NEW ISSUE BOOK-ENTRY-ONLY **Ratings: S&P: "AA-"**
(See: "OTHER PERTINENT INFORMATION-Ratings")

OFFICIAL STATEMENT
October 1, 2019

In the opinion of Bond Counsel (defined below), interest on the Certificates (defined below) is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

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

$2,185,000
CITY OF MARBLE FALLS, TEXAS
(A political subdivision of the State of Texas located in Burnet County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: October 1, 2019 **Due: February 1, as shown on page 2**

The $2,185,000 City of Marble Falls, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates") are being issued pursuant to the Certificate of Obligation Act of 1971, Sections 271.041 through 271.064, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, an ordinance (the "Ordinance") adopted by the City Council of the City of Marble Falls, Texas (the "City" or "Issuer") on October 1, 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 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, not to exceed $1,000, of the Surplus Revenues (identified and defined in the Ordinance), derived from the operation of the City's Water and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Certificates will accrue from October 1, 2019 (the "Dated Date") and will be payable on February 1 and August 1 of each year, commencing February 1, 2020, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas, as 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 (1) a water plant clarifier; (2) wastewater plant planning and design; (3) raw water intake repairs and flood-proofing; and (4) the payment of professional services and costs of issuance related thereto. (See "THE CERTIFICATES - Use of Proceeds" herein.)

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

The Certificates are offered for delivery when, as and if issued and received by the initial purchaser 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 Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" herein.) It is expected that the Certificates will be available for initial delivery through DTC on or about October 30, 2019.

$2,185,000
CITY OF MARBLE FALLS, TEXAS
(A political subdivision of the State of Texas located in Burnet County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

MATURITY SCHEDULE
(Due February 1)

CUSIP Prefix No. 566022[(1)]

$1,135,000 Serial Certificates

Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [(1)]
2021	$125,000	5.000%	1.500%	TS8
2022	130,000	5.000%	1.520%	TT6
2023	135,000	5.000%	1.540%	TU3
2024	140,000	2.000%	1.560%	TV1
2025	145,000	2.000%	1.580%	TW9
2026	145,000	2.000%	1.650%	TX7
2027	155,000	5.000%	1.750%	TY5
2028	160,000	5.000%	1.850%	TZ2

$1,050,000 Term Certificates

$335,000 2.000% Term Certificates due on February 1, 2030 and priced to yield 2.050% CUSIP No. Suffix [(1)] UB3
$350,000 2.125% Term Certificates due on February 1, 2032 and priced to yield 2.150% CUSIP No. Suffix [(1)] UD9
$365,000 2.250% Term Certificates due on February 1, 2034 and priced to yield 2.250% CUSIP No. Suffix [(1)] UF4

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and 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. Additionally, the Certificates maturing on February 1, 2030, February 1, 2032, and February 1, 2034 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. (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.

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CITY OF MARBLE FALLS, TEXAS
800 3rd Street
Marble Falls, Texas 78654
Telephone: (830) 693-3615

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
John Packer Mayor	4	2023	Business Owner
Richard Westerman Councilmember, Place 5, Mayor Pro-Tem	3	2020	Lighting Sales
Craig Magerkurth Councilmember, Place 1	3	2023	Telecommunications
Dave Rhodes Councilmember, Place 2	2	2023	Business Owner
William Haddock Councilmember, Place 3	1	2020	Retired
Celia Merrill Councilmember, Place 4	1	2023	Teacher
Reed Norman Councilmember, Place 6	Newly Elected	2023	Business Owner

ADMINISTRATION

Name	Position	Length of Service (Years)
Mike Hodge	City Manager	5
Christina McDonald	City Secretary	25
Patty L. Akers	City Attorney	14

CONSULTANTS AND ADVISORS

Bond Counsel.......... Bickerstaff Heath Delgado Acosta LLP
Austin, Texas

Certified Public Accountants .... Patillo, Brown & Hill, L.L.P.
Waco, Texas

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

For Additional Information Please Contact:

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City Manager
City of Marble Falls
800 3rd Street
Marble Falls, Texas 78654
Telephone: (830) 693-3615
mhodge@marblefallstx.gov

Mr. Mark M. McLiney
Mr. Andrew T. Friedman
SAMCO Capital Markets, Inc.
1020 NE 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 by the Issuer 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 information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

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

The Financial Advisor has 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 Advisor or the Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System as such information has been provided by DTC.

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the 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 Marble Falls, Texas (the "City" or "Issuer") is a market and tourist center located on U.S. Highway 281. The City is located in the middle of the Texas Hill Country on the Colorado River, 47 miles northwest of Austin, 85 miles north of San Antonio, Texas in the middle of the Highland Lakes area, the largest chain of lakes in Texas. The City is a home rule municipality operating under its home rule charter (the "Charter") since August 9, 1986. The City's Charter was last amended November 8, 2016. The Charter provides that the City will operate under the council/manager form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the seven-member elected City Council, is the chief administrative officer of the City. The City's estimated 2019 population is 6,944. (See "APPENDIX B – General Information Regarding the City of Marble Falls and Burnet County, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Certificate of Obligation Act of 1971, Sections 271.041 through 271.064, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, an ordinance (the "Ordinance") adopted by the City Council of the City on October 1, 2019, and the City's 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, not to exceed $1,000, of the Surplus Revenues (identified and defined in the Ordinance), derived from the operation of the City's Water and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
Redemption Provisions	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and 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. Additionally, the Certificates maturing on February 1, 2030, February 1, 2032, and February 1, 2034 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates is excludable from gross income of the owners thereof for purposes of federal income taxation under existing law, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and "APPENDIX C - Form of Legal 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 for Financial Institutions" herein.)
Use of 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 (1) a water plant clarifier; (2) wastewater plant planning and design; (3) raw water intake repairs and flood-proofing; and (4) the payment of professional services and costs of issuance related thereto. (See "THE CERTIFICATES - Use of Proceeds" herein.)
Ratings	S&P Global Ratings, a division of S&P Global, Inc. ("S&P"), has assigned an unenhanced, underlying rating of "AA-" to the Certificates. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Future Bond Issues	The City anticipates the issuance of general obligation refunding bonds in early 2020 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 rendering of an opinion as to legality of the Certificates by Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel.

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OFFICIAL STATEMENT

RELATING TO

CITY OF MARBLE FALLS, TEXAS

$2,185,000
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 Marble Falls, Texas (the "City" or the "Issuer") of its $2,185,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates") identified on the cover page hereof.

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 and its Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the Certificates (the "Ordinance") adopted on the date of the sale of the Certificates by the City Council of the City (the "City Council"). 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 NE 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.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the beneficial owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co. which will distribute the amounts received to the beneficial owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment of the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

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

Security for Payment

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

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Surplus Revenues derived from the operation of the Issuer's Water and Sewer System (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding.

Redemption Provisions of the Certificates

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Certificates maturing on and 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.

Mandatory Sinking Fund Redemption: The Certificates maturing on February 1 in each of the years 2030, 2032, and 2034 (the "Term Certificates") are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer at the redemption prices equal to the principal amounts thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown below:

Term Certificates to Mature on February 1, 2030		Term Certificates to Mature on February 1, 2032	
2029	$165,000	2031	$175,000
2030*	170,000	2032*	175,000

Term Certificates to Mature on February 1, 2034	
2033	$180,000
2034*	185,000

* Final Maturity

At least forty-five (45) days prior to each mandatory redemption date specified above that the Term Certificates are to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable maturity to be redeemed on the next following February 1 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Ordinance). Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of any Term Certificates of the same maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City at a price not exceeding the principal amount of such Term Certificate plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Interest and Sinking Fund.

Selection of Certificates for Redemption

If less than all of the Certificates are to be redeemed, the City shall determine the amounts of the maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Certificates or portions thereof, to be redeemed.

Notice of Redemption and DTC Notices

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the City 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.

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

Certificates of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Certificate to be partially redeemed must be surrendered in exchange for one or more new Certificates of the same stated maturity and interest rate for the unredeemed portion of the principal.

The Issuer reserves the right to give notice of its election or direction to optionally redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the Issuer retains the right to rescind such notice at any time prior to the scheduled redemption date if the Issuer delivers a certificate of the Issuer to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice of redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected owners. Any Certificates subject to conditional redemption where redemption has been rescinded shall remain outstanding.

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.)

Use of 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 (1) a water plant clarifier; (2) wastewater plant planning and design; (3) raw water intake repairs and flood-proofing; and (4) the payment of professional services and costs of issuance related thereto.

Sources and Uses

Sources	
Par Amount of the Certificates	$ 2,185,000.00
Accrued Interest on the Certificates	5,332.78
Net Reoffering Premium	108,802.95
Total Sources of Funds	$ 2,299,135.73
Uses	
Project Fund Deposit	$ 2,200,000.00
Purchaser’s Discount	27,150.84
Interest and Sinking Fund Deposit	5,332.78
Costs of Issuance	66,652.11
Total Uses	$ 2,299,135.73

Payment Record

The Issuer has never defaulted on the payment of its bonded indebtedness.

Amendments

In the Ordinance, the Issuer has the reserved right to 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) make any change in the maturity of any of the outstanding Certificates; (2) reduce the rate of interest borne by any of the outstanding Certificates; (3) reduce the amount of the principal or maturity value of, or redemption premium, if any, payable on any outstanding Certificates; (4) modify the terms of payment or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage amount of the Certificates necessary to be held by registered owners for consent to such amendment.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure 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 such Certificates. The Ordinance provides that the term "Defeasance 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 the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, 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 and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (d) any other then authorized securities or obligations under applicable state laws that may be issued to defease obligations such as the Certificates. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded 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

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the applicable 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.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. Because it is not clear that the Texas Legislature has effectively waived the City's immunity from suit for money damages, a registered owner may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. As noted above, the Ordinance provides that holders of Bonds 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).

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 governmental and proprietary functions is not clear, the Wasson opinion held that the Proprietary- Governmental Dichotomy applies in a 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 the 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 at the time of inception of the contractual relationship. 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 judgement, is justiciable against a municipality.

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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

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

Record Date

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

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special

Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice.

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, series 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 (1) to issue, transfer, or exchange any Certificate called for redemption, in whole or in part during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of Certificates hereunder and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange in whole or in part any Certificate so selected for redemption; provided, however, such limitation is not applicable to the transfer or exchange of the unredeemed balance of an Certificate called for redemption in part.

Replacement Certificates

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing

Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

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

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

All 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. All payments on the Certificates 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 the Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates for the 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 for the Certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

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

INVESTMENT POLICIES

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

Legal Investments

Under State law, the City is authorized to invest in obligations meeting the requirements of the Texas Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA") which may include : (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load money market mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (iv) a loan made under the program is government securities dealer or a financial institution doing business in the State, and (v) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

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

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

Additional Provisions

Under Texas law, the Issuer is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the Issuer to: (a) receive and review the Issuer's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Issuer and the business organization that are not authorized by the Issuer's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Issuer's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Issuer and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Issuer's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 80% of the Issuer's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the Issuer's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load money market mutual funds of any portion of bond proceeds reserves and funds held for debt service to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to confirm to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Issuer.

Current Investments (1) **TABLE 1**

As of June 30, 2019, the City held investments as follows:

Investment Type	Amount	Percentage
Demand Deposits	$ 1,622,806	15.02%
Logic	1,139,107	10.55%
Texas Class	8,040,161	74.43%
	$ 10,802,074	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 "Property Tax Code ") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Burnet Central Appraisal District (the "Appraisal District") is responsible for appraising property within the City generally as of January 1 of each year. Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised, plus (c) the market value of all new improvements to the property. The appraisal values set by the Appraisal District are subject to review and change by the Burnet Central Appraisal 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.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll. Article VIII, Section 21 of the Texas Constitution provides that, subject to any exception prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed in the preceding year unless a notice of intent to consider an increase in taxes is given and a public hearing on the proposed increase is held before the total taxes are increased. See "TAX RATE LIMITATIONS" herein.

Property Subject to Taxation by the Issuer

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

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

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

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

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

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

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

Disabled/Deceased Veterans Exemption: State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs, or its successor, 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Following the approval by the voters at a November 5, 2013 statewide election, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

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

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

Goods-in-Transit: Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory.

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

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

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

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

Issuer and Taxpayer Remedies

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

The 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 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 role.

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") and the Resolution Trust Corporation ("RTC").

