlapping Debt			\$ 6,871.27

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is \$19,730,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	\$ 94,724,507
Ratio of Direct and Overlapping Debt to 2017 Net Assessed Valuation	8.18%
Per Capita Net Direct and Overlapping Debt	\$5,665.00

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2018 Assessed Valuation	% of Actual	2018 Tax Rate
Burleson Independent School District	\$ 4,577,067,806	100%	\$ 1.670000
Crowley Independent School District*	6,395,201,719	100%	1.670000
Johnson County	12,300,143,661	100%	0.442000
Tarrant County	199,739,794,935	100%	0.234000
Tarrant County Hospital District	200,162,015,694	100%	0.224000

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

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

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Burleson Independent School District	None				
Crowley Independent School District	5/12/2007	School Building	\$ 416,800,000	\$ 332,000,000	\$ 84,800,000
Johnson County	None				
Tarrant County*	8/8/1998	Law Enforcement Center	\$ 70,600,000	\$ 63,100,000	\$ 7,500,000
	8/8/1998	Healthcare Facility	9,100,000	1,000,000	8,100,000
	5/13/2006	County Buildings	62,300,000	47,300,000	15,000,000
Tarrant County Hospital District	None				
Crowley, City of	None				

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

* While the foregoing bonds received previous voter authorization, and such authorization remains valid, the ability to issue such bonds on the basis of voted authorization in excess of 10 years old is generally subject to a Texas Attorney General analysis of whether the length of time elapsed from the election to present day meets a reasonableness standard.

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

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:

	<u>Plan Year 2017</u>
Employee Deposit Rate	6%
Matching Ratio (city to employee)	2 to 1
Years Required for Vesting	5 years
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100% repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

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

Active employee	111
Inactive employees or beneficiaries currently receiving benefit:	52
Inactive employees entitled to but not yet receiving benefit:	74
	237

Contributions

The Contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under 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 10.76% and 10.633% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2018, were \$647,135, 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.

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	3% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed from actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation study covering 2009 through and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the system adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	100.00%	

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

TABLE 9

Discount Rate

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

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at 12/31/16	\$ 17,285,642	\$ 14,723,428	\$ 2,562,214
Changes for the year:			
Service cost	809,245	-	8,509,245
Interest	1,165,642	-	1,165,642
Changes in net benefit terms	-	-	-
Difference between expected and actuarial experience	143,078	-	143,078
Change of assumptions	-	-	-
Contributions - employer	-	612,770	(612,770)
Contributions - employee	-	341,694	(3,641,694)
Net investment income	-	2,039,047	(2,039,047)
Benefit payments, including refunds of employee contributions	(842,986)	(842,986)	-
Administrative expense	-	(10,575)	10,575
Other changes	-	(537)	537
Net changes	1,274,979	2,139,413	(864,434)
Balance at 12/31/17	\$ 18,560,621	\$ 16,862,841	\$ 1,697,780

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 4,824,591	\$ 1,697,780	\$ (811,521)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$632,482.

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	\$ 185,692	\$ 174,673
Changes in actuarial assumptions	8,441	-
Differences between projected and actual investment earnings	387,520	836,285
Contributions subsequent to the measurement date	469,607	-
Total	\$ 1,051,260	\$ 1,010,958

\$469,607 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2018	\$ (18,030)
2019	(16,223)
2020	(201,907)
2021	(193,145)
2022	-
Thereafter	-
	\$ (429,305)

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 10

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

	Fiscal Year Ended				
	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Fund Balance - Beginning of Year	\$ 7,004,582	\$ 6,369,021	\$ 5,848,011	\$ 5,283,317	\$ 4,738,010
Revenues	11,309,786	10,648,139	9,611,843	9,052,881	9,041,437
Expenditures	11,390,194	10,447,187	9,648,967	9,068,653	9,015,475
Excess (Deficit) of Revenues Over Expenditures	\$ (80,408)	\$ 200,952	\$ (37,124)	\$ (15,772)	\$ 25,962
Other Financing Sources (Uses):					
Operating Transfers In	\$ 580,466	\$ 580,466	\$ 580,466	\$ 580,466	\$ 519,345
Issuance of Long-Term Debt	-	-	-	-	-
Operating Transfers Out	-	(145,857)	(22,332)	-	-
Interest Income	-	-	-	-	-
Proceeds Bonds	-	-	-	-	-
Proceeds from Sale of Bonds	-	-	-	-	-
Total Financings Sources (Uses)	580,466	434,609	558,134	580,466	519,345
Fund Balance - End of Year	\$ 7,504,640	\$ 7,004,582	\$ 6,369,021	\$ 5,848,011	\$ 5,283,317

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

The City expects to end the fiscal year ending September 30, 2019 with an unaudited General Fund balance of \$8,001,787.

UTILITY SYSTEM PLANT IN OPERATION

TABLE 11

	FYE 9/30/2018
Land	\$ 34,751
Construction in Progress	342,248
Buildings and Improvements	2,232,132
Infrastructure/utility system	18,352,230
Equipment and furniture	<u>2,740,882</u>
Total Capital Assets	\$ 23,702,243
Less: Accumulated Depreciation	<u>(11,632,000)</u>
Net Capital Assets	<u>\$ 12,070,243</u>

Source: The Issuer's Annual Financial Report for fiscal year ended September 30, 2018 and information provided by the Issuer.

WATERWORKS SYSTEM OPERATING SYSTEM

TABLE 12

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

Fiscal Year Ended:	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Revenues	\$ 6,977,724	\$ 5,937,507	\$ 5,164,797	\$ 5,014,795	\$ 5,258,858
Expenses	<u>4,279,751</u>	<u>3,754,581</u>	<u>4,184,705</u>	<u>3,818,548</u>	<u>3,316,418</u>
Net Revenue Available for Debt Service	\$ 2,697,973	\$ 2,182,926	\$ 980,092	\$ 1,196,247	\$ 1,942,440
Customer Count:					
Water	5,774	5,595	5,479	5,221	5,314
Sewer	5,556	5,399	5,292	5,402	5,135

Source: The Issuer's Annual Financial Reports, information provided by the Issuer and the Texas Municipal Reports published by the Municipal Advisory Council of Texas.

WATER RATES**TABLE 13**

(Based on monthly billing)

New Rates(Effective August 16, 2018)

Minimum Base Rate	\$	16.99
First 2,000 Gallons (Minimum)		1.75
up to 10,000 Gallons, per 1,000 Gallons		4.92
11,000-25,000 Gallons, per 1,000 Gallons		5.46
26,000-75,000 Gallons, per 1,000 Gallons		5.99
All over 76,000 Gallons, per 1,000 Gallons		6.26

Outside City Limits

Minimum Base Rate (Includes \$.00 administrative fee)	\$	20.99
First 2,000 Gallons (Minimum) (Includes \$4.00 Administration Fee)		1.75
Up to 10,000 Gallons, per 1,000 Gallons		4.92
11,000-25,000 Gallons, per 1,000 Gallons		5.46
26,000-75,000 Gallons, per 1,000 Gallons		5.99
All over 76,000 Gallons, per 1,000 Gallons		6.26

Old Rates(Effective October 1, 2016)

Minimum Base Rate	\$	16.99
First 2,000 Gallons (Minimum)		1.75
up to 10,000 Gallons, per 1,000 Gallons		4.92
11,000-25,000 Gallons, per 1,000 Gallons		5.46
26,000-75,000 Gallons, per 1,000 Gallons		5.99
All over 76,000 Gallons, per 1,000 Gallons		6.26

Outside City Limits

Minimum Base Rate (Includes \$.00 administrative fee)	\$	20.99
First 2,000 Gallons (Minimum) (Includes \$4.00 Administration Fee)		1.75
Up to 10,000 Gallons, per 1,000 Gallons		4.92
11,000-25,000 Gallons, per 1,000 Gallons		5.46
26,000-75,000 Gallons, per 1,000 Gallons		5.99
All over 76,000 Gallons, per 1,000 Gallons		6.26

SEWER RATES**TABLE 14**

(Based on monthly billing)

New Rates(Effective August 16, 2018)

Minimum Base Rate	\$	16.99
First 2,000 Gallons per 1,000 Gallons		1.75
3,000-10,000 Gallons, per 1,000 Gallons (12,000 maximum)		3.75

Old Rates(Effective October 1, 2016)

Minimum Base Rate	\$	16.99
First 2,000 Gallons per 1,000 Gallons		1.75
3,000-10,000 Gallons, per 1,000 Gallons (12,000 maximum)		3.75

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APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF CROWLEY
AND TARRANT AND JOHNSON COUNTIES, TEXAS**

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**GENERAL INFORMATION REGARDING THE CITY OF CROWLEY, TEXAS
AND TARRANT COUNTY, TEXAS**

The City of Crowley, Texas (the “City”) is 6.7 square miles and located in southern Tarrant County, Texas. The City is approximately 13 miles from the City of Fort Worth, Texas at the crossroads of Farm roads 1187 and 731, two miles west of Interstate Hwy 35. The rural atmosphere allows relaxed living while having city conveniences of a metropolitan area right in our own backyard.

The City was incorporated in the State of Texas on February 12, 1951 under Title 28, Revised Civil Statutes of Texas, Chapters 1-10, as amended, relating to cities and towns and adopted a Home Rule Charter on May 1, 1999. The Home Rule Charter was most recently amended on November 5, 2013. The City operates under a Mayor-Council form of government and provides the following services as authorized by the State of Texas, as a duly incorporated General Law City, and subsequent City ordinances: public safety (police and fire), highways and streets, sanitation, water and sewer, public improvements, planning and zoning, and general administrative services. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of six members, a mayor and five council-persons elected by the City’s residents.

Several manufacturing and industrial firms are located in the Crowley area, as well as a variety of commercial establishments, restaurants, shops, and food stores. Undeveloped property in industrial zoning districts is currently available within the City limits with rail service and an adequate water supply to meet fire protection and diversified demands. The City is not financially dependent upon any one industry. The City recognizes the value of industry to its economic base and continues to seek industry which will be beneficial to the community. The City is a retail center located near Fort Worth, Texas.

TARRANT COUNTY, TEXAS

Tarrant County, Texas (the “County”) is an urban county located in the north central part of Texas with an estimated 2018 population was 2,084,931. The City of Fort Worth, Texas which began as an army post in 1849 serves as the county seat. The County is one of the fastest growing urban counties in the United States today. Twenty-five other incorporated cities are located wholly within the County, and seven other incorporated county-line cities are located largely within the County’s boundaries. The twelve county Dallas-Fort Worth Metroplex has a total population of almost 6.9 million people, making it the largest metropolitan area in the South and the fourth-largest in the United States.