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 or RTC shall be subject to foreclosure or sale without the consent of the FDIC or RTC and no involuntary lien shall attach to such property, (ii) the FDIC or RTC 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 or RTC 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 and the RTC, 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 or RTC attempts to enforce the same, the provisions may affect the time at which the Issuer can collect taxes on property owned by the FDIC or RTC , 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. Property within the City is generally assessed as of January 1 of each year based upon the valuation of property within the City as of the preceding January 1. Business inventory may, at the option of the taxpayer, be assessed as of September 1. The valuation assessment of oil and gas reserves depends upon pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year.

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Property Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and final installment due on August 1.

Penalties and Interest

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

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

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

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

Issuer's Rights in the Event of Tax Delinquencies

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

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

TAX RATE LIMITATIONS

Tax Rate Limitations

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population: $2.50 per $100 taxable 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 taxable 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.

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

The Tax Code

The City must annually calculate and publicize its “effective tax rate” and “rollback tax rate”. The City Council may not adopt a tax rate that exceeds the lower of the rollback rate or the effective tax rate until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City, by petition, may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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

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

Recent Legislation Affecting Ad Valorem Taxation

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters, which may have an adverse impact on the City's operations and financial condition. The Governor signed SB2 into law on June 12, 2019 and the majority of the provisions of SB2 will become effective January 1, 2020.

SB2 includes provisions that address the following goals as described by the Texas Senate Research Center: (1) lowering the rollback rate for maintenance and operations taxes from the existing 8.0% for the largest taxing units in the State; (2) requiring a tax ratification election if the rollback rate is exceeded, eliminating the petition requirement in current statute; (3) making information about the tax rates proposed by local taxing units more accessible to property owners and more timely; and (4) making it easier for property owners to express their opinions about proposed tax rates to local elected officials before tax rates are adopted. Specifically, with respect to municipalities such as the City, SB2 will lower the rollback rate for maintenance and operations taxes to 3.5%.

At this time, the City cannot predict how the City will be affected by the provisions of SB2. In addition, the City cannot predict whether the Governor will call a special session to address other property tax reforms not included in SB2. Reference is made to the Property Tax Code and Tex. S.B.2, 86th Leg. RS (2019) for definitive requirements for the levy and calculation of ad valorem taxes and the calculation of various defined tax rates.

TAX MATTERS

Tax Exemption

In the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel to the City, assuming continuing compliance by the City with the tax covenants described below, under existing law, interest on the Certificates is excludable for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals.

In rendering its opinion, Bond Counsel has relied on the City’s covenants contained in the Ordinance and the City’s covenants contained in the Federal Tax Certificate, that it will comply with the applicable requirements of the Code, relating to, inter alia, the use and investment of proceeds of the Certificates and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the City to comply with such covenants could result in the interest on the Certificates being subject to federal income tax from the date of issue of the Certificates. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Certificates that may affect the tax-exempt status of the interest.

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Registered Owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit regardless of the ultimate outcome of the audit.

Collateral Federal Income Tax Consequences

Prospective purchasers of the Certificates should be aware that the ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers including, without limitation, holders who may be deemed to have incurred or continued indebtedness to acquire or carry tax-exempt obligations, holders of certain interests in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Certificates will constitute disqualified income for this purpose. The Code also provides that for years beginning after December 31, 2010, the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Certificates will be included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the modified adjusted gross income of the taxpayer and certain other individuals. Modified adjusted gross income means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Certificates received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Certificates, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than designated "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code.

The City has designated the Certificates as "qualified tax-exempt obligations" for the purpose of Section 265(b)(1) of the Code.

Tax Accounting Treatment of Discount and Premium on Certain Certificates

The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year. However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income. Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

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

State, Local and Foreign Taxes

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

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value or marketability of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value or marketability of the Certificates.

Prospective purchasers of the Certificates should consult with their own tax advisors regarding any other federal income tax legislation, whether currently pending or proposed, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Certificates and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the 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 certain specified events to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system through an internet website accessible at www.emma.msrb.org., as described below under "Availability of Information from MSRB" below.

Annual Reports

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 hereof and Tables 1 through 14 of Appendix A to this Official Statement. The Issuer will update and provide this information within six months after the end of each fiscal year ending in or after 2019. The Issuer will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2019. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation. 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 City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule").

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated financial information and operating data by March 31 of each year and the audited financial statements must be provided by September 30 of each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) redemption calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Certificates; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning as ascribed to it under federal securities laws. . 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 provisions for liquidity enhancement or debt service reserves.

For these purposes, 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. As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The City intends the words used in the above 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.

Availability of Information from MSRB

Effective July 1, 2009 (the "EMMA Effective Date"), 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 after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the City issued prior to the EMMA Effective Date, the City remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to the 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 Issuer has agreed to update information and to provide notices of certain events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure 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 Issuer to comply with its agreement.

The Issuer 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 Issuer, 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, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the provisions of the continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

During the past five years, the City has complied in all material respects with its continuing disclosure agreements in accordance with the Rule except as described below.

On February 15, 2011, Fitch Ratings downgraded the City's outstanding debt from "A+" to "A". Due to an administrative oversight the City did not file notice of this downgrade through EMMA until November 14, 2014.

The City has implemented procedures to ensure timely filing of all of its continuing disclosure obligations.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the 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 law. The form of Bond Counsel's opinion is attached hereto in APPENDIX C. 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. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal 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.

Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. 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.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides 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 – Ratings" 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.

Ratings

S&P Global Ratings, a division of S&P Global, Inc. ("S&P"), has assigned an unenhanced, underlying rating of "AA-" to the Certificates. An explanation of the 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 that are believed to be reliable. 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 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.

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, the Rule.

Initial Purchaser

After requesting competitive bids for the Certificates, the City accepted the bid of Robert W. Baird & Co., Inc. (the "Purchaser" or "Baird") to purchase the Certificates at the interest rates shown on page 2 of this Official Statement at a price of $2,266,652.11 (representing the par amount of the Certificates, plus a net reoffering premium of $108,802.95, less a Purchaser's discount of $27,150.84), 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.

On April 1, 2019, Baird Financial Corporation, the parent company of Baird, acquired HL Financial Services, LLC, its subsidiaries, affiliates and assigns (collectively "Hilliard Lyons"). As a result of such common control, Baird, Hilliard Lyons and Hilliard Lyons Trust Company are now affiliated. It is expected that Hilliard Lyons will merge with and into Baird later in 2019.

Certification of the Official Statement

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

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.

Authorization of the Official Statement

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

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

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

CITY OF MARBLE FALLS, TEXAS

/s/ John Packer
Mayor
City of Marble Falls, Texas

ATTEST:

/s/ Christina McDonald
City Secretary
City of Marble Falls, Texas

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APPENDIX A

FINANCIAL INFORMATION RELATING TO THE CITY OF MARBLE FALLS, 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)	$	1,093,894,129
Less Exemptions:		
Optional Over 65 or Disabled	$	27,858,816
Veterans' Exemptions		7,221,819
Freeport Exemptions		4,382,774
Open-Space Land and Timberland		49,969,322
Pollution Control		282,702
Loss to 10% HO Cap		12,794,571
TOTAL EXEMPTIONS	$	102,510,004
2019 Certified Assessed Value of Taxable Property	$	991,384,125
Less: Freeze Adjustment		95,522,106
2019 Freeze Adjusted Certified Assessed Value of Taxable Property	$	895,862,019

Source: Burnet Central Appraisal District.

GENERAL OBLIGATION BONDED DEBT
(as of September 1, 2019)

General Obligation Debt Principal Outstanding

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006	$	335,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007		535,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2010		5,125,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011		1,875,000
General Obligation Refunding Bonds, Series 2011		190,000
General Obligation Refunding Bonds, Series 2012		1,120,000
General Obligation Refunding Bonds, Series 2013		2,085,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013		2,780,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014		3,275,000
General Obligation Refunding Bonds, Series 2014		4,760,000
General Obligation Refunding Bonds, Series 2015		9,065,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016		6,950,000
General Obligation Refunding Bonds, Series 2017		6,145,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017		1,515,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018		5,965,000
Tax Notes, Series 2019		1,170,000
The Certificates		2,185,000
Total Gross General Obligation Debt	$	55,075,000
Less: Self Supporting Debt		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 (18.69% Water and Sewer)	$	100,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 (26.40% Water and Sewer & 43.20% Hotel and Motel)		1,305,000
General Obligation Refunding Bonds, Series 2011 (100% Water and Sewer)		190,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 (100% Water and Sewer)		2,780,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 (25.19% Water and Sewer)		825,000
General Obligation Refunding Bonds, Series 2014 (100% Water and Sewer)		4,760,000
General Obligation Refunding Bonds, Series 2015 (59.62% Water and Sewer)		5,405,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 (100% Water and Sewer)		6,950,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 (100% Water and Sewer)		1,515,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (34.70% Water and Sewer, 22.38% EDC, 6.96% HOT)		4,055,000
The Certificates (100% Water and Sewer)		2,185,000
Total Self-Supporting Debt	$	30,070,000
Total Net General Obligation Debt Outstanding	$	25,005,000
2019 Certified Net Taxable Assessed Valuation	$	991,384,125
Ratio of Total Gross General Obligation Debt to 2019 Certified Net Taxable Assessed Valuation		5.56%
Ratio of Net General Obligation Debt to 2019 Certified Net Taxable Assessed Valuation		2.52%

Population: 1990 - 4,007; 2000 - 4,959; 2010 - 6,077; est. 2019 - 6,944
Per Capita Certified Net Taxable Assessed Valuation - $142,768.45
Per Capita Gross General Obligation Debt Principal - $7,931.31
Per Capita Net General Obligation Debt Principal - $3,600.95

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE **TABLE 2**
(As of September 30, 2018)

NONE

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt[(a)]	The Obligations Principal	Interest [(b)]	Total	Combined Debt Service[(a)]	Less: Self-Supporting Debt	Total Net Debt Service
2019	$ 5,837,127				$ 5,837,127	$ 2,440,993	$ 3,396,134
2020	5,888,121		$ 55,167	$ 55,167	5,943,288	2,510,518	3,432,770
2021	5,995,555	$ 125,000	63,075	188,075	6,183,630	2,650,939	3,532,691
2022	5,692,132	130,000	56,700	186,700	5,878,832	2,649,701	3,229,130
2023	5,639,094	135,000	50,075	185,075	5,824,169	2,654,201	3,169,968
2024	5,330,461	140,000	45,300	185,300	5,515,761	2,649,726	2,866,035
2025	5,141,795	145,000	42,450	187,450	5,329,245	2,637,751	2,691,494
2026	5,076,603	145,000	39,550	184,550	5,261,153	2,574,421	2,686,731
2027	4,721,926	155,000	34,225	189,225	4,911,151	2,570,108	2,341,044
2028	4,176,218	160,000	26,350	186,350	4,362,568	2,572,606	1,789,963
2029	3,523,883	165,000	20,700	185,700	3,709,583	2,578,243	1,131,341
2030	3,515,556	170,000	17,350	187,350	3,702,906	2,577,863	1,125,044
2031	2,477,400	175,000	13,791	188,791	2,666,191	1,537,334	1,128,856
2032	2,288,153	175,000	10,072	185,072	2,473,224	1,399,699	1,073,525
2033	1,530,604	180,000	6,188	186,188	1,716,791	1,401,741	315,050
2034	1,062,306	185,000	2,081	187,081	1,249,388	965,388	284,000
2035	777,375	-	-	-	777,375	709,675	67,700
2036	771,238	-	-	-	771,238	705,638	65,600
2037	226,463	-	-	-	226,463	158,050	68,413
2038	223,850	-	-	-	223,850	157,713	66,138
Total	$ 69,895,858	$ 2,185,000	$ 483,073	$ 2,668,073	$ 72,563,931	$ 38,102,306	$ 34,461,625

(a) *Includes self-supporting debt.*

(b) *Interest on the Certificates has been calculated at the rates shown on page 2 of this Official Statement.*

TAX ADEQUACY (Includes Self-Supporting Debt)

2019 Certified Freeze Adjusted Net Taxable Assessed Valuation	$895,862,019
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	6,183,629.77
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.7043

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 Freeze Adjusted Net Taxable Assessed Valuation	$895,862,019
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	3,532,691.01
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.40238

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 September 1, 2019)

Fiscal Year Ending 9-30	Principal Repayment Schedule: Currently Outstanding[(a)]	The Certificates	Total	Principal Unpaid at End of Year	Percent of Principal Retired (%)
2020	$ 4,325,000	$ -	$ 4,325,000	$ 50,750,000	7.85%
2021	4,550,000	125,000	4,675,000	46,075,000	16.34%
2022	4,365,000	130,000	4,495,000	41,580,000	24.50%
2023	4,435,000	135,000	4,570,000	37,010,000	32.80%
2024	4,255,000	140,000	4,395,000	32,615,000	40.78%
2025	4,195,000	145,000	4,340,000	28,275,000	48.66%
2026	4,260,000	145,000	4,405,000	23,870,000	56.66%
2027	4,025,000	155,000	4,180,000	19,690,000	64.25%
2028	3,595,000	160,000	3,755,000	15,935,000	71.07%
2029	3,060,000	165,000	3,225,000	12,710,000	76.92%
2030	3,165,000	170,000	3,335,000	9,375,000	82.98%
2031	2,225,000	175,000	2,400,000	6,975,000	87.34%
2032	2,115,000	175,000	2,290,000	4,685,000	91.49%
2033	1,420,000	180,000	1,600,000	3,085,000	94.40%
2034	990,000	185,000	1,175,000	1,910,000	96.53%
2035	730,000	-	730,000	1,180,000	97.86%
2036	745,000	-	745,000	435,000	99.21%
2037	215,000	-	215,000	220,000	99.60%
2038	220,000	-	220,000	-	100.00%
Total	$ 52,890,000	$ 2,185,000	$ 55,075,000		

[(a)] *Includes self-supporting debt.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2010-2019 **TABLE 3**

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year: Amount ($)	Percent
2010-11	$ 617,102,708	---	---
2011-12	628,601,154	11,498,446	1.86%
2012-13	626,780,344	(1,820,810)	-0.29%
2013-14	652,445,937	25,665,593	4.09%
2014-15	689,534,579	37,088,642	5.68%
2015-16	722,853,679	33,319,100	4.83%
2016-17	742,774,764	19,921,085	2.76%
2017-18	815,061,904	72,287,140	9.73%
2018-19	933,743,351	118,681,447	14.56%
2019-20	991,384,125	57,640,774	6.17%

Source: Burnet Central Appraisal District.

PRINCIPAL TAXPAYERS 2019-2020 **TABLE 4**

Name	Type of Business/Property	2019 Net Taxable Assessed Valuation	% of Total 2019 Assessed Valuation
Worldmark the Club	Lodging	$ 16,030,944	1.62%
NE Marble Falls LP	Apartments	15,963,003	1.61%
HTA - Marble Falls MOB LLC	Healthcare	14,321,840	1.44%
Bray Spaar Partnership	Commercial Real Estate	13,382,146	1.35%
Huber Carbonates LLC	Stone Quarry	11,283,734	1.14%
Pedernales Electric Co-Op	Utility	10,472,729	1.06%
Walmart Stores Inc.	Retail	9,562,721	0.96%
Homestead Mormon Mill LP	Home Builder	8,221,087	0.83%
L DOR V DOR LLC	Commercial Real Estate	8,003,212	0.81%
Heritage Hotels Marble Falls LP	Hotel	6,712,461	0.68%
		$ 113,953,877	11.49%

Source: Burnet Central Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 5**

	2019	% of Total	2018	% of Total	2017	% of Total
Real, Residential, Single-Family	$ 388,195,494	37.55%	$ 368,116,649	35.61%	$ 319,587,686	35.74%
Real, Residential, Multi-Family	82,266,059	7.96%	57,764,231	5.59%	42,875,225	4.79%
Real, Vacant Lots/Tracts	50,252,359	4.86%	47,950,240	4.64%	37,126,693	4.15%
Real, Acreage (Land Only)	50,450,884	4.88%	42,739,000	4.13%	32,913,833	3.68%
Real, Farm and Ranch Improvements	19,900,938	1.93%	22,161,522	2.14%	20,444,413	2.29%
Real, Commercial and Industrial	375,247,657	36.30%	364,677,325	35.28%	320,661,121	35.86%
Real & Tangible, Personal Utilities	7,297,346	0.71%	7,182,530	0.69%	6,731,889	0.75%
Tangible Personal, Commercial & Industrial	105,736,985	10.23%	109,236,504	10.57%	101,192,493	11.32%
Tangible Personal, Mobile Homes	2,969,267	0.29%	2,138,657	0.21%	1,550,397	0.17%
Real Property, Inventory	824,509	0.08%	935,304	0.09%	820,506	0.09%
Special Inventory	10,752,631	1.04%	10,844,712	1.05%	10,324,844	1.15%
Total Appraised Value	$ 1,093,894,129	105.82%	$1,033,746,674	100.00%	$ 894,229,100	100.00%
Less:						
Optional Over 65 or Disabled	$ 27,858,816		$ 27,285,559		$ 26,973,097	
Veterans' Exemptions	7,221,819		5,531,793		4,768,048	
Freeport Exemptions	4,382,774		6,839,748		3,888,806	
Open-Space Land and Timberland	49,969,322		42,327,427		32,567,041	
Pollution Control	282,702		282,702		282,702	
Loss to 10% HO Cap	12,794,571		17,736,094		10,687,502	
Net Taxable Assessed Valuation	$ 991,384,125		$ 933,743,351		$ 815,061,904	

Source: Burnet Central Appraisal District.

TAX DATA **TABLE 6**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended	
2008	$ 590,623,227	$ 0.630000	$ 3,720,926	97.66	99.05	9/30/2009	
2009	641,742,773	0.630000	4,042,979	98.55	100.64	9/30/2010	
2010	617,102,708	0.643500	3,971,056	98.45	99.93	9/30/2011	
2011	628,601,154	0.643500	4,045,048	97.73	99.14	9/30/2012	
2012	626,780,344	0.648300	4,063,417	98.47	99.95	9/30/2013	
2013	652,445,937	0.648300	4,229,807	96.78	103.32	9/30/2014	
2014	689,534,579	0.648300	4,470,253	98.56	100.46	9/30/2015	
2015	722,853,679	0.648300	4,686,260	98.13	98.75	9/30/2016	
2016	742,774,764	0.648300	4,815,409	98.97	101.04	9/30/2017	
2017	815,061,904	0.634000	5,167,492	98.58	101.43	9/30/2018	
2018	933,743,351	0.615000	5,742,522	94.74	95.35	9/30/2019	*
2019	991,384,125	0.610000	6,047,443			9/30/2020	

* *As of August 1, 2019.*

TAX RATE DISTRIBUTION **TABLE 7**

	2019	2018	2017	2016	2015
General Fund	$ 0.256900	$ 0.247900	$ 0.235800	$ 0.232600	$ 0.210000
I & S Fund	0.353100	0.367100	0.398200	0.415700	0.438300
Total Tax Rate	$ 0.610000	$ 0.615000	$ 0.634000	$ 0.648300	$ 0.648300

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Burnet Central Appraisal District, the Issuer's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2018, and information supplied by the Issuer.

MUNICIPAL SALES TAX COLLECTIONS — TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code, authorizing the City to levy a 1% sales tax. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. The Issuer approved a ½¢ sales tax for economic development in 1987 and a ½¢ sales tax for property tax relief in 1990. The City's total sales tax rate is 2%. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2009	$ 6,047,800	149.59%	0.940
2010	5,826,434	146.72%	0.944
2011	5,879,693	145.36%	0.935
2012	6,053,139	148.97%	0.966
2013	6,988,225	165.21%	1.071
2014	7,068,148	158.12%	1.025
2015	7,426,438	158.47%	1.027
2016	7,886,178	163.77%	1.062
2017	8,609,400	166.61%	1.056
2018	8,837,584	153.90%	0.946
2019	6,335,761	(As of August 1, 2019)	

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

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
Burnet County	$ 24,080,000	16.49%	$ 3,970,792
Marble Falls Independent School District	106,945,000	24.34%	26,030,413
Total Gross Overlapping Debt			$ 30,001,205
City of Marble Falls			$ 55,075,000
Total Gross Direct and Overlapping Debt			$ 85,076,205
Ratio of Gross Direct and Overlapping Debt to 2019 Certified Net Taxable Assessed Valuation			8.58%
Per Capita Gross Direct and Overlapping Debt			$ 12,252

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is $25,005,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	$ 55,006,205
Ratio of Direct and Overlapping Debt to 2019 Certified Net Taxable Assessed Valuation	5.55%
Per Capita Net Direct and Overlapping Debt	$7,921.40

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
Marble Falls ISD	$ 3,924,528,772	100%	$ 0.348000
Burnet County	7,091,284,880	100%	1.269000

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
Marble Falls ISD	None				
Burnet County	None				
Marble Falls, City of	None				

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

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES **TABLE 9**

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

	Fiscal Year Ended 9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Fund Balance - Beginning of Year	$ 1,844,298	$ 1,697,721	$ 1,517,534	$ 1,296,943	$ 1,114,208
Revenues	$ 10,223,490	$ 9,826,057	$ 8,992,669	$ 8,428,020	$ 7,981,512
Expenditures	10,912,713	9,717,770	8,924,636	8,498,618	8,193,710
Excess (Deficit) of Revenues Over Expenditures	$ (689,223)	$ 108,287	$ 68,033	$ (70,598)	$ (212,198)
Other Financing Sources (Uses):					
Sale of Capital Assets	$ 479,387	$ 6,840	$ 18,591	$ 3,306	$ 8,383
Capital Lease Proceeds	31,507	23,615	$ -	-	-
Proceeds from Insurance	24,647	14,481	11,602	-	-
Operating Transfers In	366,000	319,000	299,390	375,000	500,000
Operating Transfers Out	(66,900)	(325,646)	(217,429)	(87,117)	(113,450)
Total Other Financing Sources (Uses):	$ 834,641	$ 38,290	$ 112,154	$ 291,189	$ 394,933
Fund Balance - End of Year	$ 1,989,716[2]	$ 1,844,298	$ 1,697,721	$ 1,517,534	$ 1,296,943[1]

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

[1] As the result of implementing GASB Statement 65, the City has decreased beginning net position as of October 1, 2013 by $55,009 for the governmental activities. This decrease results from no longer deferring and amoritizing bond issuance costs.
[2] The City anticipates ending the fiscal year ending September 30, 2019 with an unaudited general fund balance of $2,011,337.

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

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

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

Benefits Provided

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

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

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USD, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer match plus employer financed monetary credit, such as USC, with interest were used to purchase an annuity. Additionally, the City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee Deposit Rate	7.00%
Matching Ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age
	5 years at age 60 and above
Updated service credit	100% Repeating

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

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	65
Active employees	106
Total	247

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contributions 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 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.83% and 8.92% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were $386,566, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension planning 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 Tables, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 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 primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering the 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS - CONT'D

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. The 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 return for each major assets class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
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%	

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 statue. 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 period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 20,062,873	$ 19,556,486	$ 506,387
Changes for the year:			
Service Cost	801,181	-	801,181
Interest	1,350,616	-	1,350,616
Change of benefit terms	-	-	-
Difference between expected and actual experience	(46,914)	-	(46,914)
Contributions - employer	-	358,624	(358,624)
Contributions - employee	-	445,101	(445,101)
Net investment income	-	2,710,663	(2,710,663)
Benefit payments, including refunds of employee contributions	(908,687)	(908,687)	-
Administrative expense	-	(14,047)	14,047
Other changes	-	(712)	712
Net changes	1,196,196	2,590,942	(1,394,746)
Balance at 12/31/2017	$ 21,259,069	$ 22,147,428	$ (888,359)

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 position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-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	$ 2,019,560	$ (888,359)	$ (3,278,476)

Pension Plan Fiduciary Net Position

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

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 $495,355.

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	$ -	$ 122,554
Changes in actuarial assumptions	160,055	
Difference between projected and actual investment earnings		564,337
Contributions subsequent to the measurement date	290,098	-
Total	$ 450,153	$ 686,891

$290,098 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended Dec 31	
2019	$ 96,322
2020	(53,980)
2021	(291,058)
2022	(278,120)

Other Postemployment Benefits

Postemployment Benefits Other than Pension Benefits

The City provides certain health care benefits through a single-employer defined benefit OPEB, for all fulltime employees in an eligible class. All full-time employees of the City may participate in the retiree health plan upon retirement. Eligible retirees are required to pay 100% of the plan's blended premium. The City's GASB 75 liability is entirely attributable to the simplicity rate subsidy.

Plan Participants

All full-time employees of the City may participate in the retiree health plan upon retirement. Eligible retirees are required to pay 100% of the plan's blended premium. The City's GASB 75 liability is entirely attributable to the simplicity rate subsidy.