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

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

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

Principal Employers

Employer	Entity	2018 Employees	2018 Percentage of Total Tarrant County Employment
AMR Corp./American Airlines	Commercial Airlines	31,000	3.04%
Texas Health Resources	Health Care	24,000	2.35%
Lockheed Martin Aeronautics Company	Aircraft Manufacturer	15,200	1.49%
Fort Worth Independent School District	School District	12,000	1.18%
NAS Fort Worth JRB	Naval Station	10,000	0.98%
Arlington Independent School District	School District	8,500	0.83%
University of Texas at Arlington	Higher Education	7,558	0.74%
Cook Children’s Health Care System	Health Care	6,694	0.66%
JPS Health Network	Health Care	6,500	0.64%
City of Fort Worth	Municipal Government	6,161	0.60%

Source: Tarrant County audited financial statements for fiscal year ended September 30, 2018.

Principal Taxpayers

Fiscal Year 2018		
Taxpayer	Taxable Assessed Value*	Percentage of Taxable Assessed Value
Oncor Electric Delivery	\$1,104,561	0.65%
American Airlines	914,365	0.54%
Alcon Laboratories	603,392	0.35%
Walmart Real Estate Bus. Trust/Wal-Mart Stores Texas	551,430	0.32%
Bell Helicopter Textron	426,308	0.25%
General Motors LLC	395,096	0.23%
Atmos Energy/Mid Tex Division	391,051	0.23%
Mouser Electronics	370,536	0.22%
Winner LLC	368,974	0.22%
Dallas MTA LP	297,653	0.17%

*Amounts in thousands.

Source: Tarrant County Appraisal District.

Museums

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

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

Parks and Lakes

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

	Labor Force Statistics ⁽¹⁾			
	2019 ⁽²⁾	2018 ⁽³⁾	2017 ⁽³⁾	2016 ⁽³⁾
Civilian Labor Force	1,080,108	1,062,733	1,037,441	1,011,580
Total Employed	1,044,045	1,025,619	998,810	971,375
Total Unemployed	36,063	37,114	38,631	40,205
% Unemployment	3.3%	3.5%	3.7%	4.0%
Texas Unemployment	3.6%	3.9%	4.3%	4.6%

(1) Source: Texas Workforce Commission.

(2) As of June, 2019.

(3) Average Annual Statistics.

JOHNSON COUNTY, TEXAS

Johnson County (the "County") is located north central Texas on the southwestern edge of the Dallas-Fort Worth area and is included in the Dallas-Fort Worth-Arlington Metropolitan Statistical Area. The County had a 2018 population of 169,159. The county seat is the City of Cleburne, which is fifty-five miles southwest of downtown Dallas.

The County is experiencing growth with obvious signs of significant future growth. This region has a varied manufacturing and industrial tax base that contributes to the relatively favorable unemployment rate. In 2018 the County had an internationally known manufacturer make the decision to build a facility in the community that will employ from 100 to 500 people.

In the past year the County saw many new and growing residential subdivisions. In the last two years, this area has seen a growth in the building permits by approximately 13.4%.

The County provides a full range of services including: general governmental services, County and Justice Court systems, maintaining public facilities, ensuring public safety, preserving public health and welfare, and maintenance of County roads and bridges.

In 2018, the construction of the final phase of the County Jail was completed. The County will now meet the requirements of the State to house inmates in such a manner that it will keep risk as low as possible for those housed in the jail and also for those in charge of the safekeeping for the inmates.

2018 Principal Employers		
Employer	Number of Employees	% of Total County Employment
Burleson ISD	1,738	2.27%
Cleburne ISD	974	1.27%
Joshua ISD	873	1.14%
Wal-Mart Distribution Center	807	1.05%
Sabre Tubular Structures	612	0.80%
Johnson County	504	0.66%
Wal-Mart Supercenter (Burleson)	415	0.54%
Texas Health Resources	413	0.54%
Wal-Mart Supercenter (Cleburne)	390	0.51%
City of Cleburne	360	0.47%

Source: Johnson County audited financial statements for fiscal year ended September 30, 2018.

2018 Top Taxpayers		
Employer	2018 Taxable Assessed Value	% of Total Assessed Value
FDL Operating LLC	\$202,351,355	2.08%
ETC Texas Processing	144,221,070	1.48%
Enervest Operating, LLC	108,691,420	1.12%
James Hardie Building	120,398,785	0.74%
TEP Barnett USA, LLC	71,771,294	1.24%
Oncor Electric Delivery	65,016,851	0.65%
Energy Transfer Fuel	63,765,054	0.62%
Brazos Electric Power	60,009,768	0.67%
Johns Manville Corp	61,397,510	0.63%
Halliburton Energy	58,361,556	0.60%

Labor Force Statistics ⁽¹⁾

	2019 ⁽²⁾	2018 ⁽³⁾	2017 ⁽³⁾	2016 ⁽³⁾
Civilian Labor Force	81,288	79,949	78,170	76,076
Total Employed	78,586	77,200	75,204	72,766
Total Unemployed	2,702	2,749	2,966	3,310
% Unemployment	3.3%	3.4%	3.8%	4.4%
Texas Unemployment	3.6%	3.9%	4.3%	4.6%

(1) Source: Texas Workforce Commission.

(2) As of June, 2019.

(3) Average Annual Statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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FINAL

IN REGARD to the authorization and issuance of the “City of Crowley, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019” (the *Certificates*), dated October 1, 2019 in the aggregate principal amount of \$7,810,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Crowley, Texas (the *Issuer*). The *Certificates* are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The *Certificates* have Stated Maturities of February 1 in each of the years 2020 through 2039, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the *Certificates*. Interest on the *Certificates* accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the *Certificates*. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the *Ordinance*.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the *Certificates* under the laws of the State of Texas and with respect to the exclusion of the interest on the *Certificates* from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer’s combined utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the *Certificates*. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the *Certificates*. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the *Certificates* has been limited as described therein.

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the *Certificates*, including the *Ordinance*; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the *Certificates* and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the *Certificate* executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion

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Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF CROWLEY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019”

concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer’s combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof.

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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF CROWLEY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019”

to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Crowley, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crowley, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, 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.

Change in Accounting Principle

As discussed in Notes 12 and 16 to financial statements, in 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of contributions and schedule of changes in total OPEB liability on pages 4 - 14 and pages 52 - 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards general accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of the City of Crowley, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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 Crowley, Texas' internal control over financial reporting and compliance.

George Morgan Smith, P.C.

Weatherford, Texas
January 28, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Crowley exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$37,772,295 (*net position*) compared to \$34,368,399 for the prior year. Of this amount, \$9,866,584 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,591,264. The City's governmental activities net position increased by \$2,013,373 and the business-type activities net position increased by \$1,577,891.
- As of the close of the current year, the City of Crowley's governmental funds reported combined ending fund balances of \$25,919,719 compared to \$14,009,299 for the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$7,481,905, or 66% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report consists of three components (1) management's discussion and analysis, (2) the basic financial statements (government-wide financial statements, fund financial statements and notes to the financial statements) and (3) supplementary information.

Government-wide financial statements.

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets, liabilities and deferred inflows of resources – are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All of the City's services are included here, such as general government, public works and safety, and community services in the governmental activities and stormwater utility and water and sewer services in the business-type or proprietary activities.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

Fund financial statements.

The fund financial statements provide more detailed information about the City's most significant funds-not the City as a whole. Funds are used by the City to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide a reconciliation that explains the relationship (or differences) between them.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, economic development corporation and capital projects fund which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general fund, debt service fund, crime control and prevention district, economic development corporation and water and sewer fund. A budgetary comparison schedule has been provided for the general fund and economic development corporation to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains two types of proprietary funds. The City uses enterprise funds to account for its water and sewer and stormwater utility operations.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

Notes to the financial statements provide additional information that is necessary for a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 51 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,772,295 as of September 30, 2018. Below is a summary of the City’s Statement of Net Position.

Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 28,390,931	\$ 15,988,422	\$ 9,485,014	\$ 7,792,704	\$ 37,875,945	\$ 23,781,126
Capital assets	30,852,663	30,709,272	12,070,243	12,257,585	42,922,906	42,966,857
Total Assets	<u>59,243,594</u>	<u>46,697,694</u>	<u>21,555,257</u>	<u>20,050,289</u>	<u>80,798,851</u>	<u>66,747,983</u>
Deferred outflows of resources	<u>1,191,787</u>	<u>1,295,866</u>	<u>158,323</u>	<u>203,615</u>	<u>1,350,110</u>	<u>1,499,481</u>
Current liabilities	1,637,226	1,229,470	1,454,453	904,502	3,091,679	2,133,972
Noncurrent liabilities	32,207,003	22,703,810	8,067,026	8,770,226	40,274,029	31,474,036
Total liabilities	<u>33,844,229</u>	<u>23,933,280</u>	<u>9,521,479</u>	<u>9,674,728</u>	<u>43,365,708</u>	<u>33,608,008</u>
Deferred inflows resources	<u>930,081</u>	<u>243,951</u>	<u>80,877</u>	<u>27,106</u>	<u>1,010,958</u>	<u>271,057</u>
Net position						
Net investment in capital assets	12,427,405	16,772,495	8,185,825	7,406,736	20,613,230	24,179,231
Restricted	6,852,350	2,415,882	440,131	141,676	7,292,481	2,557,558
Unrestricted	6,381,316	4,627,952	3,485,268	3,003,658	9,866,584	7,631,610
Total net position	<u>\$ 25,661,071</u>	<u>\$ 23,816,329</u>	<u>\$ 12,111,224</u>	<u>\$ 10,552,070</u>	<u>\$ 37,772,295</u>	<u>\$ 34,368,399</u>

The largest portion of the City’s net position (55%) reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure/utility systems and equipment and furniture); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$9,866,584 may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

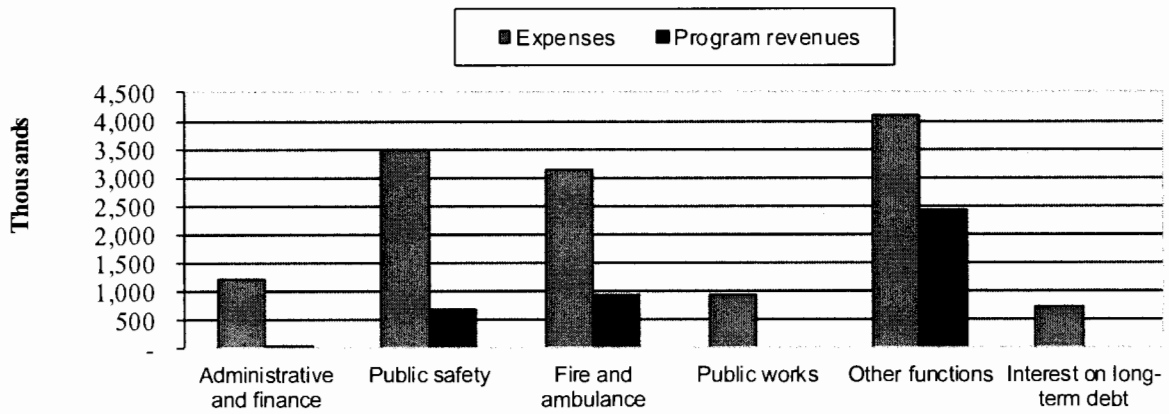
Below is a summary of the City's Statement of Activities.

Changes in Net Position

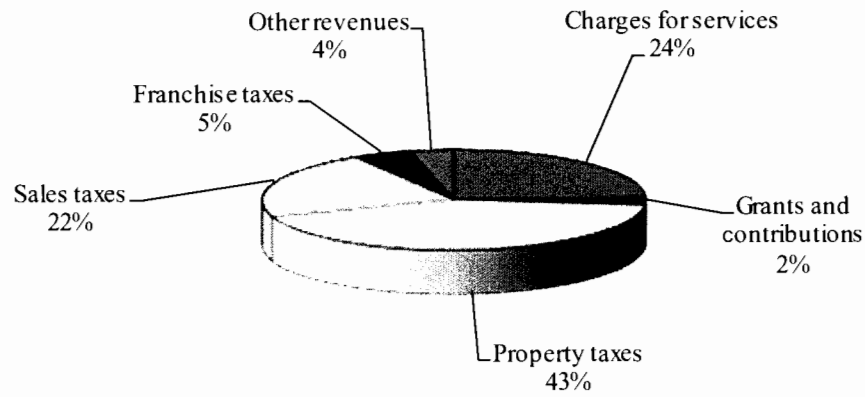
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,679,261	\$ 3,237,847	\$ 7,353,719	\$ 6,302,356	\$ 11,032,980	\$ 9,540,203
Operating grants and contributions	360,439	365,947	-	-	360,439	365,947
Capital grants and contributions	-	-	33,369	-	33,369	-
General revenues:						
Property taxes	6,422,281	6,021,716	-	-	6,422,281	6,021,716
Sales taxes	3,253,481	3,190,638	-	-	3,253,481	3,190,638
Franchise taxes	732,203	783,558	-	-	732,203	783,558
Oil & gas royalties	175,705	484,816	-	-	175,705	484,816
Investment earnings	295,900	109,881	49,369	23,281	345,269	133,162
Other revenue	51,180	29,197	-	-	51,180	29,197
Insurance recoveries	26,515	97,248	-	-	26,515	97,248
Total revenues	<u>14,996,965</u>	<u>14,320,848</u>	<u>7,436,457</u>	<u>6,325,637</u>	<u>22,433,422</u>	<u>20,646,485</u>
Expenses						
Administration and finance	1,203,941	944,131			1,203,941	944,131
Municipal court	230,149	280,147			230,149	280,147
Library	542,595	503,669			542,595	503,669
Senior citizens	30,132	30,702			30,132	30,702
Public safety	3,499,148	3,582,962			3,499,148	3,582,962
Fire and ambulance	3,123,446	2,854,557			3,123,446	2,854,557
Public works	938,378	933,676			938,378	933,676
Parks	467,024	516,296			467,024	516,296
Recreation center	773,823	688,487			773,823	688,487
Animal control	288,769	289,389			288,769	289,389
Code enforcement	52,501	51,899			52,501	51,899
Community development	396,153	272,968			396,153	272,968
Sanitation	737,996	703,660			737,996	703,660
Economic development	91,607	126,185			91,607	126,185
Nondepartmental	477,057	496,149			477,057	496,149
Interest and fiscal charges	711,339	635,886			711,339	635,886
Stormwater utility			22,344	22,340	22,344	22,340
Water and Sewer			5,255,756	4,823,936	5,255,756	4,823,936
Total expenses	<u>13,564,058</u>	<u>12,910,763</u>	<u>5,278,100</u>	<u>4,846,276</u>	<u>18,842,158</u>	<u>17,757,039</u>
Increase (decrease) in net position before transfers	1,432,907	1,410,085	2,158,357	1,479,361	3,591,264	2,889,446
Transfers	580,466	580,466	(580,466)	(580,466)	-	-
Increase (decrease) in net position	2,013,373	1,990,551	1,577,891	898,895	3,591,264	2,889,446
Net position-beginning	23,816,329	21,825,778	10,552,070	9,653,175	34,368,399	31,478,953
Prior period adjustment	(168,631)	-	(18,737)	-	(187,368)	-
Net position-ending	<u>\$ 25,661,071</u>	<u>\$ 23,816,329</u>	<u>\$ 12,111,224</u>	<u>\$ 10,552,070</u>	<u>\$ 37,772,295</u>	<u>\$ 34,368,399</u>

Below are two graphs summarizing governmental revenues and expenses:

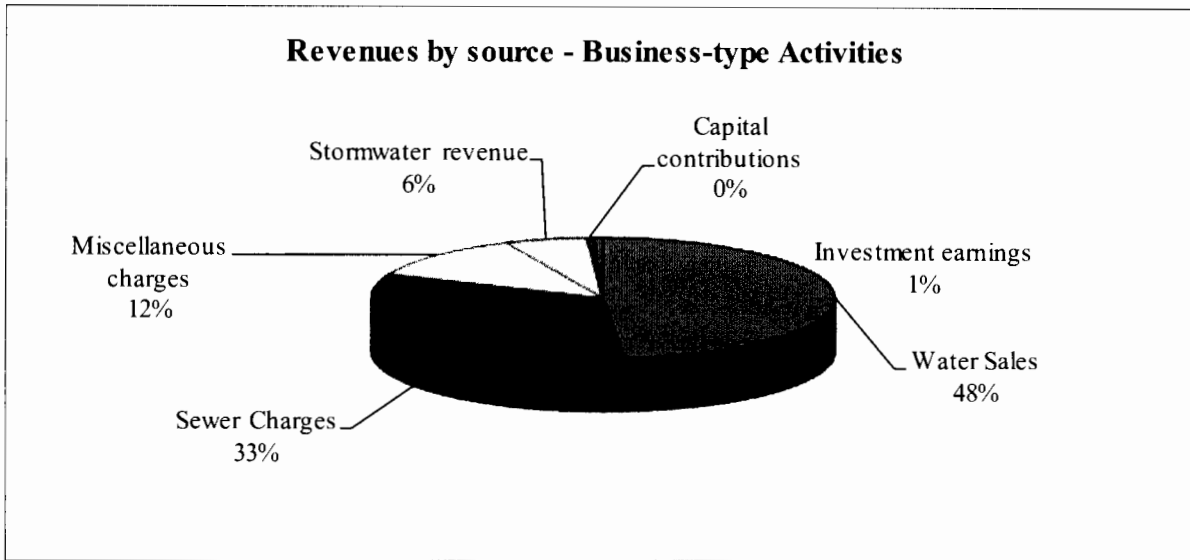
Expenses and Program Revenues - Governmental Activities

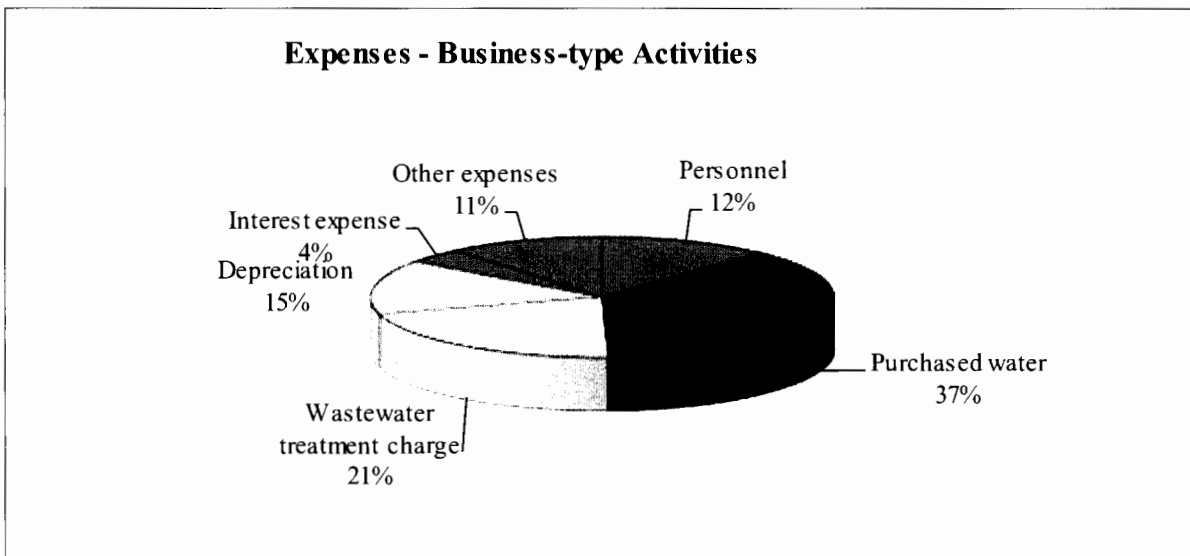


Revenues by Source - Governmental Activities



Below are two graphs summarizing business-type activities revenues and expenses:





Financial Analysis of the Government's Funds

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

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

At year end, the City's governmental funds reported combined ending fund balances of \$25,919,719. \$7,481,905 (29%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and nonspendable.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,481,905. The fund balance of the general fund increased \$500,058. Revenues increased \$661,647 (6%) and expenditures increased \$943,007 (9%). Key factors in these changes are as follows:

- Property taxes revenue increased \$387,306 primarily due to increase in property tax values approximately \$87 million.
- Licenses and permits increased \$548,556 primarily due to increase in subdivision development.
- Investment earnings increased \$159,063 primarily due to increase in interest rates.
- Oil and gas revenue decreased \$309,111 because in 2017 the City received back payments from Chesapeake amounting to \$302,213.
- Charges for services decreased \$58,481 primarily due to decrease in EMS revenues, recreation center revenues and police officer resource revenue.
- Fees and fines decreased \$58,061. Court fines decreased \$69,744 primarily due to decrease in citations. Development fees increased \$29,165 due to increase in subdivision development.
- Fire and ambulance expenditures increased \$263,076. Hired three (3) firefighters and repaired fire truck damaged by fire.
- Nondepartmental expenditures increased \$329,500 primarily due to increase in expenditures related to Trampoline Park and Main Street projects.
- Community development expenditures increased \$127,874 primarily due to salary and benefits of Community Development Director hired and other increase in operating.
- Administrative and finance expenditures increased \$104,055 primarily due to salary raises and other increase in operating.

Below is a comparison of the general fund's net change in fund balance for 2018 and 2017.