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

Inactive Plan Members or Beneficiaries Currently receiving Benefits	3
Active Plan Members	106
Total	109

Normal Retirement Benefits

Members of the TMRS are eligible for normal retirement upon reaching age 60 with 5 years of service, or at any age with 20 years of service. The health care benefits are identical to the coverage offered to active employees.

Deferred Retirement Benefits

Members who terminate employment are not eligible for retiree health care benefits.

Death-in-Service Retirement Benefits

Surviving spouses of active employees who die while employed are allowed continued coverage through COBRA only.

Disability Retirement Benefits

Members who retire through disability retirement are eligible for retiree medical coverage.

Benefits for Spouses of Retired Employees

Spouses of eligible retirees are allowed coverage under the plan. Spouse coverage will end once the member is no longer covered.

Medicare - Eligible Provisions

Qualified retirees and eligible spouses are required to enroll in Medicare once eligible.

Dental and Vision Coverage

The City offers dental and vision coverage for retirees and their dependents. Retirees are 100% responsible for the dental and vision premiums.

Life Insurance Coverage

The City does not offer life insurance coverage for retirees and dependents

Retiree Opt Out

The City does not provide any financial reward to retirees who opt-out.

Monthly Retiree Premiums

Health Plan	Employee Only	Employee & Spouse	Employee & Child(ren)	Employee and Family
H S A	$ 461.63	$ 925.05	$ 775.75	$ 1,123.13
Plan 1	$ 541.14	$ 1,084.38	$ 912.46	$ 1,312.47

The City does not contribute to H S A accounts.

Actuarial Methods and Assumptions

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

Measurement year ended December 31	2017
Actuarial cost method	Individual Entry-Age
Inflation rate	2.50% per annum
Discount rate	3.31%
Salary Increases	3.50% to 10.5% including inflation
Demographic Assumptions	Based on the experience study covering the four year period ending December 31, 2014 as conducted for the TMRS
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female Rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates	Initial rate of .50% declining to an ultimate rate of 4.25% after 15 years.
Participation Rates	20% for retirees that are at least 50 years old at retirement; 0% for retirees that are less than 50 years old at retirement

Discount Rate. The municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"). The Discount rate was 3.81% as of the prior measurement date.

Sensitivity of Total OPEB Liability to the Discount Rate Assumption. Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.31% as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher.

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate Assumption (3.31%)	1% Increase Increase Discount Rate (4.31%)
Total OPEB Liability	$ 483,480	$ 438,374	$ 397,616

Sensitivity of Total OPEB Liability to the Discount Rate Assumption. Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPE liability would be if it were calculated using a trend rate that a is one percent lower or one percent higher:

	1% Decrease in Discount Rate (2.31%)	Current Healthcare Trend Rate Assumption	1% Increase Increase Discount Rate (4.31%)
Total OPEB Liability	$ 388,893	$ 438,374	$ 496,082

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB. At September 30, 2018, the City reported a liability of $438,374 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017. For the year ended September 30, 2018, the City recognized OPE expense of $32,007. There were no changes of benefit terms that affected measurement of the Total OPEG Liability during the measurement period.

	Total OPEB Liability
Balance at 12/31/2016	$ 390,395
Changes for the year:	
Service cost	14,432
Interest	15,102
Changes of assumptions	20,917
Benefit payments	(2,472)
Net changes	47,979
Balance at 12/31/2017	$ 438,374

At September 30, 2018, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	$ 18,444
Contributions subsequent to the measurement date	4,450
Totals	$ 22,894

$4,450 reported as deferred outflows of resources related to OPEB resulting form contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30	
2019	2,473
2020	2,473
2021	2,473
2022	2,473
2023	2,473
Thereafter	6,079

UTILITY PLANT IN SERVICE — TABLE 11

(As of September 30, 2018)

Land	$ 681,006
Construction in Progress	-
Buildings & Improvements	64,626,601
Machines and Equipment	1,432,919
Total	$ 66,740,526
Less: Accumulated Depreciation	(26,776,013)
Net Property, Plant and Equipment	$ 39,964,513

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

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT — 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, garbage, 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	$ 5,186,974	$ 5,015,821	$ 4,361,700	$ 4,091,722	$ 4,106,512
Expenses	3,034,187	2,915,508	2,855,403	2,465,718	2,623,404
Net Revenue Available for Debt Service	$ 2,152,787	$ 2,100,313	$ 1,506,297	$ 1,626,004	$ 1,483,108
Customer Count:					
Water	3,213	3,180	3,126	3,067	3,074
Sewer	2,671	3,130	2,609	2,594	2,576

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

(Effective October 1, 2019)

New Rates

Minimum Base Charges

Meter Size (inches)	Rate
3/4"	$ 25.21
1"	35.94
1 1/2"	64.38
2"	111.27
3"	238.25
4"	421.82
6"	746.60

Total Consumption (Gallons)	Rate per 1,000 Gallons
0 - 10,000	$ 4.78
11,000 - 30,000	5.83
31,000 +	7.14
Bulk Water per 1,000 gallons	20.00

Old Rates (October 1, 2018)

Minimum Base Charges

Meter Size (inches)	Rate
3/4"	$ 22.92
1"	33.12
1 1/2"	59.34
2"	105.97
3"	226.90
4"	401.73
6"	711.05

Total Consumption (Gallons)	Rate per 1,000 Gallons
0 - 10,000	$ 4.45
11,000 - 30,000	5.42
31,000 +	6.64
Bulk Water per 1,000 gallons	20.00

(Effective October 1,2019)

New Rates

Minimum Base Charges

Min. Base Charge	Rate
$ 18.88	

Rate per 1,000 Gallons
$ 4.23

Re-use water (per thousand gallons)
One half of water rate

Rates apply to Residential and Commercial customers

Old Rates

Minimum Base Charges

Min. Base Charge	Rate
$ 18.15	

Rate per 1,000 Gallons
$ 3.90

Re-use water (per thousand gallons)
One half of water rate

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF MARBLE FALLS AND BURNET COUNTY, TEXAS

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CITY OF MARBLE FALLS, TEXAS

Location

The City of Marble Falls, Texas (the "City") is located in the heart of the Texas Hill Country on U.S. 281. The City is 47 miles northwest of Austin and 85 miles north of San Antonio. The City lies immediately north of Lake Marble Falls, one of a chain of lakes created by dams on the Colorado River, collectively known as the Highland Lakes. The six Highland lakes – Buchanan, Inks, LBJ, Marble Falls, Travis and Austin – form the largest chain of lakes in Texas.

Government

The City is a Home Rule municipal corporation operating under its own charter since August 9, 1986. The charter provides that the City will operate under the council/manager form of government pursuant to the laws of the State of Texas. The City Council consists of the Mayor and six Council-Members, all elected at large for two year terms and for no more than three consecutive terms. The City Council appoints the City Manager, who is the City's chief administrative officer.

Population

Calendar Year	City of Marble Falls
2007	7,200
2008	7,200
2009	7,200
2010	4,695
2011	7,200
2012	7,200
2013	6,057
2014	6,337
2015	6,390
2016	6,633
2017	6,905
2018	6,932
2019	6,944

Economy

The City is a market and tourist center. Nearby Granite Mountain is the site of a quarry where commercial granite is recovered in vast quantities. Located in the middle of Highland Lakes, the City lies adjacent to hundreds of miles of waterway which offers tourists all types of recreational activity. Horseshoe Bay is a resort on Lake LBJ approximately five miles from the City. Among the seven golf courses located within a 20-mile radius of the City are 54 holes designed by Robert Trent Jones at Horseshoe Bay. Tourists are also attracted to the natural beauty of the Texas Hill Country surrounding the City.

Principal Employers

Employer	Employees	Percentage of Total City Employment
Marble Falls ISD	680	12.84%
Baylor Scott & White	445	8.40%
H.E.B. Grocery Company	340	6.42%
Wal-Mart Corporation	285	5.38%
Lowe's	125	2.36%
Granite Mesa	115	2.17%
City of Marble Falls	111	2.10%
The Home Depot	110	2.08%
Johnson-Sewell Ford Lincoln Mercury	105	1.98%
Gibraltar	85	1.61%

Source: The Issuer's Comprehensive Financial Report for Fiscal Year Ended September 30, 2018.

BURNET COUNTY, TEXAS

Location

Burnet County, Texas (the "County" or "Burnet County") was created in 1852 from parts of Bell, Williamson and Travis Counties, Texas and named after David G. Burnet, provisional president of the Republic of Texas. Its county seat is Burnet, which is located in the center of the County, with Marble Falls to the South, Bertram to the East. Burnet is named as "The Bluebonnet Capital of Texas". Burnet County is traversed by U.S. Highways 183 and 281, State Highways 29 and 71 and six farm-to-market roads.

Activities that attract tourists to the County include hunting, fishing, water sports, Longhorn Caverns and Inks Lake State Park.

Minerals produced in the County include stone, graphite, sand and gravel. The Texas Almanac designates cattle, sheep, and goats as principal sources of agricultural income. Wholesale and retail trades also make significant contributions to the economy of the County.

Recreation in Burnet County includes scenic drives, visits to lakes (Buchanan, Inks, LBJ, Marble Falls or Travis) and trips to Inks Lake State Park or Longhorn Caverns State Park. There are ample opportunities for hunting and fishing.

Principal Employers

Employer	Employees	Percentage of Total County Employment
Marble Falls ISD	496	2.17%
Burnet CISD	455	1.99%
Wal-Mart Stores, Inc.	400	1.75%
Burnet County	336	1.47%
H.E.B. Grocery	225	0.98%
Home Depot, USA	225	0.98%
Edwards Risk Management	180	0.79%
City of Burnet	130	0.57%
Texas Dept of Criminal Justice	130	0.57%
Seton Highland Lakes	120	0.52%

Labor Force Statistics [(1)]

	2019 [(2)]	2018 [(3)]	2017 [(3)]	2016 [(3)]
Civilian Labor Force	23,716	23,033	22,297	22,006
Total Employed	23,072	22,373	21,589	21,245
Total Unemployed	644	660	708	761
% Unemployment	2.7%	2.9%	3.2%	3.5%
%Unemployed (Texas)	3.6%	3.9%	4.3%	4.6%
%Unemployed (U.S.)	3.8%	3.9%	4.4%	4.9%

(1) Source: Texas Workforce Commission.
(2) As of June, 2019.
(3) Average annual statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Bickerstaff
Heath Delgado Acosta LLP

$2,185,000
CITY OF MARBLE FALLS, TEXAS
COMBINATION TAX AND LIMITED PLEDGE
REVENUE CERTIFICATES OF OBLIGATION
SERIES 2019

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by the City of Marble Falls, Texas (the “City”) of its $2,185,000 aggregate original principal amount of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019, dated October 1, 2019 (the "Certificates").

IN OUR CAPACITY AS BOND COUNSEL, we have examined the Certificates for the sole purpose of rendering an opinion with respect to the legality and validity of the Ordinance (as defined below) and the Certificates under the Constitution and laws of the State of Texas, and with respect to the excludability of the interest on the Certificates from gross income for federal income tax purposes. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and the Home Rule Charter of the City. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service as we have deemed relevant, a transcript of certified proceedings of the City and other pertinent instruments authorizing and relating to the issuance of the Certificates, including (1) the ordinance (the “Ordinance”) authorizing the issuance of the Certificates, (2) the registered Initial Certificate numbered T-1, and (3) the Federal Tax Certificate of the City.

BASED ON OUR EXAMINATION, we are of the opinion that:

1. The Certificates are valid and legally binding obligations of the City enforceable in accordance with their terms, except as their enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and as may be affected by matters involving the exercise of equitable or judicial discretion.

2. The Certificates are secured by and payable from the levy of a direct and continuing annual ad valorem tax upon all taxable property within the City, within limits prescribed by law, sufficient for said purposes, and a limited

pledge, not to exceed $1,000, of the Surplus Revenues of the City's Water and Sewer System, as provided in the Ordinance.

3. Interest on the Certificates is excludable for federal income tax purposes from the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax on individuals.

In addition, the City has designated the Certificates as "qualified tax-exempt obligations" for the purpose of Section 265 of the Code dealing with financial institutions and has represented that the total amount of tax-exempt obligations (including the Certificates) issued by it is not reasonably anticipated to exceed $10,000,000 in "qualified tax-exempt obligations" during calendar year 2019.

In rendering this opinion, we have assumed continuing compliance by the City with the covenants contained in the Ordinance and the Federal Tax Certificate, that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Certificates and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the City to comply with such covenants could result in the interest on the Certificates being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Certificates.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. We observe that the City has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

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 AUDITORS' REPORT

To the Mayor and Members of City Council
City of Marble Falls, Texas
Marble Falls, 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 Marble Falls, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Marble Falls, Texas' 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.

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marble Falls, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019, on our consideration of the City of Marble Falls, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marble Falls, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 14, 2019

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Marble Falls, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. This information is not intended to be a complete statement of the City's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Marble Falls exceeded its liabilities as of September 30, 2018, by $23,984,741 (net position). Of this amount, ($909,098) is unrestricted net position.

- The City's net position increased by $1,138,323.

- As of the close of the current fiscal year, the City of Marble Falls governmental funds reported combined ending fund balances of $12,111,010. $1,715,797 of this amount is unassigned and available for use within the City's fund designation and policy.

- As of September 30, 2018, unassigned fund balance for the General Fund was $1,983,924 or 18.18% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm sewer and water lines, etc.), to assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities).

- Governmental activities include most of the City's basic services (general government, public safety, public works and culture and recreation). Property taxes, sales taxes, and franchise fees primarily finance these activities.

- Business-type activities include the City's water and sewer system. Charges for services cover all or most of the cost for these services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to control and manage money for particular purposes and to ensure finance-related legal requirements. The City uses two fund types – governmental and proprietary.

- **Governmental funds** – Similar to the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. The governmental fund statement provides a detailed short-term view of the City's general government operations and helps you determine whether resources are available in the near future to finance City programs. Comparing the information presented for governmental funds with the information presented for governmental activities in the government-wide financial statements will help the reader to better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet, statement of revenue and expenditures, and changes in fund balances include a reconciliation to provide such comparison.

  The City maintains 12 governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Corporation Fund, Debt Service Fund, and Hotel Conference Center Fund, all of which are considered to be major funds. The other 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 found in this report.

- **Proprietary funds** – The City maintains one proprietary fund. The City uses the Enterprise Fund for water and sewer operations. The Enterprise Fund reports the same functions presented as business-type activities in the government-wide financial statement.

Reporting the City's Fiduciary Responsibility

The City is the trustee, or fiduciary, for the LaVentana Public Improvement District Trust Fund and Roper Ranch PID Trust Fund. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. The activities of this fund are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. The basic fiduciary fund financial statements can be found on pages 23 – 24 of this report.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules that further support the information in the financial statements. These statements are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net assets exceed liabilities by $24.0 million as of September 30, 2018. The largest portion of the City's net position reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MARBLE FALLS' NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 15,129,231	$ 13,832,628	$(1,065,401)	$ 2,333,511	$ 14,063,830	$ 16,166,139
Capital assets	35,592,604	36,962,544	39,964,513	37,341,196	75,557,117	74,303,740
Total assets	50,721,835	50,795,172	38,899,112	39,674,707	89,620,947	90,469,879
Deferred outflows of resources	877,997	1,708,781	682,562	891,459	1,560,559	2,600,240
Current liabilities	3,451,678	1,361,206	1,419,108	951,614	4,870,786	2,312,820
Noncurrent liabilities	35,967,654	42,334,127	22,765,494	25,054,691	58,733,148	67,388,818
Total liabilities	40,727,223	43,695,333	25,782,651	26,006,305	66,509,874	69,701,638
Deferred inflows of resources	588,541	116,714	98,350	20,032	686,891	136,746
Net position:						
Net investment,						
in capital assets	4,808,202	4,356,606	16,806,620	17,061,917	21,614,822	21,418,523
Restricted	3,279,017	2,890,400	-	-	3,279,017	2,890,400
Unrestricted	2,196,849	1,444,900	(3,105,947)	(2,522,088)	(909,098)	(1,077,188)
Total net position	$ 10,284,068	$ 8,691,906	$ 13,700,673	$ 14,539,829	$ 23,984,741	$ 23,231,735

The restricted portion of the City's net position (13.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is ($909,098).

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2018. Governmental activities increased the City of Marble Falls' net position by $1,910,301, accounting for a 22.8% increase in net position. Business-type activities decreased the City's net position by $771,978 accounting for a 5.3% decrease in net position. The decrease in the business-type activities was due to the increase of expenses.

CITY OF MARBLE FALLS' CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 986,105	$ 1,061,707	$ 5,162,432	$ 4,966,903	$ 6,148,537	$ 6,028,610
Operating grants and contributions	665,202	222,627	-	-	665,202	222,627
Capital grants and contributions	-	-	125,260	155,000	125,260	155,000
General revenues:						
Property taxes	5,148,352	4,815,932	-	-	5,148,352	4,815,932
Sales taxes	8,762,727	8,536,450	-	-	8,762,727	8,536,450
Franchise taxes	583,840	539,247	-	-	583,840	539,247
Other taxes	755,357	737,042	-	-	755,357	737,042
Investment earnings	181,545	137,190	24,542	48,918	206,087	186,108
Gain on sale of assets	485,962	160,233	-	-	485,962	160,233
Miscellaneous	91,585	125,819	-	-	91,585	125,819
Total revenues	17,660,675	16,336,247	5,312,234	5,170,821	22,972,909	21,507,068
Expenses:						
General government	3,990,324	4,205,152	-	-	3,990,324	4,205,152
Public safety	5,587,223	5,385,714	-	-	5,587,223	5,385,714
Public works	3,630,999	3,433,441	-	-	3,630,999	3,433,441
Culture and recreation	1,592,267	1,434,383	-	-	1,592,267	1,434,383
Interest on long-term debt	1,288,511	1,736,608	-	-	1,288,511	1,736,608
Water and wastewater	-	-	5,745,262	5,787,031	5,745,262	5,787,031
Total expenses	16,089,324	16,195,298	5,745,262	5,787,031	21,834,586	21,982,329
Increases (decreases) in net assets before transfers	1,571,351	140,949	(433,028)	(616,210)	1,138,323	(475,261)
Transfers	338,950	200,173	(338,950)	(200,173)	-	-
Change in net assets	1,910,301	341,122	(771,978)	(816,383)	1,138,323	(475,261)
Net assets, beginning	8,691,906	8,782,619	14,539,829	15,356,212	23,231,735	24,138,831
Prior period adjustment	(318,139)	(431,835)	(67,178)	-	(385,317)	(431,835)
Net assets, ending	$ 10,284,068	$ 8,691,906	$ 13,700,673	$ 14,539,829	$ 23,984,741	$ 23,231,735

Government Funds

In the General Fund, fund balance increased by $145,418. The increase was due mainly to an increase in sales taxes and property taxes for FY 2018.

The Economic Development Corporation Fund balance increased by $327,490. The increase is due to an increase in sales tax and a decrease in expenditures for FY 2018.

The Debt Service Fund balance decreased by $70,439 due to an increase in debt principal.

The Hotel Conference Center Fund increased by $120,191 due to investment earnings.

Proprietary Fund

Unrestricted net position of the proprietary fund (water and utility) was ($3,105,947). The net position of the Water and Utility Fund decreased by $771,978. This decrease was due to an increase in expenses.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. These changes resulted in an increase in budgeted expenditures in the amount of $212,425 from the original budget of $10,169,627 to the revised budget of $10,382,052 or 2.1% increase. The majority of this increase was due to an increase in administration expenditures.

The variance between the final amended budget and actual expenditures was a negative $530,661. General Government actual expenditures were above budgeted expenditures by $80,395. Additionally, Street expenditures were above the budget by $34,889. This was mainly due to personnel services costs.

Capital Assets

The following activity represents major capital asset activity for the fiscal year ended September 30, 2018:

- Completed final engineering design of the Water Plant Upgrade. Total spent in FY 2018 was $100,000.

- Continued the construction phase of the Water Plant Upgrade. Total spent in FY 2018 was $3,363,946.

- Completed construction of elevated water storage tank at Via Viejo, at a cost of $736,406

- Continued work on Purple Pipe to Meadowlakes Golf Course, at a cost of $64,304

- Began work on replacement of Johnson Park bathroom and Main Street bathroom, at a cost of $186,587.

- Began Downtown Project by the Economic Development Corporation total spent in FY 18 was $131,643. Purchased property for the Downtown project at a cost of $100,984.

- Completed construction of the Public Safety Building at a cost of $282,040. Equipment and furniture at a cost of $185,203 was purchased for this building as well.

- Purchased vehicles and equipment for the Police and Fire department at a cost of $333,596.

Additional information regarding capital assets can be found in the notes to the financial statements on page 37.

CITY OF MARBLE FALLS' CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	$ 8,983,831	$ 8,882,847	$ 681,006	$ 681,006	$ 9,664,837	$ 9,563,853
Buildings and improvements	59,655,770	58,428,722	64,626,601	60,361,939	124,282,371	118,790,661
Machinery and equipment	6,443,705	7,696,831	1,432,919	1,248,820	7,876,624	8,945,651
Less: accumulated depreciation	(39,490,702)	(38,045,856)	(26,776,013)	(24,950,569)	(66,266,715)	(62,996,425)
Total capital assets, net	$ 35,592,604	$ 36,962,544	$ 39,964,513	$ 37,341,196	$ 75,557,117	$ 74,303,740

Debt Administration

At the end of the current fiscal year, the City had total bonded debt and notes payable of $58,795,000. Of this amount, $36,167,840 represents bonded debt backed by the full faith and credit of the City and $22,627,160 represents payables secured by water and wastewater revenues.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Bonds	$ 36,167,840	$ 39,332,840	$ 22,627,160	$ 23,712,160	$ 58,795,000	$ 63,045,000
Total	$ 36,167,840	$ 39,332,840	$ 22,627,160	$ 23,712,160	$ 58,795,000	$ 63,045,000

The City's General Obligation, Tax and Certificates of Obligation bond ratings are listed below.

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	A3	AA-

During the year the City issued new debt. Additional information on the City's long term-debt can be found in the notes to financial statements of this report on pages 38 – 41.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The entire area surrounding the City of Marble Falls continues to experience unprecedented growth. The City's population is estimated to be in excess of 6,900 in 2018. The City is continuing to focus on Economic Development initiatives.

The City's largest source of revenue in the General Fund is Sales Tax. The City realized an increase of 4.2% from the prior year revenue of $6,402,336 to $6,571,870. The 2019 estimate is conservatively projected at $6,844,280. The Marble Falls Economic Development Corporation is funded by a voter approved, half-cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The City's financial management policies, sets the guideline to maintain the fund balance and net position of the various operating funds at levels sufficient to protect the City's creditworthiness as well as its financial position from unforeseeable emergencies.

The City's second largest source of revenue in the General Fund is ad valorem taxes. The City's tax rate is $0.6150. This rate consists of a maintenance and operations (M&O) tax rate of $0.2479 and an Interest and Sinking (debt service) tax rate of $0.3671. The rate was set based on a net position value of $837,800,028. The assessed values increased about 15% for FY 2019.

Water revenues for 2019 are budgeted at $3,399,184 which is an increase of 6% over the prior year. Wastewater revenues are budgeted at $1,720,267, representing a 2% increase over the prior year. The City of Marble Falls increased water rates by 3% for FY 2019.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Department; 800 Third Street; Marble Falls, Texas 78654 or call Margie Cardenas (830) 693-3615 or e-mail mcardenas@marblefallstx.gov.