REVENUES	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Taxes:				
Property	\$ 4,493,156	\$ 4,105,850	\$ 387,306	9%
Sales	1,665,666	1,631,604	34,062	2%
Franchise	753,342	754,735	(1,393)	0%
Charges for service	1,911,034	1,969,515	(58,481)	-3%
Fees and Fines	626,574	684,635	(58,061)	-8%
Licenses and permits	1,032,110	483,554	548,556	113%
Grants and contributions	314,963	306,806	8,157	3%
Oil & Gas Revenue	175,705	484,816	(309,111)	-64%
Investment Earnings	259,542	100,479	159,063	158%
Other revenue	77,694	126,145	(48,451)	-38%
Total revenues	<u>11,309,786</u>	<u>10,648,139</u>	<u>661,647</u>	<u>6%</u>
EXPENDITURES				
Administrative and finance	828,253	724,198	104,055	14%
Municipal court	206,057	244,795	(38,738)	-16%
Library	480,255	424,406	55,849	13%
Senior citizens	30,132	30,702	(570)	-2%
Public safety	2,848,188	2,886,823	(38,635)	-1%
Fire and ambulance	2,846,520	2,583,444	263,076	10%
Public works	411,935	397,961	13,974	4%
Parks	370,375	371,116	(741)	0%
Recreation Center	543,698	483,209	60,489	13%
Animal Control	264,355	233,968	30,387	13%
Code enforcement	52,230	50,079	2,151	0%
Community development	395,611	267,737	127,874	48%
Sanitation	737,996	703,660	34,336	5%
Nondepartmental	1,374,589	1,045,089	329,500	32%
Total expenditures	<u>11,390,194</u>	<u>10,447,187</u>	<u>943,007</u>	<u>9%</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	580,466	580,466	-	
Transfers out	-	(145,857)	145,857	
NET CHANGE IN FUND BALANCE	<u>\$ 500,058</u>	<u>\$ 635,561</u>	<u>\$ (135,503)</u>	

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$3,485,268. Total net position increased \$1,577,891. Total revenues increased \$1,110,820 (18%) and total expenses increased \$431,824 (9%). Key factors of these changes are as follows:

- Charges for services increased \$1,051,363 primarily due to increase in water revenues by \$422,803 (13%). Water customers increased due to subdivision development and consumption increased 75 million gallons. Water and sewer rates remained the same. Sewer revenues increased \$156,068 because of increase in water consumption, miscellaneous water revenues increased \$435,258 and stormwater revenues increased \$37,235 because of subdivision development and increase in stormwater rates.

- Purchased water increased \$346,810 primarily due to increase in purchased/pumped gallons by 83 million gallons.
- Water treatment charge increased \$194,074 primarily due to increase water consumption.
- Depreciation expense decreased \$53,699, nondepartmental expense decreased \$35,488 and interest expense decreased \$38,935.

General Fund Budgetary Highlights

The City made revisions to the general fund original appropriations approved by the City Council. Overall these changes resulted in an increase in expenditures from the original budget of 5% or \$536,102.

General fund actual expenditures exceeded appropriations by \$347,879. Excess expenditures were funded by excess revenues.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2018, amounts to \$42,922,906 (net of accumulated depreciation).

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

Governmental Activities:

- \$397,856 was spent on the 320 E. Main building improvements during the year.
- \$687,716 was spent on the 320 E. Main Street façade and downtown plaza projects during the year.
- \$434,242 was spent on the municipal way project during the year.
- \$127,132 was spent on the jail security project.
- \$163,750 was spent on three (3) vehicles for police and animal control.

Business-type activities:

- \$184,455 was spent on the sewer line extension project during the year.
- \$322,969 was spent on the water lane project during the year.
- \$57,724 was spent on two (2) vehicles and utility equipment.

**The City of Crowley's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,762,002	4,762,002	34,751	34,751	4,796,753	4,796,753
Construction in progress	1,335,254	810,804	342,248	22,648	1,677,502	833,452
Buildings and improvements	15,125,216	15,413,451	1,600,352	1,669,121	16,725,568	17,082,572
Infrastructure/utility system	7,785,001	7,807,502	9,610,115	9,955,192	17,395,116	17,762,694
Equipment and furniture	1,845,190	1,915,513	482,777	575,873	2,327,967	2,491,386
Total	30,852,663	30,709,272	12,070,243	12,257,585	42,922,906	42,966,857

Additional information on the City's capital assets can be found in the notes to the financial statements.

Debt Administration

At the end of the year, the City had a total bonded debt and capital leases payable of \$37,878,486. Of this amount, \$12,197,664 are bonded debt backed by the full faith and credit of the government, \$25,539,011 are certificates of obligation secured by ad valorem taxes and surplus revenues of the water and sewer revenues and \$2,141,811 are revenue bonds secured by sale tax revenue. Outstanding at year-end are as follows:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 9,166,452	\$ 10,065,904	\$ 3,031,212	\$ 3,347,601	\$ 12,197,664	\$ 13,413,505
Certificates of Obligation	18,679,724	7,666,534	4,859,287	5,154,744	23,539,011	12,821,278
Revenue Bonds	2,141,811	2,271,950	-	-	2,141,811	2,271,950
Total	\$ 29,987,987	\$ 20,004,388	\$ 7,890,499	\$ 8,502,345	\$ 37,878,486	\$ 28,506,733

The City's bond ratings are listed below:

	Standard & Poor's
General obligation bonds	AA-
Certificate of obligation bonds	AA-

No direct funded debt limitation is imposed on the City under current state law or the City's Home Rule Charter.

Additional information on the City's long-term debt can be found in Notes 8 through 9 to the financial statements.

Economic factors and the Next Year's Budgets and Rates

General fund revenues are budgeted to increase 1% (\$474,080) in fiscal year 2018-2019 when compared to the 2017-2018 amended budget to \$11,478,098. The adopted tax rate is \$.7090 per \$100 of taxable value. The largest increases in the revenue budget are on property tax revenue (\$283,128), sales tax revenue (\$55,000), charges for services (\$142,572), permit fees (\$84,680), and other revenues (\$18,600). The largest decrease is on fees and fines (\$123,900).

General fund expenditures are budgeted to increase 4% (\$410,013) when compared to the prior year amended appropriations to \$11,452,328. The largest increases are \$62,372 in administrative and finance appropriations, \$24,507 in library appropriations, \$232,191 in police appropriations, \$437,341 in fire and ambulance appropriations and \$19,921 in public works appropriations. The largest decreases are \$33,353 recreation center appropriations, \$58,454 animal control appropriations, \$141,993 parks appropriations, and \$126,189 nondepartmental appropriations.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers and all investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact the City Offices at 201 E Main St or by telephone at 817-297-2201.

BASIC FINANCIAL STATEMENTS

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CITY OF CROWLEY, TEXAS
Statement of Net Position
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 624,692	\$ 3,111,853	\$ 3,736,545
Investments	25,962,876	1,915,133	27,878,009
Receivables (net of allowance for uncollectibles)			
Property taxes	216,167	-	216,167
Other taxes	846,646	-	846,646
Accounts	508,587	820,082	1,328,669
Miscellaneous	209,228	36,498	245,726
Inventory	22,735	12,273	35,008
Restricted assets			
Investments	-	3,589,175	3,589,175
Capital assets			
Nondepreciable	6,097,256	376,999	6,474,255
Depreciable, net of accumulated depreciation	24,755,407	11,693,244	36,448,651
Total Assets	59,243,594	21,555,257	80,798,851
Deferred Outflows of Resources			
Deferred outflow related to pension	967,159	84,101	1,051,260
Deferred outflow related to OPEB	15,655	1,361	17,016
Deferred charges on refunding	208,973	72,861	281,834
Total Deferred Outflows of Resources	1,191,787	158,323	1,350,110
LIABILITIES			
Accounts payable	499,286	855,742	1,355,028
Accrued payroll liabilities	344,232	30,061	374,293
Due to other governments	29,602	-	29,602
Unearned revenue	626,169	-	626,169
Internal balances	26	(26)	-
Interest payable	137,911	23,635	161,546
Customer deposits payable	-	545,041	545,041
Noncurrent liabilities:			
Due within one year	2,197,013	658,205	2,855,218
Due in more than one year	30,009,990	7,408,821	37,418,811
Total liabilities	33,844,229	9,521,479	43,365,708
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS pension	930,081	80,877	1,010,958
Total deferred inflows of resources	930,081	80,877	1,010,958
NET POSITION			
Net investment in capital assets	12,427,405	8,185,825	20,613,230
Restricted for:			
Capital improvements	-	440,131	440,131
Debt service	334,429	-	334,429
Public safety	817,887	-	817,887
Economic development	5,449,330	-	5,449,330
Grant program	38,280	-	38,280
Community program	212,424	-	212,424
Unrestricted	6,381,316	3,485,268	9,866,584
Total net position	\$ 25,661,071	\$ 12,111,224	\$ 37,772,295

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

CITY OF CROWLEY, TEXAS
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Administration and finance	\$ 1,203,941	\$ 985	\$ -	\$ -
Municipal court	230,149	15,640	-	-
Library	542,595	13,174	4,634	-
Senior citizens	30,132	-	-	-
Public safety	3,499,148	660,782	21,441	-
Fire and ambulance	3,123,446	620,900	319,372	-
Public works	938,378	-	-	-
Parks	467,024	98,926	-	-
Recreation Center	773,823	136,153	-	-
Animal control	288,769	15,540	9,642	-
Code enforcement	52,501	-	-	-
Community development	396,153	1,284,556	-	-
Sanitation	737,996	793,036	-	-
Economic development	91,607	39,569	-	-
Nondepartmental	477,057	-	5,350	-
Interest and fiscal charges	711,339	-	-	-
Total governmental activities	<u>13,564,058</u>	<u>3,679,261</u>	<u>360,439</u>	<u>-</u>
Business-type activities:				
Water and sewer	5,255,756	6,928,355	-	33,369
Stormwater utility	22,344	425,364	-	-
Total business-type activities	<u>5,278,100</u>	<u>7,353,719</u>	<u>-</u>	<u>33,369</u>
Total primary government	<u>\$ 18,842,158</u>	<u>\$ 11,032,980</u>	<u>\$ 360,439</u>	<u>\$ 33,369</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for TIRZ # I

Sales taxes

Franchise

Oil and gas royalties

Investment earnings

Other revenue

Transfers

Insurance recoveries

Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

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

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,202,956)	\$ -	\$ (1,202,956)
(214,509)	-	(214,509)
(524,787)	-	(524,787)
(30,132)	-	(30,132)
(2,816,925)	-	(2,816,925)
(2,183,174)	-	(2,183,174)
(938,378)	-	(938,378)
(368,098)	-	(368,098)
(637,670)	-	(637,670)
(263,587)	-	(263,587)
(52,501)	-	(52,501)
888,403	-	888,403
55,040	-	55,040
(52,038)	-	(52,038)
(471,707)	-	(471,707)
(711,339)	-	(711,339)
<u>(9,524,358)</u>	<u>-</u>	<u>(9,524,358)</u>
-	1,705,968	1,705,968
-	403,020	403,020
-	2,108,988	2,108,988
<u>\$ (9,524,358)</u>	<u>\$ 2,108,988</u>	<u>\$ (7,415,370)</u>
\$ 4,526,386	-	4,526,386
1,804,225	-	1,804,225
91,670	-	91,670
3,253,481	-	3,253,481
732,203	-	732,203
175,705	-	175,705
295,900	49,369	345,269
51,180	-	51,180
580,466	(580,466)	-
26,515	-	26,515
<u>11,537,731</u>	<u>(531,097)</u>	<u>11,006,634</u>
2,013,373	1,577,891	3,591,264
23,816,329	10,552,070	34,368,399
(168,631)	(18,737)	(187,368)
<u>\$ 25,661,071</u>	<u>\$ 12,111,224</u>	<u>\$ 37,772,295</u>

CITY OF CROWLEY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2018

	General	Debt Service	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 470,771	\$ 11,587	\$ 52,225	\$ -	\$ 90,109	\$ 624,692
Investments	7,974,519	407,451	11,538,835	5,138,942	903,129	25,962,876
Receivables (Net of allowances for uncollectibles)						
Property taxes	154,559	61,608	-	-	-	216,167
Other taxes	546,809	-	-	155,719	144,118	846,646
Accounts	508,587	-	-	-	-	508,587
Miscellaneous	209,215	-	-	-	13	209,228
Inventory	22,735	-	-	-	-	22,735
Due from other funds	64,187	-	-	-	175,495	239,682
Total assets	<u>9,951,382</u>	<u>480,646</u>	<u>11,591,060</u>	<u>5,294,661</u>	<u>1,312,864</u>	<u>28,630,613</u>
LIABILITIES						
Accounts payable	447,573	-	28,331	10,613	12,768	499,285
Accrued payroll liabilities	344,232	-	-	-	-	344,232
Interest payable	-	35,306	-	-	-	35,306
Unearned revenue	624,134	-	-	-	2,035	626,169
Due to other governments	29,602	-	-	-	-	29,602
Due to other funds	126,217	49,304	-	18,296	45,892	239,709
Total liabilities	<u>1,571,758</u>	<u>84,610</u>	<u>28,331</u>	<u>28,909</u>	<u>60,695</u>	<u>1,774,303</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	874,984	61,607	-	-	-	936,591
Total deferred inflows of resources	<u>874,984</u>	<u>61,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>936,591</u>
FUND BALANCES						
Nonspendable						
Inventory	22,735	-	-	-	-	22,735
Restricted	-	334,429	11,562,729	5,265,752	1,252,169	18,415,079
Unassigned	7,481,905	-	-	-	-	7,481,905
Total fund balances	<u>7,504,640</u>	<u>334,429</u>	<u>11,562,729</u>	<u>5,265,752</u>	<u>1,252,169</u>	<u>25,919,719</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,951,382</u>	<u>\$ 480,646</u>	<u>\$ 11,591,060</u>	<u>\$ 5,294,661</u>	<u>\$ 1,312,864</u>	<u>\$ 28,630,613</u>

CITY OF CROWLEY, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2018

Total fund balances - governmental funds	\$	25,919,719
<p>Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$58,364,595 and the accumulated depreciation was \$27,511,932. The net effect of including the ending balances of capital assets (net of depreciation) in the governmental activities is to increase net position.</p>		
		30,852,663
<p>Deferred charges on refunding related to governmental activity debt are not financial resources and, therefore, are not reported in the governmental funds.</p>		
		208,973
<p>Long-term liabilities, including \$29,987,987 bonds and \$450,247 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.</p>		
		(30,438,234)
<p>Net pension liability and related deferred outflows and inflows of resources are reported in the Statement of Net Position of the governmental activities but are not reported in the governmental funds.</p>		
Net pension liability	\$ (1,561,958)	
Deferred outflow related to pension	967,159	
Deferred inflow related to pension	<u>(930,081)</u>	(1,524,880)
<p>Net OPEB liability and related deferred outflows of resources are reported in the Statement of Net Position of the governmental activities but are not reported in the governmental funds.</p>		
Total OPEB liability	\$ (206,811)	
Deferred outflow related to OPEB	<u>15,655</u>	(191,156)
<p>Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.</p>		
		(102,605)
<p>Property taxes, franchise taxes, ems charges and municipal court fines and fees are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.</p>		
		<u>936,591</u>
Net position of governmental activities	\$	<u><u>25,661,071</u></u>

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

	General	Debt Service	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$ 4,493,156	\$ 1,790,979	\$ -	\$ -	\$ 91,670	\$ 6,375,805
Sales	1,665,666	-	-	829,550	758,265	3,253,481
Franchise taxes	753,342	-	-	-	20,857	774,199
Charges for service	1,911,034	-	-	-	-	1,911,034
Fees and fines	626,574	-	-	-	13,095	639,669
Licenses and permits	1,032,110	-	-	-	-	1,032,110
Grants and contributions	314,963	-	-	-	45,476	360,439
Oil and gas revenue	175,705	-	-	-	-	175,705
Investment earnings	259,542	-	-	26,432	9,926	295,900
Other revenue	77,694	-	-	39,569	3,220	120,483
Total revenues	<u>11,309,786</u>	<u>1,790,979</u>	<u>-</u>	<u>895,551</u>	<u>942,509</u>	<u>14,938,825</u>
EXPENDITURES						
Current:						
Administrative and finance	828,253	-	-	190,974	-	1,019,227
Municipal court	206,057	-	-	-	20,476	226,533
Library	480,255	-	-	-	-	480,255
Senior citizens center	30,132	-	-	-	-	30,132
Public safety	2,848,188	-	-	-	451,377	3,299,565
Fire and ambulance	2,846,520	-	-	-	27,763	2,874,283
Public works	411,935	-	-	-	-	411,935
Parks	370,375	-	-	-	-	370,375
Recreation center	543,698	-	-	-	-	543,698
Animal control	264,355	-	-	-	-	264,355
Code enforcement	52,230	-	-	-	-	52,230
Community development	395,611	-	-	-	-	395,611
Sanitation	737,996	-	-	-	-	737,996
Economic development	-	-	-	539,950	-	539,950
Nondepartmental	1,374,589	-	-	-	-	1,374,589
Capital outlay	-	-	276,106	-	-	276,106
Debt service:						
Principal	-	1,265,000	-	120,000	230,000	1,615,000
Interest and fiscal charges	-	469,165	-	89,650	38,216	597,031
Bond issuance costs	-	114,930	-	71,198	-	186,128
Total expenditures	<u>11,390,194</u>	<u>1,849,095</u>	<u>276,106</u>	<u>1,011,772</u>	<u>767,832</u>	<u>15,294,999</u>
Excess (deficiency) of revenues over expenditures	<u>(80,408)</u>	<u>(58,116)</u>	<u>(276,106)</u>	<u>(116,221)</u>	<u>174,677</u>	<u>(356,174)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	580,466	-	7,250,000	-	-	7,830,466
Transfers out	-	(7,250,000)	-	-	-	(7,250,000)
Bond issuance proceeds	-	6,980,000	-	4,100,000	-	11,080,000
Bond Premium	-	384,930	-	221,198	-	606,128
Total other financing sources (uses)	<u>580,466</u>	<u>114,930</u>	<u>7,250,000</u>	<u>4,321,198</u>	<u>-</u>	<u>12,266,594</u>
Net change in fund balances	500,058	56,814	6,973,894	4,204,977	174,677	11,910,420
Fund balances - beginning	7,004,582	277,615	4,588,835	1,060,775	1,077,492	14,009,299
Fund balances - ending	<u>\$ 7,504,640</u>	<u>\$ 334,429</u>	<u>\$11,562,729</u>	<u>\$ 5,265,752</u>	<u>\$ 1,252,169</u>	<u>\$25,919,719</u>

CITY OF CROWLEY, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of
The Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018

Total net change in fund balances - governmental funds	\$ 11,910,420
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$2,016,786 of capital outlays and \$1,615,000 of debt principal payments is to increase net position.	3,631,786
Current year proceeds from issuance of bonds are other financing sources in the fund financial statements. The net effect of the increase in certificates of obligation is a decrease in net position.	(11,686,128)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,873,395)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	58,140
GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to pension, and deferred resource outflow related to pension. The changes in these balances decreased net position.	(4,568)
GASB 75 required the City to recognize their total OPEB liability and deferred resource inflow related to OPEB. The changes in these balances decreased net position.	(22,525)
Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period, and, therefore are not reported as liabilities or assets in the funds. The \$26,193 decrease in interest payable and \$72,177 increase in compensated absences and \$45,627 amortization of deferred charges and premiums decreased net position.	(357)
Change in net position of governmental activities	\$ 2,013,373

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

CITY OF CROWLEY, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2018

	Water and Sewer Fund	Stormwater Utility	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,314,782	\$ 1,797,071	\$ 3,111,853
Investments	1,915,133	-	1,915,133
Receivables (Net of allowance for uncollectibles):			
Accounts	767,148	52,934	820,082
Miscellaneous	36,498	-	36,498
Due from other funds	26	-	26
Inventory	12,273	-	12,273
Restricted Assets			
Investments	3,589,175	-	3,589,175
Total current assets	<u>7,635,035</u>	<u>1,850,005</u>	<u>9,485,040</u>
Noncurrent Assets:			
Capital assets, at cost			
Non-depreciable assets	376,999	-	376,999
Depreciable assets, net of accumulated depreciation	11,581,988	111,256	11,693,244
Total noncurrent assets	<u>11,958,987</u>	<u>111,256</u>	<u>12,070,243</u>
Total assets	<u>19,594,022</u>	<u>1,961,261</u>	<u>21,555,283</u>
Deferred Outflows of Resources			
Deferred outflows related to pension	84,101	-	84,101
Deferred outflows related to OPEB	1,361	-	1,361
Deferred charges on refunding	72,861	-	72,861
Total Deferred Outflows of Resources	<u>\$ 158,323</u>	<u>\$ -</u>	<u>\$ 158,323</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 855,742	\$ -	\$ 855,742
Accrued payroll liabilities	30,061	-	30,061
Compensated absences	16,359	-	16,359
Current portion of long-term liabilities	641,846	-	641,846
Interest payable	23,635	-	23,635
Current Liabilities Payable from Restricted Assets			
Customer deposits payable	545,041	-	545,041
Total current liabilities	<u>2,112,684</u>	<u>-</u>	<u>2,112,684</u>
Noncurrent Liabilities			
Compensated absences	6,362	-	6,362
Net pension liability	135,822	-	135,822
Total OPEB liability	17,984	-	17,984
Bonds payable	7,248,653	-	7,248,653
Total noncurrent liabilities	<u>7,408,821</u>	<u>-</u>	<u>7,408,821</u>
Total liabilities	<u>9,521,505</u>	<u>-</u>	<u>9,521,505</u>
Deferred Inflows of Resources			
Deferred inflow related to pension	80,877	-	80,877
Total Deferred Inflows of Resources	<u>80,877</u>	<u>-</u>	<u>80,877</u>
NET POSITION			
Net investment in capital assets	8,074,569	111,256	8,185,825
Restricted for impact fees for capital improvements (Expendable)	440,131	-	440,131
Unrestricted	1,635,263	1,850,005	3,485,268
Total net position	<u>\$ 10,149,963</u>	<u>\$ 1,961,261</u>	<u>\$ 12,111,224</u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2018