BASIC
FINANCIAL STATEMENTS

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CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 9,294,764	$ -	$ 9,294,764
Receivables, net of allowances for uncollectibles			
Taxes	1,805,631	-	1,805,631
Customer accounts	1,061,088	722,435	1,783,523
Other	260	25	285
Due from other governments	25,825	-	25,825
Internal balances	2,174,708	(2,174,708)	-
Inventories	-	259,651	259,651
Prepaid items	5,792	-	5,792
Net pension asset	761,163	127,196	888,359
Capital assets:			
Land	8,983,831	681,006	9,664,837
Buildings and improvements	59,655,770	64,626,601	124,282,371
Machinery and equipment	6,443,705	1,432,919	7,876,624
Accumulated depreciation	(39,490,702)	(26,776,013)	(66,266,715)
Total capital assets, net of accumulated depreciation	35,592,604	39,964,513	75,557,117
Total assets	50,721,835	38,899,112	89,620,947
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pensions	385,700	64,453	450,153
OPEB obligation - TMRS supplemental death benefit	21,019	4,359	25,378
OPEB obligation - Retiree health plan	19,616	3,278	22,894
Deferred loss on bond refunding	451,662	610,472	1,062,134
Total deferred outflows of resources	877,997	682,562	1,560,559
LIABILITIES			
Accounts payable	878,126	909,006	1,787,132
Accrued liabilities	91,483	16,348	107,831
Due to others	68,084	13,906	81,990
Customer deposits	25,958	532,179	558,137
Accrued interest	244,240	126,610	370,850
Noncurrent liabilities:			
Due within one year			
General and certificates of obligation	3,085,000	1,330,000	4,415,000
Capital lease	151,258	52,633	203,891
Compensated absences	211,201	35,600	246,801
OPEB obligation - TMRS supplemental death benefit	2,172	450	2,622
OPEB obligation - Retiree health plan	2,047	425	2,472
Due in more than one year			
General and certificates of obligation	33,082,840	22,269,924	55,352,764
Bond premiums	1,025,590	-	1,025,590
Capital lease	561,946	266,257	828,203
Compensated absences	633,604	106,800	740,404
OPEB obligation - TMRS supplemental death benefit	290,114	60,171	350,285
OPEB obligation - Retiree health plan	373,560	62,342	435,902
Total liabilities	40,727,223	25,782,651	66,509,874
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	588,541	98,350	686,891
Total deferred inflows of resources	588,541	98,350	686,891
NET POSITION			
Net investment in capital assets	4,808,202	16,806,620	21,614,822
Restricted for:			
Economic development	2,353,299	-	2,353,299
Debt service	100,227	-	100,227
Public safety	147,259	-	147,259
Culture and recreation	678,232	-	678,232
Unrestricted	2,196,849	(3,105,947)	(909,098)
Total net position	$ 10,284,068	$ 13,700,673	$ 23,984,741

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

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 3,990,324	$ 431,239	$ 267,071	$ -
Public safety	5,587,223	220,210	190,820	-
Public works	3,630,999	167,184	196,370	-
Culture and recreation	1,592,267	167,472	10,941	-
Interest on long-term debt	1,288,511	-	-	-
Total governmental activities	16,089,324	986,105	665,202	-
Business-type activities:				
Water and sewer	5,745,262	5,162,432	-	125,260
Total business-type activities	5,745,262	5,162,432	-	125,260
Total primary government	$ 21,834,586	$ 6,148,537	$ 665,202	$ 125,260

General revenues:

Taxes:

Property, levied for general purposes

Property, levied for debt service

Sales

Franchise

Other

Investment earnings

Gain on sale of assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Prior period adjustment

Net position, beginning as restated

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$(3,292,014)	$ -	$(3,292,014)
(5,176,193)	-	(5,176,193)
(3,267,445)	-	(3,267,445)
(1,413,854)	-	(1,413,854)
(1,288,511)	-	(1,288,511)
(14,438,017)	-	(14,438,017)
-	(457,570)	(457,570)
-	(457,570)	(457,570)
(14,438,017)	(457,570)	(14,895,587)
1,920,592	-	1,920,592
3,227,760	-	3,227,760
8,762,727	-	8,762,727
583,840	-	583,840
755,357	-	755,357
181,545	24,542	206,087
485,962	-	485,962
91,585	-	91,585
338,950	(338,950)	-
16,348,318	(314,408)	16,033,910
1,910,301	(771,978)	1,138,323
8,691,906	14,539,829	23,231,735
(318,139)	(67,178)	(385,317)
8,373,767	14,472,651	22,846,418
$ 10,284,068	$ 13,700,673	$ 23,984,741

CITY OF MARBLE FALLS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	General	Economic Development Corporation	Debt Service
ASSETS			
Cash and investments	$ -	$ 2,008,671	$ -
Receivables, net of allowances for uncollectibles:			
Property taxes	9,123	-	104,831
Other taxes	1,136,005	373,846	-
Accounts	188,856	-	-
Other	185	75	-
Due from other governments	25,825	-	-
Due from other funds	1,673,714	-	-
Prepaid items	5,792	-	-
Total assets	3,039,500	2,382,592	104,831
LIABILITIES			
Accounts payable	771,348	26,256	-
Accrued liabilities	88,446	3,037	-
Due to other funds	-	-	85,341
Due to others	68,084	-	-
Customer deposits	25,958	-	-
Total liabilities	953,836	29,293	85,341
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	6,396	-	100,227
Unavailable revenue - court fines and fees	89,552	-	-
Total deferred inflows of resources	95,948	-	100,227
FUND BALANCES			
Nonspendable	5,792	-	-
Restricted	-	2,353,299	-
Unassigned	1,983,924	-	(80,737)
Total fund balances	1,989,716	2,353,299	(80,737)
Total liabilities, deferred inflows of resources and fund balances	$ 3,039,500	$ 2,382,592	$ 104,831

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable resources in the governmental funds balance sheet, but are recognized as revenue in the statement of activities.

The assets and liabilities of internal service funds are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Losses on refunding of bonds and the premium on issuance of bonds payable are not reported in the funds.

Net position of governmental activities

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

Hotel Conference Center	Other Governmental	Total Governmental
$ 6,139,322	$ 1,021,771	$ 9,169,764
-	-	113,954
-	181,826	1,691,677
-	-	188,856
-	-	260
-	-	25,825
547,633	226,092	2,447,439
-	-	5,792
6,686,955	1,429,689	13,643,567
-	80,522	878,126
-	-	91,483
-	187,390	272,731
-	-	68,084
-	-	25,958
-	267,912	1,336,382
-	-	106,623
-	-	89,552
-	-	196,175
-	-	5,792
6,686,955	1,349,167	10,389,421
-	(187,390)	1,715,797
6,686,955	1,161,777	12,111,010
$ 6,686,955	$ 1,429,689	
		35,592,604
		1,068,407
		125,000
		(38,612,953)
		$ 10,284,068

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General	Economic Development Corporation	Debt Service
REVENUES			
Property taxes	$ 1,918,712	$ -	$ 3,224,444
Sales taxes	6,571,870	2,190,857	-
Hotel/motel taxes	-	-	-
Mixed beverage taxes	56,947	-	-
Franchise fees	583,840	-	-
Fines and forfeitures	162,019	-	-
Permits and fees	411,945	57,627	-
Intergovernmental	352,210	10,271	-
Investment earnings	5,055	32,599	1,760
Other	160,892	954	-
Total revenues	10,223,490	2,292,308	3,226,204
EXPENDITURES			
Current:			
General government	2,618,484	641,391	-
Public safety	5,146,785	-	-
Public works	1,189,947	-	-
Culture and recreation	980,732	-	-
Capital outlay	802,507	250,068	-
Debt service:			
Principal	157,964	710,000	2,455,000
Interest and fiscal charges	16,294	423,354	920,068
Bond issuance costs	-	-	4,600
Total expenditures	10,912,713	2,024,813	3,379,668
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(689,223)	267,495	(153,464)
OTHER FINANCING SOURCES (USES)			
Capital lease proceeds	479,387	-	-
Sale of capital assets	31,507	84,995	-
Proceeds from insurance	24,647	-	-
Transfers in	366,000	-	83,025
Transfers out	(66,900)	(25,000)	-
Total other financing sources (uses)	834,641	59,995	83,025
NET CHANGE IN FUND BALANCES	145,418	327,490	(70,439)
FUND BALANCES, BEGINNING	1,844,298	2,025,809	(10,298)
FUND BALANCES, ENDING	$ 1,989,716	$ 2,353,299	$(80,737)

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

Hotel Conference Center	Other Governmental	Total Governmental
$ -	$ -	$ 5,143,156
-	-	8,762,727
-	696,135	696,135
-	-	56,947
-	-	583,840
-	70,001	232,020
-	-	469,572
-	489,513	851,994
120,191	21,940	181,545
-	-	161,846
120,191	1,277,589	17,139,782
-	128,997	3,388,872
-	72,415	5,219,200
-	-	1,189,947
-	441,098	1,421,830
-	1,190,492	2,243,067
-	-	3,322,964
-	-	1,359,716
-	-	4,600
-	1,833,002	18,150,196
120,191	(555,413)	(1,010,414)
-	-	479,387
-	722,887	839,389
-	-	24,647
-	42,250	491,275
-	(105,425)	(197,325)
-	659,712	1,637,373
120,191	104,299	626,959
6,566,764	1,057,478	11,484,051
$ 6,686,955	$ 1,161,777	$ 12,111,010

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CITY OF MARBLE FALLS, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Amounts reported for governmental activities in the Statement of Activities (pages 13 - 14) are different because:	
Net change in fund balances - total governmental funds (pages 17 - 18)	$ 626,959
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(1,133,278)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	10,284
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,767,118
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows related to the pension liability were amortized.	(95,853)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	45,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(309,929)
Change in net position of governmental activities (pages 13 - 14)	$ 1,910,301

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

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2018

	Business-type Activities Enterprise Fund Water and Utility	Governmental Activities Internal Service Fund Equipment Replacement
ASSETS		
Current assets:		
Cash and investments	$ -	$ 125,000
Accounts receivable, net of allowance	722,435	-
Other receivable	25	-
Inventories	259,651	-
Total current assets	982,111	125,000
Noncurrent assets:		
Net pension asset	127,196	-
Capital assets:		
Land	681,006	-
Buildings and improvements	64,626,601	-
Machinery and equipment	1,432,919	40,000
Accumulated depreciation	(26,776,013)	-
Total capital assets	39,964,513	40,000
Total noncurrent assets	40,091,709	40,000
Total assets	41,073,820	165,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pensions	64,453	-
OPEB obligation - TMRS supplemental death benefit	4,359	-
OPEB obligation - Retiree health plan	3,278	
Deferred loss on bond refunding	610,472	-
Total deferred outflows of resources	682,562	-
LIABILITIES		
Current liabilities:		
Accounts payable	909,006	-
Accrued liabilities	16,348	-
Due to other funds	2,174,708	-
Customer deposits	532,179	-
Due to others	13,906	-
Accrued interest	126,610	-
Compensated absences	35,600	-
Capital leases	52,633	
Bonds payable	1,330,000	-
OPEB obligation - TMRS supplemental death benefit	450	
OPEB obligation - Retiree health plan	425	-
Total current liabilities	5,191,865	-
Noncurrent liabilities:		
Compensated absences	106,800	-
Capital leases	266,257	
Bonds payable	22,269,924	-
OPEB obligation - TMRS supplemental death benefit	60,171	
OPEB obligation - Retiree health plan	62,342	-
Total noncurrent liabilities	22,765,494	-
Total liabilities	27,957,359	-
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pensions	98,350	-
Total deferred inflows of resources	98,350	-
NET POSITION		
Net investment in capital assets	16,806,620	40,000
Unrestricted	(3,105,947)	125,000
Total net position	$ 13,700,673	$ 165,000

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

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Utility	Equipment Replacement
OPERATING REVENUES		
Water and utility charges	$ 5,095,938	$ -
Miscellaneous	66,494	-
Total operating revenues	5,162,432	-
OPERATING EXPENSES		
Personnel services	1,292,136	-
Supplies	507,980	-
Repairs and maintenance	717,247	-
Purchased and contracted services	423,573	-
Other services and charges	93,251	-
Depreciation	2,062,031	-
Total operating expenses	5,096,218	-
OPERATING LOSS	66,214	-
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	24,542	-
Interest and fiscal charges	(649,044)	-
Total nonoperating revenues (expenses)	(624,502)	-
CAPITAL CONTRIBUTIONS	125,260	-
INCOME BEFORE TRANSFERS	(433,028)	-
TRANSFERS OUT	(361,350)	-
TRANSFERS IN	22,400	45,000
CHANGE IN NET POSITION	(771,978)	45,000
NET POSITION, BEGINNING	14,539,829	120,000
PRIOR PERIOD ADJUSTMENT	(67,178)	-
NET POSITION, BEGINNING AS RESTATED	14,472,651	120,000
NET POSITION, ENDING	$ 13,700,673	$ 165,000

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

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Utility	Equipment Replacement
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 5,113,862	$ -
Cash paid to suppliers for goods and services	894,013	-
Cash paid to employees for services	(1,291,330)	-
Net cash provided by operating activities	4,716,545	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(361,350)	-
Transfers from other funds	22,400	45,000
Net cash used by noncapital financing activities	(338,950)	45,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(4,685,348)	(40,000)
Capital contributions	125,260	-
Principal repayments on long-term debt	(765,786)	-
Interest and fiscal charges paid on debt	(712,641)	-
Net cash used by capital and related financing activities	(6,038,515)	(40,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment earnings	24,542	-
Net cash provided by investing activities	24,542	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,636,378)	5,000
CASH AND CASH EQUIVALENTS, BEGINNING	1,636,378	120,000
CASH AND CASH EQUIVALENTS, ENDING	$ -	$ 125,000
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating loss	$ 66,214	$ -
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation and amortization	2,062,031	-
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Customer receivable	(61,788)	-
Other receivable	(25)	
Inventory	2,927	-
Net pension asset	(201,379)	
Deferred outflow related to pensions	142,043	-
Increase (decrease) in liabilities:		
Accounts payable	686,576	-
Accrued liabilities	12,268	-
OPEB net pension obligation	(3,710)	-
Customer deposits	13,218	-
Due to others	(2,030)	-
Deferred inflow related to pensions	78,318	
Compensated absences payable	(26,734)	-
Net cash provided by operating activities	$ 4,716,545	$ -

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

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2018

	LaVentana PID Trust Fund	Roper Ranch PID Trust Fund	Total Trust Fund
ASSETS			
Cash and cash equivalents	$ 12,090	$ 30,000	$ 42,090
Total assets	12,090	30,000	42,090
LIABILITIES			
Accounts payable	$ -	$ 1,663	$ 1,663
NET POSITION			
Held in trust	$ 12,090	$ 28,337	$ 40,427

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

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	LaVentana PID Trust Fund	Roper Ranch PID Trust Fund	Total Trust Fund
ADDITIONS			
Property tax assessment	$ 22,684	$ 30,000	$ 52,684
Investment earnings	9,122	-	9,122
Total additions	31,806	30,000	61,806
DEDUCTIONS			
Miscellaneous expense	20,000	1,663	21,663
Total deductions	20,000	1,663	21,663
CHANGE IN NET POSITION	11,806	28,337	40,143
NET POSITION, BEGINNING	284	-	284
NET POSITION, ENDING	$ 12,090	$ 28,337	$ 40,427

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Marble Falls is a home rule municipality operating under its own charter since August 9, 1986. The charter provides that the City operate under the council/manager form of government. The City Manager, appointed by the seven-member elected Council, is the Chief Administrative Officer of the City. The City provides the following services: public safety, street maintenance, refuse collection, recreation programs, municipal court, public health, community development, public improvements, water and sewer services, and general administrative services.

Reporting Entity

As required by Governmental Accounting Standards Board Statement (GASBS) No. 14 and 39, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity.

Consideration regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity is based on criteria prescribed by GASBS No. 14 and 39. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is financially independent of other state and local governments. Additional prescribed criteria under GASB No. 14 and No. 39 include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As a result of applying the entity definition criteria of the Governmental Accounting Standards Board, the City has included the Economic Development Corporation as a component unit in these financial statements. The Corporation is presented as a blended component unit. The Economic Development Corporation is managed by a board of directors made up of 7 members appointed by the City Council. The Component unit's governing body is substantially the same as the governing body of the primary government. The City Council requires that the Corporation be responsible for the proper discharge of its duties. The Board shall determine its policies and direction within the limitation of the duties imposed by applicable laws, the Articles of Incorporation, Bylaws, budget and fiduciary responsibilities. The City is entitled to and can otherwise access all of the resources of the Economic Development Corporation. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. Complete financial statements for the Corporation may be obtained at the entity's administrative offices.

Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 revenue, 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 revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 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 revenue are reported instead as *general revenue.*

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 ***Economic Development Corporation Fund*** is used to account for the use of 4B sales tax revenues that must be used in compliance with statutory restrictions set forth by the state legislature.

The ***Debt Service Fund*** is used to account for revenue collected for purposes of paying interest on, and retiring, long-term debt including bonds, long-term tax notes, etc.

The ***Hotel Conference Center Fund*** is used to account for the bond proceeds and the expenditures for the construction of the Hotel Conference Center.

The City reports the following major enterprise fund:

The ***Water and Utility Fund*** is used to account for the activities of the City's water and wastewater operations.

Additionally, the City reports the following fund types:

Internal Service Funds account equipment replacement services provided to other departments on a cost reimbursement basis.

Private Purpose Trust Funds are used to account for assets held by the City in trust for individuals, private organizations and other governments.

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 between the City's water and utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Utility Enterprise Fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Assets, Liabilities, and Net Position or Equity

Cash and Investments

Cash and investments include cash on hand, deposits with financial institutions, certificates of deposit, and privately managed public funds investment pools (LOGIC & Texas Class).

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contract using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The City maintains a pooled cash and investments account for all funds of the City. Each fund's positive equity in the pooled cash account is presented as "cash and investments" in the financial statements. Negative cash balances have been reclassified and are reflected as interfund accounts payable. Interest income and interest expense are allocated to each respective individual fund monthly based on their representative fund balances.

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advance to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at September 30, 2018.

Ad valorem property taxes attach as enforceable liens as of January 1. The City's property tax is levied each October 1 on the assessed value listed on the previous January 1 for all real and personal property located in the City. Property taxes are payable on October 1 and are considered delinquent on February 1. The adjusted tax levy for October 2017 was $5,119,048. The tax assessment of October 1, 2017 sets a tax levy at $0.6340 per $100 of assessed valuation at 100% of assumed market value. Of this amount, $0.3982 was allocated to debt service.

Legislation has been passed by the Texas Legislature that affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of countywide appraisal districts and for a state property tax board, which commenced operation in January 1980.

The value of property within the appraisal district must be reviewed at least every three years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide 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 historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	20-50
Improvements	5-50
Equipment	5-10
Water and sewer system	40-50

General infrastructure assets acquired prior to October 1, 2004, are not reported in the basic statements. General infrastructure assets include all roads, bridges, and other infrastructure assets acquired subsequent to October 1, 2004.

Compensated Absences

The City's employees earn vacation and sick leave which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation, comp time, personal leave, and sick leave pay are accrued when incurred in the government-wide and proprietary fund financial statements. Upon termination, an employee is paid for 100% of their accrued vacation, comp time, and personal leave pay and for 50% of accrued sick leave pay.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Pensions

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

Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered an other-postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

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 the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and Other Post-employment Benefit contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual earnings on pension and other post-employment benefit assets – This difference is deferred and amortized over a closed five year period.

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 or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items classified as deferred inflows of resources. One of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is only recorded in the full accrual basis of accounting and results from the difference between expected and actual pension expense. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Net Position

Net position represents the difference between assets, deferred outflows/inflows of resources and liabilities. Net position invested in capital assets, net of related debt 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 its 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.

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.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $(38,612,953) difference are as follows:

General obligation bonds	$(27,022,840)
Sales tax revenue bonds	(9,145,000)
Deferred loss on refunding debt issuance	451,662
Bond premiums	(1,025,590)
TMRS net pension asset	558,322
OPEB - TMRS supplemental death benefit	(271,267)
OPEB - Retiree health plan	(355,991)
Capital lease	(713,204)
Compensated absences	(844,805)
Accrued interest payable	(244,240)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$(38,612,953)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $(1,133,278) difference are as follows:

Capital outlay	$ 2,241,579
Depreciation expense	(3,374,857)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$(1,133,278)

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this $10,284 difference are as follows:

Property taxes	$	5,196
Municipal court		5,088
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	10,284

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this $2,767,118 difference are as follows:

General obligation debt payments	$	3,165,000
Capital lease		157,964
Issuance of capital leases	(	479,387)
OPEB obligation - TMRS supplemental death benefit	(	22,152)
OPEB obligation - Retiree health plan	(	54,307)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	2,767,118

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances

As of September 30, 2018, the following funds had deficit fund balances:

Debt Service	$(	80,737)
Parks Improvement	(	187,390)

These deficits are expected to be funded with future revenues in their respective funds.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

Investment Type		Fair Value	Weighted Average Maturity (Days)
Logic	$	1,724,349	31
Texas Class		7,042,832	22

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State and City statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2018, $560,482 of the City's $847,936 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, $287,454, was covered by FDIC insurance.

Credit Risk. It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investment pool is rated AAAm by Standard & Poor's Investors Service.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the average dollar-weighted maturity of its portfolio to a maximum of 365 days.

Receivables

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

	Governmental				Proprietary	
	General	Economic Development Corporation	Debt Service	Nonmajor Governmental	Water and Utility	Total
Receivables:						
Property taxes	$ 10,136	$ -	$ 116,479	$ -	$ -	$ 126,615
Other taxes	1,136,005	373,846	-	181,826	-	1,691,677
Customer accounts	358,293	-	-	-	904,897	1,263,190
Other	185	75	-	-	25	285
Gross receivables	1,504,619	373,921	116,479	181,826	904,922	3,081,767
Less: allowance for uncollectibles	170,450	-	11,648	-	182,462	364,560
Net total receivables	$ 1,334,169	$ 373,921	$ 104,831	$ 181,826	$ 722,460	$ 2,717,207

Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	$ 8,882,847	$ 100,984	$ -	$ 8,983,831
Total assets not being depreciated	8,882,847	100,984	-	8,983,831
Capital assets, being depreciated:				
Buildings and improvements	58,428,722	1,282,457	(55,409)	59,655,770
Machinery and equipment	7,696,831	898,138	(2,151,264)	6,443,705
Total capital assets being depreciated	66,125,553	2,180,595	(2,206,673)	66,099,475
Less accumulated depreciation:				
Buildings and improvements	(31,111,079)	(2,992,239)	23,133	(34,080,185)
Machinery and equipment	(6,934,777)	(382,618)	1,906,878	(5,410,517)
Total accumulated depreciation	(38,045,856)	(3,374,857)	1,930,011	(39,490,702)
Total capital assets being depreciated, net	28,079,697	(1,194,262)	(276,662)	26,608,773
Governmental activities capital assets, net	$ 36,962,544	$(1,093,278)	$(276,662)	$ 35,592,604
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 681,006	$ -	$ -	$ 681,006
Total assets not being depreciated	681,006	-	-	681,006
Capital assets, being depreciated:				
Buildings and improvements	60,361,939	4,264,662	-	64,626,601
Machinery and equipment	1,248,820	420,686	(236,587)	1,432,919
Total capital assets being depreciated	61,610,759	4,685,348	(236,587)	66,059,520
Less accumulated depreciation:				
Buildings and improvements	(23,895,981)	(2,006,866)	-	(25,902,847)
Machinery and equipment	(1,054,588)	(55,165)	236,587	(873,166)
Total accumulated depreciation	(24,950,569)	(2,062,031)	236,587	(26,776,013)
Total capital assets being depreciated, net	36,660,190	2,623,317	-	39,283,507
Business-type activities capital assets, net	$ 37,341,196	$ 2,623,317	$ -	$ 39,964,513

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

Governmental activities:	
General government	$ 543,951
Public safety	256,056
Public works	2,422,237
Culture and recreation	152,613
Total depreciation expense - governmental activities	$ 3,374,857
Business-type activities:	
Water and utility	$ 2,062,031
Total depreciation expense - business-type activities	$ 2,062,031

Interfund Receivables, Payables and Transfers

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

Receivable Fund	Payable Fund	Amount
General	Debt Service	$ 85,341
General	Nonmajor governmental	187,390
Geenral	Water and utility	1,400,983
Hotel Conference Center	Water and utility	547,633
Nonmajor governmental	Water and utility	226,092
Total		$ 2,447,439

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The following schedule briefly summarizes the City's transfer activity at the fund level:

Tranfers Out	Transfers In					
	General	Debt Service	Nonmajor Governmental	Water and Utility	Internal Service	Total
General	$ -	$ -	$ 31,900	$ -	$ 35,000	$ 66,900
Economic Development Corporation	25,000	-	-	-	-	25,000
Nonmajor Governmental	-	83,025	-	22,400	-	105,425
Water and Utility	341,000	-	10,350	-	10,000	361,350
	$ 366,000	$ 83,025	$ 42,250	$ 22,400	$ 45,000	$ 558,675

Transfers are used to: (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expand them; and (2) fund the City's match portion for grants.

Long-term Debt

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation and revenue bonds, tax notes and notes payable. These debt obligations are secured by either future tax revenue, water and utility system revenue, or liens on property and equipment. Debt obligations that are intended to be repaid from water and utility system revenue have been recorded as business-type activities. All other long-term obligations of the City are considered to be governmental-type activities.

Bonds Payable and Tax Notes

A summary of the terms of general obligation, revenue, combination tax and revenue bonds, and tax notes outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2018, follows:

Series and Original Issue Amount		Final Maturity	Interest Rate	Governmental Activities	Business-type Activities
General Obligation Bonds					
2007 Series	$ 21,780,000	2030	4% - 5%	$ 950,000	$ 520,000
2011 Series	3,715,000	2031	2% - 4%	1,610,000	530,000
				2,560,000	1,050,000
General Obligation Refunding Bond					
2011 Series	1,625,000	2020	2.10%	385,000	-
2012 Series	2,605,000	2023	3%	1,380,000	-
2013 Series	3,295,000	2034	3.75%-4.5%	2,340,000	-
2014 Series	5,750,000	2030	2% - 4%	-	4,925,000
2015 Series	3,850,000	2027	2%	3,617,840	5,552,160
2017 Series	6,610,000	2028	3%	6,590,000	-
				14,312,840	10,477,160
Combination Tax and Revenue Bonds					
2006 Series	1,900,000	2021	4.25%	495,000	-
2010 Series	7,000,000	2032	1% - 5%	5,405,000	-
2013 Series	3,490,000	2033	2 - 4%	-	2,930,000
2014 Series	4,000,000	2034	2 - 4%	2,580,000	865,000
2016 Series	7,590,000	2036	2 - 4%	-	7,305,000
2017 Series	1,785,000	2032	3%	1,670,000	-
				10,150,000	11,100,000
Sales Tax Revenue Bonds					
2014 Series	4,000,000	2027	4.12%	3,025,000	-
2017 Series	6,500,000	2036	3-4.75%	6,120,000	-
				9,145,000	-
Total Bonds				$ 36,167,840	$ 22,627,160

Annual debt service requirements for bonds are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2019	$ 3,085,000	$ 1,389,558	$ 1,330,000	$ 641,959
2020	3,115,000	1,208,665	1,265,000	604,728
2021	2,915,000	1,028,915	1,400,000	571,328
2022	3,005,000	938,580	1,435,000	536,065
2023	3,040,000	844,396	1,475,000	498,740
2024-2028	13,377,840	2,809,535	8,062,160	1,829,097
2029-2033	6,025,000	1,130,538	6,005,000	581,696
2034-2037	1,605,000	138,622	1,655,000	64,194
Total	$ 36,167,840	$ 9,488,809	$ 22,627,160	$ 5,327,805

Annual debt service requirements for the capital lease are as follows:

`	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2019	$ 151,258	$ 12,522	$ 52,633	$ 12,522
2020	147,707	10,602	54,166	10,602
2021	151,240	8,618	56,167	8,618
2022	107,748	6,568	50,322	6,568
2023	111,177	4,450	51,806	4,450
2024	44,074	2,262	53,796	2,262
Total	$ 713,204	$ 45,022	$ 318,890	$ 45,022

Federal Arbitrage

General obligation bonds, combination tax and revenue bonds and certificates of obligation are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ 14,410,000	$ -	$ 1,700,000	$ 12,710,000	$ 1,370,000
General obligation refunding bond	15,067,840	-	755,000	14,312,840	1,195,000
Sales tax revenue bond	9,540,000	-	395,000	9,145,000	520,000
Sales tax revenue refunding bond	315,000	-	315,000	-	-
Premium from issuance of bonds	1,132,144	-	106,554	1,025,590	-
Capital Lease	391,781	479,387	157,964	713,204	151,258
Compensated absences	812,498	57,778	25,471	844,805	211,201
Governmental activities long-term liabilities	$ 41,669,263	$ 537,165	$ 3,454,989	$ 38,751,439	$ 3,447,459
Business-type activities					
Tax and revenue bonds	$ 23,712,160	$ -	$ 1,085,000	$ 22,627,160	$ 1,330,000
Premium from issuance of bonds	1,046,931	-	74,167	972,764	-
Capital Lease	-	377,164	58,274	318,890	52,633
Compensated absences	169,134	17,756	44,490	142,400	35,600
Business-type activities long-term liabilities	$ 24,928,225	$ 394,920	$ 1,261,931	$ 24,061,214	$ 1,418,233

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

Pledged Revenues

Marble Falls Economic Development Corporation

The Board of Directors for the Marble Falls Economic Development Corporation adopted a resolution that authorized the issuance of $4,000,000 worth of Sales Tax Revenue Bonds to pay for the costs of acquiring real property for the Waterfront Project and the Downtown Project, planning the two projects, parking, landscaping, meeting space, boardwalk, trail improvements, open space or park improvements and street improvements related to such projects, and the payment of costs of issuance related to the issuance of the bonds. This debt will be paid for with a one-half and one percent sales and use tax levied on the receipts at retail of taxable items within the City. It is anticipated that the pledged revenues will fully pay for future principal and interest payments. This debt issue is due to be retired in August 2027.

Fund Balance

As of September 30, 2018, governmental fund balance is composed of the following:

Fund Balance Classification	General	Economic Development Corporation	Debt Service	Hotel Conference Center	Other Governmental	Totals
Nonspendable:						
Prepaid items	$ 5,792	$ -	$ -	$ -	$ -	$ 5,792
Restricted:						
Capital acquisition and construction	-	-	-	6,686,955	516,700	7,203,655
Tourism activities	-	-	-	-	678,232	678,232
Public safety	-	-	-	-	87,088	87,088
Building security	-	-	-	-	6,379	6,379
Economic development	-	2,353,299	-	-	-	2,353,299
Police forfeiture	-	-	-	-	60,768	60,768
Unassigned	1,983,924	-	(80,737)	-	(187,390)	1,715,797
Total governmental fund balance	$ 1,989,716	$ 2,353,299	$(80,737)	$ 6,686,955	$ 1,161,777	$ 12,111,010

Defined Benefit Pension Policies

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

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

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over of seven 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 City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	65
Active employees	106
	247

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions 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 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.83% and 5.92% in calendar years 2017 and 2018, respectively. The city’s contributions to TMRS for the year ended September 30, 2018, were $386,566, 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 Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate 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 primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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 expenses 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, the actuary 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 return for each major assets class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. 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 period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2016	$ 20,062,873	$ 19,556,486	$ 506,387
Changes for the year:			
Service cost	801,181	-	801,181
Interest	1,350,616	-	1,350,616
Difference between expected and actual experience	(46,914)	-	(46,914)
Contributions - employer	-	358,624	(358,624)
Contributions - employee	-	445,101	(445,101)
Net investment income	-	2,710,663	(2,710,663)
Benefit payments, including refunds of employee contributions	(908,687)	(908,687)	-
Administrative expense	-	(14,047)	14,047
Other changes	-	(712)	712
Net changes	1,196,196	2,590,942	(1,394,746)
Balance at 12/31/2017	$ 21,259,069	$ 22,147,428	$(888,359)

The following presents the net pension asset of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability/asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-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/ (asset)	$ 2,019,560	$(888,359)	$(3,278,476)

Pension Plan Fiduciary Net Position

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

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 $495,355. 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	$ -	$ 122,554
Changes in actuarial assumptions	160,055	-
Difference between projected and actual investment earnings	-	564,337
Contributions subsequent to the measurement date	290,098	-
Total	$ 450,153	$ 686,891

$290,098 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the year ended September 30,	
2019	$ 96,322
2020	(53,980)
2021	(291,058)
2022	(278,120)

Defined Other Post-Employment Benefit Plans

Retiree Health Care Plan

Plan Description. The City provides health care benefits through a single-employer defined benefit OPEB, for all fulltime employees in an eligible class. All full-time employees of the City may participate in the retiree health plan upon retirement. Eligible retirees are required to pay 100% of the plan's blended premium. The City's GASB 75 liability is entirely attributable to the implicity rate subsidy.

Benefits Provided

Plan Participants

All full-time employees of the City may participate in the retiree health plan upon retirement. Eligible retirees are required to pay 100% of the plan's blended premium. The City's GASB 75 liability is entirely attributable to the implicit rate subsidy.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	3
Active Plan Members	106
Total	109

Normal Retirement Benefits

Members of the Texas Municipal Retirement System (TMRS) are eligible for normal retirement upon reaching age 60 with 5 years of service, or at any age with 20 years of service. The health care benefits are identical to the coverage offered to active employees.

Deferred Retirement Benefits

Employees who terminate service prior to retirement are not eligible for retiree medical coverage.

Death-in-Service Retirement Benefits

Surviving spouses of active employees who die while employed are allowed continued coverage through COBRA only.

Disability Retirement Benefits

Members who retire through disability retirement are eligible for retiree medical coverage.

Benefits for Spouses of Retired Employees

Spouses of eligible retirees are allowed coverage under the plan. Spouse coverage will end once the member is no longer covered.

Medicare – Eligible Provisions

Qualified retirees and eligible spouses are required to enroll in Medicare once eligible.

Dental and Vision Coverage

The City offers dental and vision coverage for retirees and their dependents. Retirees are 100% responsible for the dental and vision premiums.

Life Insurance Coverage

The City does not offer life insurance coverage for retirees and dependents.

Retiree Opt-out

The City does not provide any financial reward to retirees who opt-out.

Monthly Retiree Premiums Effective October 1, 2017

Health Plan	Employee Only	Employee & Spouse	Employee & Child(ren)	Employee & Family
HSA	$461.63	$925.05	$775.75	$1,123.13
Plan 1	$541.14	$1,084.38	$912.46	$1,312.47

The City does not contribute to HSA accounts.

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

Measurement year ended December 31,	2017
Actuarial cost method	Individual Entry-Age
Inflation rate	2.50% per annum
Discount rate	3.31%
Salary Increases	3.50% to 10.5% including inflation
Demographic Assumptions	Based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years
Participation Rates	20% for retirees that are at least 50 years old at retirement; 0% for retirees that are less than 50 years old at retiremen

Discount Rate. The municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate was 3.81% as of the prior measurement date.

Sensitivity of Total OPEB Liability to the Discount Rate Assumption. Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.31%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate Assumption (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB Liability	$ 483,480	$ 438,374	$ 397,616

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption. Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate (2.31%)	Current Healthcare Trend Rate Assumption	1% Increase in Discount Rate (4.31%)
Total OPEB Liability	$ 388,893	$ 438,374	$ 496,082

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB. At September 30, 2018, the City reported a liability of $438,374 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017. For the year ended September 30, 2018, the City recognized OPEB expense of $32,007. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2016	$ 390,395
Changes for the year:	
Service cost	14,432
Interest	15,102
Changes of assumptions	20,917
Benefit payments	(2,472)
Net changes	47,979
Balance at 12/31/2017	$ 438,374

At September 30, 2018, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

		Deferred Outflows of Resources
Changes in actuarial assumptions	$	18,444
Contributions subsequent to the measurement date		4,450
Totals	$	22,894

$4,450 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,		
2019	$	2,473
2020		2,473
2021		2,473
2022		2,473
2023		2,473
Thereafter		6,079

TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	20
Active employees	106
Total	180

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.19% for 2018 and 0.19% for 2017, of which 0.04% and 0.04%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2018 and 2017 were $2,622 and $2,511, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

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

Measurement year ended December 31,	2017
Inflation rate	2.50% per annum
Discount rate	3.31%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 10.5% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate. 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.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.31% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2017.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.31%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB Liability	$ 428,229	$ 352,907	$ 294,961

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2018, the City reported a liability of $352,907 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017. For the year ended September 30, 2018, the City recognized OPEB expense of $29,368. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

Balance at 12/31/2016	$ 302,684
Changes for the year:	
Service cost	12,081
Interest	11,622
Changes of assumptions	29,063
Benefit payments	(2,543)
Net changes	50,223
Balance at 12/31/2017	$ 352,907

At September 30, 2018, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	$ 23,398
Contributions subsequent to the measurement date	1,980
Totals	$ 25,378

$1,980 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,		
2019	$	5,665
2020		5,665
2021		5,665
2022		5,665
2023		738

Risk Management

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability or risk. The City participates in the Texas Municipal League Risk Pool, a risk-sharing pool, for property, liability, and workers' compensation, wherein member cities pool risks and funds and share in the costs of losses. Claims against the City are expected to be paid by that public entity risk pool. Should the City become insolvent, or otherwise unable to pay claims, the City may have to pay the claims. There were no significant reductions in insurance coverage or insurance settlements exceeding insurance coverage during each of the past three years.

Prior Period Adjustment – Change in Accounting Principles

During fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*. With GASB 75, the City must assume its Total OPEB Liability in connection with the TMRS SDBF and retiree health care plan. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. As such, beginning net position was restated by $318,139 for governmental activities and $67,178 for business-type activities.

Subsequent Event

On October 9, 2018, the City issued $6,265,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018. The debt will be used for city park improvements, acquisition and installation of water meter replacements, LED lighting for City facilities, downtown beautification, and payment of cost of issuance and professional services.

Financial Advisory Services
Provided By:

SAMCO Capital