	Water and Sewer Fund	Stormwater Utility	Totals
Operating revenues			
Charges for services:			
Water Sales	\$ 3,604,992	\$ -	\$ 3,604,992
Sewer charges	2,450,150	-	2,450,150
Stormwater revenue	-	425,364	425,364
Miscellaneous water charges	873,213	-	873,213
Total operating revenue	<u>6,928,355</u>	<u>425,364</u>	<u>7,353,719</u>
Operating expenses			
Personnel services	628,881	-	628,881
Professional services	73,819	-	73,819
Purchased water	1,986,623	-	1,986,623
Wastewater treatment charge	1,096,277	-	1,096,277
Contractual services	187,912	-	187,912
Insurance	47,716	-	47,716
Administrative	39,941	2,115	42,056
Repairs and maintenance	150,529	-	150,529
Utilities	68,053	-	68,053
Depreciation	760,747	20,229	780,976
Total operating expenses	<u>5,040,498</u>	<u>22,344</u>	<u>5,062,842</u>
Operating income (loss)	<u>1,887,857</u>	<u>403,020</u>	<u>2,290,877</u>
Nonoperating revenues (expenses):			
Investment earnings	49,369	-	49,369
Interest expense	(215,258)	-	(215,258)
Total nonoperating revenues (expenses)	<u>(165,889)</u>	<u>-</u>	<u>(165,889)</u>
Income (loss) before capital contributions and transfers	1,721,968	403,020	2,124,988
Capital contributions	33,369	-	33,369
Transfers out	(580,466)	-	(580,466)
Change in net position	1,174,871	403,020	1,577,891
Net position - beginning	8,993,829	1,558,241	10,552,070
Prior period adjustment	(18,737)	-	(18,737)
Net position - ending	<u>\$ 10,149,963</u>	<u>\$ 1,961,261</u>	<u>\$ 12,111,224</u>

CITY OF CROWLEY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	Water and Sewer Fund	Stormwater Utility	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 6,859,191	\$ 422,302	\$ 7,281,493
Cash paid to suppliers	(3,150,330)	(2,115)	(3,152,445)
Cash paid to employees	(627,577)	-	(627,577)
Net cash provided by operating activities	3,081,284	420,187	3,501,471
Cash flow from noncapital financing activities:			
Transfers to other funds	(580,466)	-	(580,466)
Net cash provided (used) by noncapital financing activities	(580,466)	-	(580,466)
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(575,000)	-	(575,000)
Capital outlay	(560,265)	-	(560,265)
Interest paid on capital debt	(254,147)	-	(254,147)
Net cash used by capital and related financing activities	(1,389,412)	-	(1,389,412)
Cash flow from investing activities:			
Proceeds from sale of investments	2,318,408	-	2,318,408
Purchase of investments	(2,685,021)	-	(2,685,021)
Investment earnings	49,369	-	49,369
Net cash provided by investing activities	(317,244)	-	(317,244)
Net increase (decrease) in cash and cash equivalents	794,162	420,187	1,214,349
Cash and cash equivalents, beginning	520,620	1,376,884	1,897,504
Cash and cash equivalents, ending	\$ 1,314,782	\$ 1,797,071	\$ 3,111,853
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 1,887,857	\$ 403,020	\$ 2,290,877
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	760,747	20,229	780,976
(Increase) decrease in accounts receivable	(69,164)	(3,062)	(72,226)
(Increase) decrease in miscellaneous receivables	(32,242)	-	(32,242)
(Increase) decrease in inventory	(6,879)	-	(6,879)
Increase (decrease) in accounts payable	521,108	-	521,108
Increase (decrease) in accrued payroll liabilities	5,602	-	5,602
Increase (decrease) in customer meter deposits	39,928	-	39,928
Increase (decrease) in net pension balances	(19,260)	-	(19,260)
Increase (decrease) in total OPEB balances	(2,115)	-	(2,115)
Increase (decrease) in compensated absences payable	(4,298)	-	(4,298)
Total adjustments	1,193,427	17,167	1,210,594
Net cash provided by operating activities	\$ 3,081,284	\$ 420,187	\$ 3,501,471
Water and sewer fund recorded contribution for sewer improvements	\$ 33,369	\$ -	\$ 33,369

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Crowley, Texas (the City) is a Home Rule city which citizens elect the mayor and six council members at large. The City operates under the Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden or benefit on the City. Based on these considerations, the Crowley Crime Control and Prevention District and the Crowley Economic Development Corporation have been included in the City's reporting entity as blended component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Both component units have September 30 year ends.

Blended Component Units

The *Crowley Crime Control and Prevention District* (the "Crime District") is an entity legally separate from the City and was created by resolution of the City Council with approval by vote of the residents of Crowley. The Crime District is funded with a one half percent sales tax. The City Council services as the board of directors of the Crime District. The day-to-day operations of the Crime District are performed by City employees. For financial reporting purposes, the Crime Control and Prevention District is reported as if it were a part of the City's operations because the Crime District's governing body is the same as that of the City.

The *Crowley Economic Development Corporation* (the "Corporation") is a nonprofit development corporation formed under the Development Corporation Act of 1979 and governed by Section 4B of the Act. The Corporation was created with approval of a vote of the residents of Crowley and is governed by a seven member board of directors appointed by the City Council. The Corporation is funded with a one half percent sales tax. The Corporation was created to promote economic development with the City and State of Texas in order to eliminate unemployment and under employment and to promote and encourage employment and the public welfare of, for, and on behalf of the City. The Corporation may finance and undertake any such project, subject to the regulations and limitations set forth in Section 4B of the Act and a special election held in the City on February 2, 2002. For financial reporting purposes, the Corporation is reported as if it were a part of the City's operations because it provides services entirely for the City.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

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

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

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the government receives payment.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

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

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

The *general capital projects fund* accounts for the acquisition or construction of major capital assets and facilities financed by general obligation bonds or certificates of obligation of the governmental activities.

The special revenue fund (economic development corporation) is used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative actions.

The City reports the following major enterprise fund:

The *water and sewer fund* accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

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

Proprietary funds, distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

1. *Cash and Investments*

The City pools cash resources of its various funds to maximize its investment program. Cash applicable to a particular fund is readily identifiable. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Amounts invested in Tex-Pool public investment pools are not considered cash and cash equivalents. Assets reported as cash and cash equivalents are considered cash and cash equivalents for the statement of cash flows.

2. *Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

3. *Unbilled Service*

Utility operating revenues (water and sewer) are billed on monthly cycles. The City records estimated revenues for services delivered during the fiscal year, which will be billed during the next fiscal year.

4. *Inventory*

The inventories of supplies are recorded under the purchase method. Under the purchase method the inventory is first recorded as an expense when purchased and then adjusted at the end of the year to reflect the value of inventory at that date. Inventories are valued at the lower of cost or market using the first-in-first-out ("FIFO") method.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer fund during the current fiscal year was \$215,258. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

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

Buildings and improvements	15 - 30 years
Infrastructure/utility systems	10 - 50 years
Equipment and furniture	2 - 15 years

6. *Compensated Absences*

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. The City pays up to 200 hours of accrued sick leave when an employee retires. Vacation and sick pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. *Long-term Obligations*

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *Fund Balance – Governmental Funds*

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form (such as prepaids or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

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

Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City has not yet adopted a policy designating who can assign amounts.

Unassigned – All amounts not included in other spendable classifications.

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The details of the fund balances of the governmental funds are as follows:

	General Fund	Debt Service Fund	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Inventory	\$ 22,735	\$ -	\$ -	\$ -	\$ -	\$ 22,735
Restricted						
Debt Service	-	334,429	-	-	-	334,429
Capital Projects	-	-	11,562,729	-	-	11,562,729
Public Safety - Police	-	-	-	-	741,457	741,457
Public Safety - Court	-	-	-	-	76,430	76,430
Economic Development	-	-	-	5,449,330	-	5,449,330
Grant programs	-	-	-	-	38,280	38,280
Public Education Grant	-	-	-	-	212,424	212,424
Unassigned	7,481,905	-	-	-	-	7,481,905
	<u>\$ 7,504,640</u>	<u>\$ 334,429</u>	<u>\$ 11,562,729</u>	<u>\$ 5,449,330</u>	<u>\$ 1,068,591</u>	<u>\$ 25,919,719</u>

9. Net Position

Net position represents the difference between assets and liabilities, deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The following is a reconciliation of restricted fund balance reported in the governmental fund financial statements to restricted net position of the governmental activities reported in the government-wide financial statements.

Restricted Fund Balance (Exhibit C-1)	\$ 18,415,079
Adjustment:	
Unspent proceeds from bonds reclassified to net investment in capital assets	<u>(11,562,729)</u>
Restricted net position (Exhibit A-1)	<u>\$ 6,852,350</u>

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position and then unrestricted net position.

10. Use of Estimates

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. *Pensions*

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

12. *Postemployment Benefits Other than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by Texas Municipal Retirement System (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.

NOTE 2: DEPOSITS AND INVESTMENTS

Substantially all operating cash and investments are maintained in consolidated cash and investment accounts. Investment income relating to consolidated investments is allocated to the individual funds monthly based on the funds' pro-rata share of total cash and investments.

The City's investment policy authorizes the City to invest in U.S. Treasury obligations, U.S. government agency and instrumentality obligations, certificates of deposit, investment-grade obligations of state, provincial and local governments and public authorities, money market mutual funds regulated by the SEC and local government investment pools wither state-administered or developed through joint powers statutes and other intergovernmental agreement legislation. During the year ended September 30, 2018, the City did not own any types of securities other than those permitted by statute.

The City invests in the TexPool, which is a local government investment pool in the State of Texas. All investments are stated at amortized cost, which is in most cases approximates the market value of the securities. The objective of TexPool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas. All TexPool securities are marked to market daily.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 2: DEPOSITS AND INVESTMENTS (continued)

The City's investments are as follows:

<u>Investment</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in TexPool	AAAm	103 days	100.00%	<u>\$ 31,467,184</u>	<u>\$ 31,467,184</u>

(1) Per Standard and Poor's

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2018, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by its investment policy.

Interest Rate Risk – Investments

In accordance with its investment policy, the City manages its exposure to declines in fair market values by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio.

The City's investments at September 30, 2018 included the following:

The following cash and investments in the water and sewer fund are restricted for the following purposes:

	<u>Investments</u>
Business-type Activities	
Customer deposits	\$ 395,948
Bonds construction accounts	<u>3,193,227</u>
Total	<u>\$ 3,589,175</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 3: PROPERTY TAX

The City's property tax is levied (assessed) each October 1, on the value listed as of the prior January 1, for all real property and personal property located in the City. Taxes are billed and due on October 1 of each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1 with additional attorney fees being added on July 1. Lien attaches to properties on the January 1 following levy date. Tarrant County bills and collects the general property taxes for the City. In the governmental funds the City's property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected in deferred revenue.

NOTE 4: RECEIVABLES

All receivables are shown net of an allowance for uncollectible accounts. The allowances for uncollectible accounts are based upon historical experience. Property tax, EMS and municipal court allowances for uncollectible accounts are equal to approximately 39%, 76% and 85% of the outstanding balances, respectively, at September 30. The allowance for water, and sewer trade accounts receivable is equal to the accounts receivable that are inactive (final billed) as of September 30. Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Economic Development Corporation	Nonmajor Governmental	Water and Sewer	Stormwater Utility
Receivables:						
Property taxes	\$ 251,541	\$ 100,265	\$ -	\$ -	\$ -	\$ -
Other taxes	546,809	-	155,719	144,118	-	-
Accounts	1,888,166	-	-	-	996,169	52,934
Miscellaneous	879,109	-	-	13	36,498	-
Gross receivables	3,565,625	100,265	\$ 155,719	144,131	1,032,667	52,934
Less: allowance						
for uncollectibles	(2,146,455)	(38,657)	0	-	(229,021)	-
Net total receivables	<u>\$ 1,419,170</u>	<u>\$ 61,608</u>	<u>\$ 155,719</u>	<u>\$ 144,131</u>	<u>\$ 803,646</u>	<u>\$ 52,934</u>

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only three items that qualify for reporting in this category, deferred charges on refunding bonds, deferred outflows related to pensions and deferred outflows related to OPEB reported in the government-wide statement of net position and proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its acquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 5: DEFERRED INFLOWS OF RESOURCES (continued)

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The city has three types of items that qualifies for reporting in this category, unavailable revenues for governmental funds, deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position and proprietary fund statement of net position. At the end of the fiscal year the components of deferred inflows in the governmental funds were as follows:

	General	Debt Service	Nonmajor Governmental	Total Governmental Funds
Deferred property tax revenue	\$ 154,559	\$ 61,607	\$ -	\$ 216,166
Deferred franchise tax revenue	178,496			178,496
Deferred EMS charges revenue	423,701			423,701
Deferred municipal court fees and fines	118,228			118,228
	<u>\$ 874,984</u>	<u>\$ 61,607</u>	<u>\$ -</u>	<u>\$ 936,591</u>

NOTE 6: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2018, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General	Water and sewer	\$ 580,466	Use unrestricted revenues collected in the water and sewer fund to finance various general fund programs in accordance with budgetary authorizations.
Capital projects	Debt service	7,250,000	Transfer bond proceeds.
Total governmental funds transfers in		<u>\$ 7,830,466</u>	

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 7: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Governmental activities:					
Non - Depreciable Assets:					
Land	\$ 4,762,002	\$ -	\$ -	\$ -	\$ 4,762,002
Construction in progress	810,804	691,317	-	(166,867)	1,335,254
Total non-depreciable assets	<u>5,572,806</u>	<u>691,317</u>	<u>-</u>	<u>(166,867)</u>	<u>6,097,256</u>
Depreciable Assets:					
Building and improvements	22,662,128	417,548	-	102,144	23,181,820
Infrastructure/utility system	19,646,901	434,243	-	64,723	20,145,867
Equipment and furniture	8,529,974	473,678	(64,000)	-	8,939,652
Total capital assets being depreciated	<u>50,839,003</u>	<u>1,325,469</u>	<u>(64,000)</u>	<u>166,867</u>	<u>52,267,339</u>
Accumulated Depreciation:					
Building and improvements	(7,248,677)	(807,927)	-	-	(8,056,604)
Infrastructure/utility system	(11,839,399)	(521,467)	-	-	(12,360,866)
Equipment and furniture	(6,614,461)	(544,001)	64,000	-	(7,094,462)
Total accumulated depreciation	<u>(25,702,537)</u>	<u>(1,873,395)</u>	<u>64,000</u>	<u>-</u>	<u>(27,511,932)</u>
Governmental activities capital assets, net	<u>\$30,709,272</u>	<u>\$ 143,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$30,852,663</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
General government	\$ 182,004
Court	3,074
Library	70,073
Public safety	351,057
Fire and ambulance	238,874
Public works	531,719
Community development	-
Parks	176,321
Recreation center	265,391
Animal control	54,882
Total depreciation expense - governmental activities	<u>\$ 1,873,395</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 7: CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Business-type activities:					
Non - Depreciable Assets:					
Land	\$ 34,751	\$ -	\$ -	\$ -	\$ 34,751
Construction in progress	22,648	507,423	-	(187,823)	342,248
Total non-depreciable assets	<u>57,399</u>	<u>507,423</u>	<u>-</u>	<u>(187,823)</u>	<u>376,999</u>
Depreciable Assets:					
Building and improvements	2,232,132	-	-	-	2,232,132
Infrastructure/utility system	18,147,707	16,700	-	187,823	18,352,230
Equipment and furniture	2,671,371	69,511	-	-	2,740,882
Total capital assets being depreciated	<u>23,051,210</u>	<u>86,211</u>	<u>-</u>	<u>187,823</u>	<u>23,325,244</u>
Accumulated Depreciation:					
Building and improvements	(563,011)	(68,769)	-	-	(631,780)
Infrastructure/utility system	(8,192,515)	(549,600)	-	-	(8,742,115)
Equipment and furniture	(2,095,498)	(162,607)	-	-	(2,258,105)
Total accumulated depreciation	<u>(10,851,024)</u>	<u>(780,976)</u>	<u>-</u>	<u>-</u>	<u>(11,632,000)</u>
Business-type activities capital assets, net	<u>\$12,257,585</u>	<u>\$ (187,342)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,070,243</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water and sewer	\$ 760,747
Stormwater utility	20,229
Total depreciation expense - business-type activities	<u>\$ 780,976</u>

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

The General Obligation Bonds and Certificates of Obligation Bonds principal and interest are paid by the debt service fund. Capital Leases principal and interest are paid by the capital projects fund.

In August 2018, the City issued \$11,080,000 Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2018. The bonds consisted of certificate of obligation bonds with interest rates ranging from 3.50% to 5.00%. The net proceeds will be used to pay contractual obligations of the City for making permanent public improvements and for other public purposes. The Certificates of Obligation were allocated \$6,980,000 to capital projects fund and \$4,100,000 to Economic Development Corporation.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

As of September 30 the City had the following governmental activities long-term debt outstanding:

	<u>9/30/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2018</u>	<u>Due Within One Year</u>
General Obligation Bonds					
\$2,880,000; General Obligation Refunding Bonds, Series 2005 due in semi-annual installments from 2/1/2005; 3.92% until 2/1/2020.	\$ 465,000	\$ -	\$ 240,000	\$ 225,000	\$ 110,000
\$1,855,000; General Obligation Refunding Bonds, Series 2012; due in semi-annual installments from 2/1/2013; 2.00% - 3.00% until 2/1/2022.	490,000	-	100,000	390,000	100,000
Series 2012 unamortized bond premium	192,604	-	38,521	154,083	38,521
\$590,000; General Obligation Refunding Bonds, Series 2012A; due in semi-annual installments from 2/1/2014; 2.00% 3.00% until 2/1/2023.	380,000	-	60,000	320,000	60,000
Series 2012A unamortized bond premium	29,947	-	4,991	24,956	4,991
\$4,920,000; General Obligation Refunding Bonds, Series 2013, due in semi-annual installments from 2/1/2014; 2.19% until 2/1/2025.	3,515,000	-	435,000	3,080,000	445,000
\$4,745,000; General Obligation Refunding Bonds, Series 2017, due in semi-annual installments from 2/1/2018; 3.00% until 2/1/2029.	4,745,000	-	-	4,745,000	25,000
Series 2017 unamortized bond premium	248,353	-	20,940	227,413	20,940
Total General Obligation Bonds	<u>\$ 10,065,904</u>	<u>\$ -</u>	<u>\$ 899,452</u>	<u>\$ 9,166,452</u>	<u>\$ 804,452</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

	<u>9/30/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2018</u>	<u>Due Within One Year</u>
Certificates of Obligation					
\$8,000,000; Certificates of Obligation, Series 2009 due in semi-annual installments from 2/1/2011; 3.00% - 5.25% until 2/1/2029.	\$ 725,000	\$ -	\$ 355,000	\$ 370,000	\$ 370,000
Series 2009 unamortized bond premium	12,626	-	6,313	6,313	6,313
\$4,890,000; Certificates of Obligation, Series 2012 due in semi-annual installments from 2/1/2013; 2.00% - 3.50% until 2/1/2032.	3,915,000	-	205,000	3,710,000	215,000
Series 2012 unamortized premium	44,873	-	2,992	41,881	2,992
\$2,970,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 due in annual installments from 2/1/17; 2.00% - 3.00% until 2/1/2025.	2,900,000	-	100,000	2,800,000	125,000
Series 2016 unamortized premium	69,035	-	3,633	65,402	3,633
\$11,080,000; Combination and Limited Pledge Revenue Certificates of Obligation, Series 2018 due in annual installments from 8/1/19; 3.50% - 5.00% until 8/1/2038.	-	11,080,000	-	11,080,000	180,000
Series 2018 unamortized premium	-	606,128	-	606,128	30,307
Total Certificates of Obligation	\$ 7,666,534	\$ 11,686,128	\$ 672,938	\$ 18,679,724	\$ 933,245
Revenue Bonds					
\$2,180,000; Sales Tax Revenue Bonds, Taxable Series 2016 due in annual installments from 8/1/17; 3.00% - 5.00% until 8/1/2031.	2,130,000	-	120,000	2,010,000	125,000
Series 2016 unamortized premium	141,950	-	10,139	131,811	10,138
Total Revenue Bonds	\$ 2,271,950	\$ -	\$ 130,139	\$ 2,141,811	\$ 135,138
Total OPEB liability	\$ 168,631	\$ 38,180	\$ -	\$ 206,811	\$ -
Net pension liability	\$ 2,321,352	\$ -	\$ 759,394	\$ 1,561,958	\$ -
Compensated absences	\$ 378,070	\$ 404,869	\$ 332,692	\$ 450,247	\$ 324,178
Total Governmental Activities	\$ 22,872,441	\$ 12,129,177	\$ 2,794,615	\$ 32,207,003	\$ 2,197,013

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

The aggregate debt service payments to maturity of the governmental activities general obligation bonds, certificates of obligation bonds and sales tax revenue bonds are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		<u>Sales Tax Revenue Bonds</u>		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 740,000	\$ 232,543	\$ 890,000	\$ 640,144	\$ 125,000	\$ 85,650	\$ 2,713,337
2020	1,135,000	207,008	635,000	614,669	125,000	81,900	2,798,577
2021	1,045,000	177,465	835,000	590,494	130,000	78,150	2,856,109
2022	1,070,000	149,526	775,000	555,694	135,000	74,250	2,759,470
2023	1,005,000	122,289	810,000	523,419	140,000	68,850	2,669,558
2024 - 2028	3,225,000	293,297	4,600,000	2,076,000	785,000	254,400	11,233,697
2029 - 2033	540,000	8,100	5,210,000	1,123,607	570,000	58,000	7,509,707
2034 - 2038	-	-	4,205,000	403,161	-	-	4,608,161
Total debt service requirements	8,760,000	1,190,228	17,960,000	6,527,188	2,010,000	701,200	37,148,616
Add: Unamortized premium	406,452	-	719,724	-	131,811	-	1,257,987
	<u>\$ 9,166,452</u>	<u>\$ 1,190,228</u>	<u>\$18,679,724</u>	<u>\$ 6,527,188</u>	<u>\$ 2,141,811</u>	<u>\$ 701,200</u>	<u>\$ 38,406,603</u>

NOTE 9: BUSINESS-TYPE LONG-TERM DEBT

	9/30/2017	Additions	Retirements	9/30/2018	Due Within One Year
General Obligation Bonds					
\$1,025,000; General Obligation Refunding Bonds, Series 2005 due in semi-annual installments from 2/1/2005; 3.92% until 2/1/2020.	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -
\$1,945,000; General Obligation Refunding Bonds, Series 2012A; due in semi-annual installments from 2/1/2014; 2.00% 3.00% until 2/1/2023.	1,255,000	-	190,000	1,065,000	200,000
Series 2012A unamortized bond premium	99,260	-	18,611	80,649	18,611
\$1,800,000; General Obligation Refunding Bonds, Series 2017, due in semi-annual installments from 2/1/2018; 3.00% until 2/1/2029.	1,800,000	-	-	1,800,000	15,000
Series 2017 unamortized bond premium	93,341	-	7,778	85,563	7,778
Total General Obligation Bonds	<u>\$ 3,347,601</u>	<u>\$ -</u>	<u>\$ 316,389</u>	<u>\$ 3,031,212</u>	<u>\$ 241,389</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 9: BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (Continued)

	<u>9/30/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2018</u>	<u>Due Within One Year</u>
Certificates of Obligation					
\$3,000,000; Certificates of Obligation, Series 2009 due in semi-annual installments from 2/1/2011; 3.00% - 5.25% until 2/1/2029.	\$ 265,000	\$ -	\$ 130,000	\$ 135,000	\$ 135,000
Series 2009 unamortized bond premium	4,734	-	2,367	2,367	2,367
\$2,500,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 due in annual installments from 2/1/2012; 2.00% - 4.50% until 2/1/2029.	1,820,000	-	130,000	1,690,000	100,000
Series 2011 unamortized premium	55,975	-	4,265	51,710	4,265
\$2,965,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 due in annual installments from 2/1/17; 2.00% - 3.00% until 2/1/2025.	2,940,000	-	25,000	2,915,000	155,000
Series 2016 unamortized premium	69,035	-	3,825	65,210	3,825
Total Certificates of Obligation	<u>\$ 5,154,744</u>	<u>\$ -</u>	<u>\$ 295,457</u>	<u>\$ 4,859,287</u>	<u>\$ 400,457</u>
Total OPEB liability	<u>\$ 18,737</u>	<u>\$ -</u>	<u>\$ 753</u>	<u>\$ 17,984</u>	<u>\$ -</u>
Net pension liability	<u>\$ 240,862</u>	<u>\$ -</u>	<u>\$ 105,040</u>	<u>\$ 135,822</u>	<u>\$ -</u>
Compensated absences	<u>\$ 27,019</u>	<u>\$ 17,152</u>	<u>\$ 21,450</u>	<u>\$ 22,721</u>	<u>\$ 16,359</u>
Total Business-Type Activities	<u>\$ 8,788,963</u>	<u>\$ 17,152</u>	<u>\$ 739,089</u>	<u>\$ 8,067,026</u>	<u>\$ 658,205</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 9: BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (Continued)

The aggregate debt service requirements to maturity for business-type activities general obligation bonds and certificates of obligation outstanding as of September 30, 2018, are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		Total
	Principal	Interest	Principal	Interest	
2019	\$ 215,000	\$ 83,650	\$ 390,000	\$ 137,103	\$ 825,753
2020	360,000	75,025	265,000	127,784	827,809
2021	370,000	64,075	270,000	119,753	823,828
2022	385,000	52,750	275,000	110,590	823,340
2023	400,000	40,975	285,000	101,015	826,990
2024 - 2028	935,000	104,238	1,410,000	365,535	2,814,773
2029 - 2033	200,000	3,000	1,305,000	131,445	1,639,445
2034 - 2038	-	-	540,000	16,810	556,810
Total debt service requirements	2,865,000	423,713	4,740,000	1,110,035	9,138,748
Add: Unamortized premium	166,212	-	119,287	-	285,499
	<u>\$ 3,031,212</u>	<u>\$ 423,713</u>	<u>\$ 4,859,287</u>	<u>\$ 1,110,035</u>	<u>\$ 9,424,247</u>

The various bond ordinances contain a number of limitations and restrictions. Management believes the City is in compliance with all significant limitation and restrictions at September 30, 2018.

NOTE 10: RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League and participates in the Intergovernmental Risk Pool insurance coverage and are 100% covered through third-party insurance policies. The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with not reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 11: DEFINED BENEFIT PENSION PLANS

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

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:

	<u>Plan Year 2017</u>
Employee deposit rate	6%
Matching ratio (city to employee)	2-1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100%
Annuity increase (to retirees)	70% of CPI

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

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

Active employees	111
Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	74
	237
	237

Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.76% and 10.63% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2018, were \$647,135, 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.

Actuarial Assumptions

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

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

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed from actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the system adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Assest Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	<u>100.00%</u>	

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/16	\$ 17,285,642	\$ 14,723,428	\$ 2,562,214
Changes for the year:			
Service cost	809,245	-	809,245
Interest	1,165,642	-	1,165,642
Changes in net benefit terms	-	-	-
Difference between expected and actual experience	143,078	-	143,078
Change of assumptions	-	-	-
Contributions - employer	-	612,770	(612,770)
Contributions - employee	-	341,694	(341,694)
Net investment income	-	2,039,047	(2,039,047)
Benefit payments, including refunds of employee contributions	(842,986)	(842,986)	-
Administrative expense	-	(10,575)	10,575
Other changes	-	(537)	537
Net changes	<u>1,274,979</u>	<u>2,139,413</u>	<u>(864,434)</u>
Balance at 12/31/17	<u>\$ 18,560,621</u>	<u>\$ 16,862,841</u>	<u>\$ 1,697,780</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$4,824,591	\$1,697,780	(\$811,521)

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

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.tmr.com.

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

For the year ended September 30, 2018, the City recognized pension expense of \$632,482.

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
Difference in expected and actual experience	\$ 185,692	\$ 174,673
Difference in assumption changes	8,441	-
Difference in projected and actual earnings	387,520	836,285
Contributions subsequent to the measurement date	469,607	-
Total	<u>\$ 1,051,260</u>	<u>\$ 1,010,958</u>

\$469,607 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2018	\$ (18,030)
2019	(16,223)
2020	(201,907)
2021	(193,145)
2022	-
Thereafter	-
	<u>\$ (429,305)</u>

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The City's defined benefit OPEB plan, Supplemental Death Benefits Fund (SDBF), provides OPEB for active employees and retirees. The SDBF is a single employer defined benefit plan administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance benefit for their active members, including or not including retirees.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) continued

The City may terminate coverage and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. No assets are accumulated in a trust that meets the criteria in paragraph 4 of *GASB Statement No. 75*.

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 an other postemployment benefit (OPEB) and is a fixed amount of \$7,500.

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

Active employees	111
Inactive employees currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	11
	155
	155

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The 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.

Total OPEB Liability

The City's Total OPEB Liability of 224,795 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% per year
Overall payroll growth	3.50% to 10.50% including inflation
Discount rate*	3.31%
Retiree's share of benefit-related costs	\$0

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) continued

Mortality rates for service retirees were based on the gender distinct RP 2000 Combined Mortality Table with Blue Collar Adjustments with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Mortality rates for disabled retirees were based on the gender distinct RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/16	\$ 187,368
Changes for the year:	
Service cost	11,390
Interest on Total OPEB Liability	7,276
Changes in net benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	19,900
Benefit payments**	(1,139)
Net changes	37,427
Balance at 12/31/17	\$ 224,795

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's Total OPEB Liability	\$276,655	\$224,795	\$185,282

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) continued

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$21,550.

At September 30, 2018, the City reported deferred outflows of resources related to OPEB from changes in assumptions of \$17,016.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:		
2018	\$	2,884
2019		2,884
2020		2,884
2021		2,884
2022		2,884
Thereafter		2,596
	<u>\$</u>	<u>17,016</u>

NOTE 13: CONTINGENT LIABILITIES

Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

These programs are governed by various statutory rules and regulations of grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City’s administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

Litigation

Various claims and lawsuits are pending against the City. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City management and legal counsel that the potential loss on all claims will be covered by the City’s insurance policy or will not have a material adverse effect on the financial condition of the City.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 14: CONTRACTS AND COMMITMENTS

A. Water and Sewer Contracts

The City has separate contracts with the City of Fort Worth, Texas for the purchase of treated water and for the treatment of wastewater, which expire in 2031 and 2018, respectively. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Purchases during 2018 of treated water were \$1,986,623 and for the treatment of wastewater were \$1,096,277.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 28, 2019, which is the date the financial statements were available to be issued.

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45 and No. 57 for accounting and financial reporting of postemployment benefits other than pensions. This statement requires government-wide and proprietary fund statements to recognize a liability equal to the Total OPEB liability and changes in the Total OPEB liability be included in OPEB expense in the period of change.

Beginning net position of the governmental activities and business-type activities was reduced by the following prior period adjustments:

	Governmental Activities	Business-type Activities	Total
Total OPEB Liability (12/31/17 measurement date)	\$ 168,631	\$ 18,737	\$ 187,368
Prior Period Adjustment	\$ 168,631	\$ 18,737	\$ 187,368

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Financial Advisory Services
Provided By:

