OFFICIAL STATEMENT

Dated November 13, 2019

Rating:
S&P: "AA-"
(See "OTHER INFORMATION - RATING" herein)

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

THE BONDS **HAVE BEEN** DESIGNATED AS
"QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$5,575,000
CITY OF BELTON, TEXAS
(Bell County, Texas)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

Dated Date: December 5, 2019 **Due: August 1, as shown on the inside cover page**
Interest accrues from the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the $5,575,000 City of Belton, Texas, General Obligation Refunding Bonds, Series 2019 (the "Bonds") will accrue from the Date of Initial Delivery and will be payable February 1 and August 1 of each year commencing February 1, 2020, until maturity or earlier redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS – PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued by the City of Belton, Texas (the "City") pursuant to the Constitution and general laws of the State of Texas including particularly Chapter 1207, Texas Government Code, as amended, an ordinance authorizing the issuance of the Bonds adopted by the City Council of the City on October 8, 2019 (the "Bond Ordinance"), and a pricing certificate (the "Pricing Certificate") executed by the pricing officer as designated in the Bond Ordinance (the Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance"). The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see "THE BONDS – AUTHORITY FOR ISSUANCE" and "THE BONDS – SECURITY AND SOURCE OF PAYMENT").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding certain maturities of the City's outstanding obligations (the "Refunded Obligations") (see "SCHEDULE I" herein) to achieve a debt service savings, and (ii) paying the costs of issuing the Bonds (see "PLAN OF FINANCING").

CUSIP PREFIX: 081059
MATURITY SCHEDULE
SEE INSIDE COVER PAGE

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriter") and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on December 5, 2019 (the "Date of Initial Delivery").

SAMCO CAPITAL MARKETS

MATURITY SCHEDULE

8/1 Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers[1]
2020	$ 350,000	4.000%	1.360%	081059KS5
2021	280,000	4.000%	1.410%	081059KT3
2022	295,000	4.000%	1.460%	081059KU0
2023	320,000	4.000%	1.520%	081059KV8
2024	365,000	4.000%	1.610%	081059KW6
2025	380,000	4.000%	1.700%	081059KX4
2026	395,000	4.000%	1.800%	081059KY2
2027	410,000	4.000%	1.910%	081059KZ9
2028	425,000	4.000%	2.010%	081059LA3
2029	445,000	4.000%	2.110%	081059LB1
2030	455,000	3.000%	2.230% [2]	081059LC9
2031	470,000	3.000%	2.280% [2]	081059LD7
2032	485,000	3.000%	2.320% [2]	081059LE5
2033	500,000	3.000%	2.360% [2]	081059LF2

(Interest Accrues from the Date of Initial Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ LLC 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. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds. None of the City, the Financial Advisor or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

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

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2030, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION").

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This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

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

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described. See "CONTINUTING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE BONDS 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 BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, OR EXEMPTED, SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in the Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

NEITHER THE CITY, THE UNDERWRITER, NOR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires
Marion Grayson Mayor	May 2020
Wayne Carpenter Mayor Pro-Tem	May 2020
Craig Pearson Councilmember	May 2021
David K. Leigh Councilmember	May 2021
John Holmes Councilmember	May 2021
Dan Kirkley Councilmember	May 2021
Guy O'Banion Councilmember	May 2020

APPOINTED OFFICIALS

Name	Position
Sam A. Listi	City Manager
Susan Allamon	Interim Finance Director
Amy M. Casey, TRMC	City Clerk

CONSULTANTS AND ADVISORS

Auditors .... Jaynes Reitmeier Boyd & Therrell, P.C.
Waco, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Austin, Texas

Financial Advisor..Specialized Public Finance Inc.
Austin, Texas

For additional information regarding the City, please contact:

Susan Allamon Interim Finance Director City of Belton 100 South Davis Street Belton, Texas 76513 (254) 933-5800 (254) 933-5859 Fax	or	Jennifer Ritter Managing Director Specialized Public Finance Inc. 248 Addie Roy Road, Suite B-103 Austin, Texas 78746 (512) 275-7300 (512) 275-7305 Fax

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Belton, Texas is a political subdivision located in Bell County, and operating as a home-rule city under the laws of the State of Texas and a charter most recently amended by voters in 2005. The City was incorporated in 1852. The City operates under the City Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City is approximately 17.42 square miles in area (see "INTRODUCTION – DESCRIPTION OF THE CITY").
THE BONDS	The $5,575,000 General Obligation Refunding Bonds, Series 2019 (the "Bonds") are issued as serial Bonds maturing on August 1 in the years 2020 through and including 2033 (see "THE BONDS – GENERAL").
PAYMENT OF INTEREST	Interest on the Bonds will accrue from the Date of Initial Delivery and is payable February 1, 2020, and each August 1 and February 1 thereafter until maturity or prior redemption (see "THE BONDS – GENERAL" and "THE BONDS – OPTIONAL REDEMPTION").
AUTHORITY FOR ISSUANCE	The Bonds are being issued pursuant to the Constitution and general laws of the State including particularly Chapter 1207, Texas Government Code, as amended, an ordinance authorizing the issuance of the Bonds adopted by the City Council of the City on October 8, 2019 (the "Bond Ordinance") and a pricing certificate executed by the pricing officer on the date of sale of the Bonds as designated in the Bond Ordinance (the Bond Ordinance and pricing certificate are collectively referred to herein as the "Ordinance"). See "THE BONDS – AUTHORITY FOR ISSUANCE."
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the City, payable from a continuing, direct annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance (see "THE BONDS – SECURITY AND SOURCE OF PAYMENT").
OPTIONAL REDEMPTION	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2030, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS."
QUALIFIED TAX-EXEMPT BONDS	The City has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS – QUALIFIED TAX-EXEMPT OBLIGATIONS").
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding certain maturities of the City's outstanding obligations (the "Refunded Obligations") (see "SCHEDULE I" herein) to achieve a debt service savings, and (ii) paying the costs of issuing the Bonds (see "PLAN OF FINANCING").
RATING	The Bonds and the outstanding debt of the City have been rated "AA-" by S&P Global Ratings ("S&P") without regard to credit enhancement (see "OTHER INFORMATION – RATING").
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples

thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD .... The City has never defaulted on payment of its debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[1]	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Funded General Obligation Debt[2]	Per Capita Funded Tax Debt	Ratio Funded Debt to Taxable Assessed Valuation	% of Total Tax Collections
2016	21,214	$ 946,371,122	$ 44,611	$ 26,545,000	$ 1,251	2.80%	100.13%
2017	21,721	997,593,915	45,928	34,205,000	1,575	3.43%	99.65%
2018	22,078	1,057,247,293	47,887	34,460,000	1,561	3.26%	98.21%
2019	22,078	1,120,153,343	50,736	32,320,000	1,464	2.89%	98.42% (4)
2020	22,078	1,266,853,635	57,381	29,750,000 (3)	1,347 (3)	2.35% (3)	N/A

(1) Estimates provided by the City.
(2) Includes self-supporting debt. See Table 1 for more information.
(3) Projected; includes the Bonds and excludes the Refunded Obligations.
(4) Partial collections as of September 1, 2019.

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OFFICIAL STATEMENT

RELATING TO

$5,575,000
CITY OF BELTON, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of the $5,575,000 City of Belton, Texas General Obligation Refunding Bonds, Series 2019 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City (the "Bond Ordinance") on October 8, 2019, and a pricing certificate (the "Pricing Certificate") executed by the pricing officer as designated in the Bond Ordinance (the Bond Ordinance and such Pricing Certificate are collectively referred to herein as the "Ordinance") the date of sale of the Bonds. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., Austin, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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 Bonds will be submitted to 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.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City most recently amended its Home Rule Charter in 2005. The City operates under the City Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City is approximately 17.42 square miles in area. For more information regarding the City, see "APPENDIX A – GENERAL INFORMATION REGARDING THE CITY."

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding certain maturities of the City's outstanding obligations (the "Refunded Obligations") (see "SCHEDULE I" herein) to achieve a debt service savings, and (ii) paying the costs of issuing the Bonds.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources:		
Principal	$	5,575,000.00
Reoffering Premium		521,559.20
Total Sources	$	6,096,559.20
Uses:		
Deposit to Escrow Fund	$	5,974,168.22
Deposit to Debt Service Fund		1,499.32
Underwriters' Discount		42,982.28
Costs of Issuance		77,909.38
Total Uses	$	6,096,559.20

REFUNDED OBLIGATIONS . . . The principal of and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates, maturity dates and the respective redemption dates of such Refunded Obligations, as applicable, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and BOKF, NA, Dallas, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriter, together with other funds of the City, if any, the City will deposit with the Escrow Agent the cash necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective maturity dates and redemption dates, as applicable.

Specialized Public Finance Inc., in its capacity as Financial Advisor to the City, will certify as to the sufficiency (such certification, the "Sufficiency Certificate") of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal and interest on the Refunded Obligations, when due, at their date of redemption. Such funds will be held by the Escrow

Agent in a special escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. In certain instances, such cash may be invested in direct obligations of the United States which mature on or before any redemption date.

By the deposit of cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Obligations in accordance with applicable law and thereafter the City will have no further responsibility with respect to the payment of such Refunded Obligations including any subsequent insufficiency in the Escrow Fund. It is the opinion of Bond Counsel in reliance upon the Sufficiency Certificate that, as a result of such defeasance, the Refunded Obligations will no longer be payable from ad valorem taxes but will be payable solely from the cash held for such purpose by the Escrow Agent and that the Refunded Obligations will be defeased and are not to be included in or considered to be indebtedness of the City.

THE BONDS

GENERAL . . . The Bonds are dated December 5, 2019, and mature on August 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 1, 2020 and each August 1 and February 1 thereafter, accruing from the Date of Initial Delivery until maturity or earlier redemption.

The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein (the "Book-Entry-Only System"). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the City is subject to a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City sufficient to provide for the payment of principal of and interest on the Bonds.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt of the City within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits the City's maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts a maximum tax rate of $1.90 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.14 of the $1.90 maximum tax rate for ad valorem tax obligation debt service. The City's 2019/20 tax rate is $0.6598, of which $0.0860 is for debt service purposes.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2030, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot or any other customary random method the Bonds, or portions thereof, within such maturity to be redeemed. If an Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first-class, postage prepaid, to the registered owners of the Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds 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, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised or any such notice.

Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bond 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 Bond from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "Book-Entry-Only System" herein.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of a premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC Redemption Provisions . . . The Paying Agent/Registrar and the City so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall 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 Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the City or the Paying/Agent Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

Defeasance . . . *General.* The Ordinance provides for the defeasance of the Bonds and the termination of the pledge of taxes and revenues and all other general covenants in the Ordinance under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding ("Defeased Obligation") within the meaning of the Ordinance, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the City to retain the right to call Defeased Obligations to be paid at maturity, when the payment of all principal and interest payable with respect to such Defeased Obligations to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (1) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (2) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or a commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until after all Defeased Obligations shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Obligation, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Obligations, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities.

The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Ordinance. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company may at the discretion of the City also be invested in Defeasance Securities, as hereinafter defined, maturing in the amounts and at the times as set forth in the Ordinance, and all income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the City.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Ordinance for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent/Registrar or a commercial bank or trust company shall perform the services of Paying Agent/Registrar for such Defeased Obligations the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by the Ordinance.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or a commercial bank or trust company for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Ordinance shall be made without the consent of the registered owner of each Bond affected thereby.

Retention of Rights. To the extent that, upon the defeasance of any Defeased Obligations to be paid at its maturity, the City retains the right under State law to later call any Defeased Obligations which is subject to redemption (i.e. the Bonds) in accordance with the provisions of the Ordinance, the City may call such Defeased Obligations for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions set forth above regarding such Defeased Obligations as though it was being defeased at the time of the exercise of the option to redeem the Defeased Obligations and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Obligations.

Investments. Any escrow agreement or other instrument entered into between the City and the Paying Agent/Registrar or a commercial bank or trust company pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or a commercial bank or trust company for the payment of Defeased Obligations may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the City.

For the purposes of these provisions, "Defeasance Securities" means (i) Federal Securities, (ii) 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 City Council adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds. For the purposes of these provisions, "Federal Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

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

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

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds 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 Bonds 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, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriter take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Bonds 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 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the book-entry-only system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the Underwriter.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . If the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT. . . The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the close of business on the fifteenth day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“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 Holder of an Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS’ REMEDIES . . . The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City’s obligations are not uncertain or disputed. The remedy 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 Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by the city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property.

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 contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018 clarifying 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 is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code, determination of which will dictate the availability of the defense of immunity for causes of action arising under such contract.

As noted above, the Ordinance provides that Bondholders 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).

Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. 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.

AMENDMENTS TO THE ORDINANCE . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the owners, (4) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interest of the owners.

The Ordinance further provides that the owners of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Bonds no amendment may be made of the purpose of: (1) making any change in the maturity of any of the outstanding Bonds; (2) reducing the rate of interest borne by any of the outstanding Bonds; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (4) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

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AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF PROPERTY TAXATION . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Bell County Tax Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required 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, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a 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 homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, 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 as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within

175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. 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 is known as the "tax increment." During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, 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.

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" herein.

City and Taxpayer Remedies . . .Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing 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.

Levy and Collection of Taxes . . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City's Rights in the Event of Tax Delinquencies . . . Taxes levied by the City are a personal obligation of the owner of the property. 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 each taxing unit, including the City, having power to tax the property. The City'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 City 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 City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

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.

PUBLIC HEARING AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

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

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

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

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

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

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

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

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

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

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

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

November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

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

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

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

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.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . By the later of September 30 of each year or the 60th day after the date the certified appraisal roll is received by the City, the City is required to adopt a tax rate per $100 of each year taxable value for the current year. If the City does not adopt a tax rate by such required date, the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

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

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

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

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

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

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

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF PROPERTY TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $10,000; the disabled are granted an exemption of $1,500 to $3,000.

The City has **not** granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

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

The City does not tax nonbusiness personal property; and the Bell County Tax Appraisal District collects taxes for the City.

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

The City has taken action to tax freeport property.

The City does collect the additional one-half cent sales tax for economic development.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

In 2004, the City created the Tax Increment Finance Zone #1 (the "Zone") pursuant to Ordinance 2004-64. For tax year 2019 the total incremental value of taxable property in the Zone is 121,639,968 See "AD VALOREM PROPERTY TAXATION – Tax Increment Reinvestment Zones" herein.

The City has entered into three tax abatement agreements. For fiscal year ended September 30, 2018, the City abated ad valorem taxes totaling $50, 853. For details regarding the tax abatement agreements see "APPENDIX B – EXCERPTS FROM THE CITY OF BELTON, TEXAS ANNUAL FINANCIAL REPORT, NOTE XIII."

TABLE 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT

2019/20 Market Valuation Established by Bell County Tax Appraisal District (excluding totally exempt property and exempt agricultural use value)		$ 1,808,600,694
Less Exemptions/Reductions		541,747,059
2019/20 Net Taxable Assessed Valuation		$ 1,266,853,635
Debt Payable from Ad Valorem Taxes (as of 9/1/19)		
General Obligation Debt	$ 26,415,000 (1)	
The Bonds	5,575,000	
Debt Payable from Ad Valorem Taxes		$ 31,990,000
Less: Self-Supporting Debt(2)		(19,101,962)
Net Debt Payable from Ad Valorem Taxes		$ 12,888,038
Interest and Sinking Fund (as of 9/1/19)		$ 189,265
Ratio Net Tax Supported Debt to Taxable Assessed Valuation		1.02%

2020 Estimated Population - 22,078
Per Capita Taxable Assessed Valuation - $57,381
Per Capita Net Debt Payable from Ad Valorem Taxes - $584

(1) Excludes the Bonds and the Refunded Obligations.
(2) Self-supporting debt payable from the City's water & sewer utility fund, the economic development fund, the drainage fund, and the tax increment reinvestment zone.

TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9-30	Estimated Population(1)	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Funded Debt Outstanding at End of Year(2)	Ratio G.O. Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2016	21,214	$ 946,371,122	$ 44,611	$ 26,545,000	2.80%	$ 1,251
2017	21,721	997,593,915	45,928	34,205,000	3.43%	1,575
2018	22,078	1,057,247,293	47,887	34,460,000	3.26%	1,561
2019	22,078	1,120,153,343	50,736	32,320,000	2.89%	1,464
2020	22,078	1,266,853,635	57,381	29,750,000 (3)	2.35% (3)	1,347 (3)

(1) Estimates provided by the City.
(2) Includes debt that is self-supporting. See Table 1 for more information.
(3) Projected; includes the Bonds and excludes the Refunding Obligations.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9-30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2015	$ 0.6598	$ 0.5425	$ 0.1173	$5,904,297	97.91%	99.78%
2016	0.6598	0.5332	0.1266	6,239,069	99.59%	100.13%
2017	0.6598	0.5393	0.1205	6,582,814	98.65%	99.65%
2018	0.6598	0.5545	0.1053	6,975,718	98.21%	98.21%
2019	0.6598	0.5650	0.0948	7,390,772	98.42%(1)	98.42%(1)
2020	0.6598	0.5712	0.0860	8,358,700	N/A	N/A

(1) Partial collections as of September 1, 2019.

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2019/20 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
River Springs at Barge Ranch LP	$ 23,820,992	1.88%
Turtle Creek Investments Ltd.	17,926,896	1.42%
Oncor Electric Delivery Co. LLC	15,927,336	1.26%
Chappell Hill Equity III Ltd.	12,734,256	1.01%
Legacy Landing Group Ltd.	12,118,614	0.96%
Colonial Crossing Company Ltd.	11,106,429	0.88%
Bridon Bekeart	9,324,763	0.74%
Stratasys Direct Manufacturing	8,241,540	0.65%
Wal-Mart Real Estate Business Trust	7,298,664	0.58%
HEB Grocery Company LP	6,838,152	0.54%
	$ 125,337,642	9.89%

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter. For a description of the City's maximum ad valorem tax rate, see "THE BONDS – TAX RATE LIMITATION."

TABLE 5 – TAX ADEQUACY(1)

2020 Net Principal and Interest Requirements	$ 1,542,238
$0.1243 Tax Rate at 98% Collection Produces	$ 1,543,205
Average Annual Net Principal and Interest Requirements, 2020-2035	$ 983,689
$0.0793 Tax Rate at 98% Collection Produces	$ 984,523

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(1) Includes the Bonds and excludes the Refunded Obligations. Excludes self-supporting ad valorem tax debt. See Table 1 for more information.

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TABLE 6 – ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 10/31/2019
Bell County	$ 118,205,000	6.02%	$ 7,115,941
Belton Independent School District	241,814,996	35.46%	85,747,598
City of Belton	12,888,038 (1)	100.00%	12,888,038 (1)
Total Direct and Overlapping Net Funded Debt			$ 105,751,577
Ratio of Direct and Overlapping Net Funded Debt to Taxable Assessed Valuation			8.35% (1)
Per Capita Direct and Overlapping Net Funded Debt			$ 4,790 (1)

(1) Includes the Bonds and excludes the Refunded Obligations and self-supported general obligation debt (see Table 1 for more information on self-supporting ad valorem tax debt).

DEBT INFORMATION

TABLE 7 – DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt			The Bonds(1)			Less: Self-Supporting Debt	Total Net Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total		
2020	$ 1,890,000	$ 780,345	$ 2,670,345	$ 350,000	$ 133,668	$ 483,668	$ 1,611,774	$ 1,542,238
2021	1,950,000	725,289	2,675,289	280,000	189,900	469,900	1,605,026	1,540,162
2022	1,990,000	667,642	2,657,642	295,000	178,700	473,700	1,588,065	1,543,277
2023	1,935,000	607,818	2,542,818	320,000	166,900	486,900	1,841,548	1,188,169
2024	1,700,000	551,756	2,251,756	365,000	154,100	519,100	1,573,807	1,197,049
2025	1,750,000	504,582	2,254,582	380,000	139,500	519,500	1,575,510	1,198,571
2026	1,800,000	455,514	2,255,514	395,000	124,300	519,300	1,576,259	1,198,555
2027	1,850,000	402,767	2,252,767	410,000	108,500	518,500	1,571,843	1,199,424
2028	1,925,000	348,226	2,273,226	425,000	92,100	517,100	1,637,651	1,152,674
2029	1,485,000	288,750	1,773,750	445,000	75,100	520,100	1,249,450	1,044,400
2030	1,530,000	244,200	1,774,200	455,000	57,300	512,300	1,249,450	1,037,050
2031	1,120,000	198,300	1,318,300	470,000	43,650	513,650	1,243,550	588,400
2032	1,155,000	164,700	1,319,700	485,000	29,550	514,550	1,246,900	587,350
2033	1,185,000	130,050	1,315,050	500,000	15,000	515,000	1,244,200	585,850
2034	1,225,000	94,500	1,319,500	-	-	-	1,250,600	68,900
2035	1,260,000	57,750	1,317,750	-	-	-	1,250,800	66,950
2036	665,000	19,950	684,950	-	-	-	684,950	-
	$ 26,415,000	$ 6,242,136	$ 32,657,136	$ 5,575,000	$ 1,508,268	$ 7,083,268	$ 24,001,383	$ 15,739,020

(1) Interest calculated at the rates shown on the inside cover page.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . . None

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of additional general obligation debt within the next twelve months.

OTHER OBLIGATIONS . . . The City has no unfunded debt obligations as of September 30, 2019. See "Notes to the Financial Statements" in APPENDIX B.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see "APPENDIX B – EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT.")

As of December 31, 2017, the most recent date for which the actuarial report has been prepared, the City's total pension liability with respect to its TMRS pension plan was $22,583,844. As of such date, the City had plan fiduciary net position of $21,412,770, giving the City a Net Pension Liability of $1,171,074. For more detailed information concerning the City's pension plan, refer to "APPENDIX B – EXCERPTS FROM THE CITY OF BELTON, TEXAS ANNUAL FINANCIAL REPORT, NOTE VII."

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

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

Other than the SDBF, the City provides no other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

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FINANCIAL INFORMATION

TABLE 8 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2018	2017	2016	2015	2014
Revenues:					
Taxes	$ 10,009,336	$ 9,289,312	$ 8,969,963	$ 8,780,218	$ 8,474,429
Licenses and Permits	249,596	331,412	221,395	188,172	205,792
Intergovernmental	423,125	426,858	393,171	329,264	271,356
Charges for Services	2,692,984	2,743,579	2,589,725	2,526,593	2,434,770
Fines	283,137	314,189	367,310	358,012	397,409
Interest	110,872	61,681	21,414	11,910	6,009
Miscellaneous	379,266	265,537	412,848	134,891	127,434
Total Revenues	$ 14,148,316	$ 13,432,568	$ 12,975,826	$ 12,329,060	$ 11,917,199
Expenditures:					
General Government	$ 1,554,767	$ 1,510,233	$ 1,555,570	$ 1,460,659	$ 1,443,673
Public Safety	6,881,472	6,485,596	6,489,545	6,189,168	5,963,512
Economic Development	-	-	-	-	327,937
Highways and Streets	897,622	935,356	924,047	1,061,613	1,029,737
Culture and Recreation	1,434,597	1,357,934	1,281,494	1,196,792	1,155,054
Refuse Collection	1,205,209	1,123,844	1,079,976	1,027,958	986,098
Capital Outlay	30,094	-	-	-	391,983
Planning and Maintenance	860,103	895,277	713,502	701,711	-
Total Expenditures	$ 12,863,864	$ 12,308,240	$ 12,044,134	$ 11,637,901	$ 11,297,994
Excess (deficiency) of Revenues Over Expenditures	$ 1,284,452	$ 1,124,328	$ 931,692	$ 691,159	$ 619,205
Other Financing Sources:					
Operating Transfers In	$ 581,315	$ 562,000	$ 459,269	$ 458,847	$ 642,075
Operating Transfers Out	(1,857,175)	(1,460,923)	(1,113,199)	(1,010,233)	(1,684,542)
Total Transfers	$ (1,275,860)	$ (898,923)	$ (653,930)	$ (551,386)	$ (1,042,467)
Excess of Revenues Over Expenditures	$ 8,592	$ 225,405	$ 277,762	$ 139,773	$ (423,262)
Other Adjustments	-	-	-	-	-
Beginning Fund Balance	6,247,520	6,022,115	5,744,353	5,604,580	6,027,842
Ending Fund Balance[(1)]	$ 6,256,112	$ 6,247,520	$ 6,022,115	$ 5,744,353	$ 5,604,580

Source: City's audited financial statements.
(1) Unaudited General Fund Balance as of September 30, 2019 was $5,282,284.

TABLE 9 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.A.T.C.S., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9-30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2015	$ 3,205,411	54.29%	$ 0.3582	$ 156
2016	3,155,659	50.58%	0.3334	149
2017	3,276,982	49.78%	0.3285	151
2018	3,510,105	50.09%	0.3320	158
2019[(1)]	3,224,733	43.63%	0.2879	146

(1) Unaudited collections as of September 30, 2019.

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable, except for unmatured interest on general long-term debt.

Proprietary Fund revenues and expenses are recognized on the full accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred.

Fund Balances . . . Fund balances will be maintained in an amount adequate to assure that any legal requirements are met and that adequate funds are available to meet cash flow requirements. It is the City's intention to maintain in the General Fund and Water and Sewer Fund 15% of the next year's budgeted expenditures. Sixty days' of operating expenditures are to be maintained in the Debt Service Fund. Cash balances are to be monitored yearly during budgeting preparation.

Enterprise Fund Transfers to the General Fund . . . The City has adopted a financial policy whereby an annual transfer is made from the enterprise funds (generally, the water and sewer departments) to the General Fund. The transfer is considered a payment in lieu of taxes and is equal to 5% of the gross revenues of the enterprise fund (prior to 1996, the transfer was 4% of gross revenues).

Use of Bond Proceeds . . . The City's policy is to use bond proceeds for capital expenditures only. Such revenues are never to be used to fund normal City operations.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year by the middle of June the departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year. After review by the Finance Department and the City Manager, a budget of estimated revenues and expenditures is submitted to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state statutes. The City Council will adopt a budget prior to October 1. If the Council fails to adopt a budget then the budget proposed by the City Manager is deemed to have been adopted.

During the fiscal year, budgetary control is maintained by the monthly review of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that are budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

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INVESTMENTS

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

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

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (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; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

An eligible political subdivision such as the City may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations. The political subdivision's cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition costs, a project cost, or a construction expense.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

Under State law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending value and the fully accrued interest for the reporting period 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 strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance, or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (6) 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, (7) restrict the investment in no-load money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the treasurer, the chief financial officer (if not the treasurer) and the investment officer, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

The City's current investment policy is in compliance with the State law requirements described above.

TABLE 10 – CURRENT INVESTMENTS

As of June 30, 2019, the City's investable funds were invested in the following categories:

Description	Book Value	Percentage
Cash	$ 3,278,306	8.53%
Bonds of Deposit	4,250,000	11.06%
TexPool	8,480,168	22.07%
TexPool Prime	7,133,121	18.56%
TexSTAR	1,019,973	2.66%
LOGIC	7,133,008	18.56%
Texas Class	7,133,968	18.56%
Total	$ 38,428,544	100.00%

As of such date, the market value of the investment portfolio was approximately 100.00% of its book value. No funds of the City are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX MATTERS

OPINION . . . On the Date of Initial Delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX C – FORM OF BOND COUNSEL'S OPINION."

In rendering its opinion, Bond Counsel will rely upon (a) the City's federal tax certificate, (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters and (c) the sufficiency certificate of the City's financial advisor. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the projects financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds 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.

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

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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 City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City covenants to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds 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 $10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreements for the benefit of the respective registered and beneficial owners of the Bonds. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the agreements, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB currently makes this information publicly available on its Electronic Municipal Market Access System ("EMMA") at http://emma.msrb.org/.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 5 and 7 through 10 and in APPENDIX B. The City will provide this information within 6 months after the end of each fiscal year ending in or after 2019. If audited financial statements are not available when the other information is provided, the City will provide audited financial statements when and if they become available and will provide unaudited financial statements within 12 months after fiscal year end, unless audited financial statements are sooner provided. Financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC").

The City's current fiscal year end is September 30. Accordingly, it must provide updated information in the referenced tables by March 31 in each year and financial statements for the preceding fiscal year must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The City will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The City will provide notice of any of the following events with respect to the Bonds: (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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the City or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the City or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance make any provision for debt service reserves, credit enhancement or a trustee.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) 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 clauses (15) and (16) above and the definition of financial obligation in this Section to have the meanings as when they are used in the Rule, as evidenced by Securities and Exchange Commission Release No. 34-83885, dated August 20, 2018.

The City will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The City will also provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports."

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

The City may amend its continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreements, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds.

The City may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of its continuing disclosure agreements 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 have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (i) such provisions as so amended and (ii) any amendments or interpretations of the Rule.

If the City so amends its continuing disclosure agreements as described in this section, it has agreed to include with the next financial information and operating data provided in accordance with its agreements described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR AGREEMENTS . . . In previous continuing disclosure undertakings, the City has agreed to supply financial information and operating data with respect to the City of the general type of information contained in specified tables of the applicable Official Statement and the City's Comprehensive Annual Financial Report ("CAFR"). The annual financial information filings made by the City as a result of these undertakings for each of the last five years have consisted of the related CAFR, which the City believes contains the information of the general type of information contained in the specified tables. Please note that certain information in the specified tables is not presented explicitly in the CAFRs but can be calculated from information in the CAFRs, except for the amount of authorized but unissued bonds, which has not had any changes in the last five years.

LEGAL MATTERS

LEGAL OPINIONS . . . The City will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the City. The City will also furnish the approving legal opinion of Bond Counsel to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the City under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX C – FORM OF BOND COUNSEL'S OPINION." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken 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 Bonds in the Official Statement under the captions "THE BONDS" (exclusive of subcaptions "– DTC REDEMPTION PROVISIONS," "– BOOK-ENTRY-ONLY SYSTEM," "– USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT," and "– BONDHOLDERS' REMEDIES"), "INVESTMENTS – INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY" (exclusive of the last paragraph thereof), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "– COMPLIANCE WITH PRIOR AGREEMENTS"), "LEGAL MATTERS" (except for the next to last sentence of the first paragraph thereof), "OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "OTHER INFORMATION – LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" contained in the Official Statement to determine that the information relating to the Bonds and the Ordinance contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Dallas, Texas. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City.

The various legal opinions to be delivered concurrently with the delivery of the Bonds 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.

OTHER INFORMATION

RATING . . . The Bonds and the outstanding debt of the City have been rated "AA-" by S&P Global Ratings ("S&P") without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . The City is a defendant in various tort claims and lawsuits involving general liability, civil rights actions, and various contractual matters. In the opinion of the City's management and the City Attorney's office, the outcome of the pending litigation, if decided adversely to the City, will not have a material adverse effect on the City's financial position or operations of the City.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Under the Texas Public Security Procedures Act, Chapter 1201, Texas Government Code, as amended, the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (a) an insurance company, (b) a fiduciary or trustee, or (c) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2236, Texas Government Code, as amended, the Bonds may 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 INFORMATION – RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. No review has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

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 within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

UNDERWRITING . . . The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City at the initial offering prices set forth on page 2 of this Official Statement, less an underwriting discount of $42,982.28. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in the Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Reference is made to original documents in all respects. The Ordinance authorizing the issuance of the Obligations also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Underwriter.

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

/s/ MARION GRAYSON
Mayor
City of Belton, Texas

ATTEST:

/s/ AMY M. CASEY, TRMC
City Clerk
City of Belton, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax and Limited Revenue
Certificate of Obligation, Series 2013

Principal Amount	Interest Rate	Principal Installment
$ 305,000	3.078%	8/1/2020
325,000	3.078%	8/1/2021
340,000	3.078%	8/1/2022
360,000	3.078%	8/1/2023
400,000	3.078%	8/1/2024
410,000	3.078%	8/1/2025
425,000	3.078%	8/1/2026
435,000	3.078%	8/1/2027
450,000	3.078%	8/1/2028
465,000	3.078%	8/1/2029
475,000	3.078%	8/1/2030
490,000	3.078%	8/1/2031
505,000	3.078%	8/1/2032
520,000	3.078%	8/1/2033
$ 5,905,000		

Redemption Date: 12/18/2019
Redemption Price: 100%

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY . . . The City of Belton (the "City") is located in central Texas on Interstate Highway 35, approximately 45 miles south of Waco and 60 miles north of Austin. Belton is the County Seat of Bell County and is an agricultural, governmental and commercial center in the area. Belton is at the physical center of the Killeen/Temple MSA.

Founded in 1850, the City had a 2010 Census population of 18,216, which was a 8.0% increase over the 2000 Census population of 14,623, which was a 8.5% increase over the 1990 Census population of 12,476, and a 8.5% increase over the 1980 Census population of 10,660. The estimated population of the City in 2017 is 20,133.

Bell County's population has grown from the 1970 population of 124,483 to an estimate of 277,743 for 2008. Growth is largely due to the continued strength of the military presence at Ft. Hood and the growing sector of manufacturing and distribution concerns along the I-35 corridor. The business sector is strongly influenced by the growing of high tech manufacturing along the High Tech Corridor from San Antonio to Dallas/Fort Worth. The second primary influence to business growth is located on Interstate 35 or NAFTA Highway. This segment will continue to grow as trade with Mexico increases.

Belton offers a quality of life which makes it particularly attractive to business or individuals considering location. Lake Belton and Stillhouse Hollow lakes are located within five minutes driving time from downtown Belton and offer residents over 168 miles of shoreline and excellent fishing, camping and water sport activities.

LOCATION AND TRANSPORTATION . . . Belton's location is probably one of its strongest assets. Belton is located within 180 miles of every major market within the State of Texas (the "State"). This location gives Belton a unique opportunity for distribution concerns locating within the State. In addition, Belton is located in the center of business activity being generated along the Interstate 35 corridor between San Antonio and the Dallas/Fort Worth area.

Belton is served by an excellent transportation system. Regionally the population is served by private air service at the Draughon Miller airport in Temple and commercial flights are available from the Killeen-Fort Hood Regional Airport. Austin's international airport is forty five miles south. The business community is served by nine freight lines and two rail lines.

EDUCATION . . . The Belton Independent School District operates 12 public schools with a $65 million budget. Total enrollment stands at 8,700. The school system is one of Belton's strongest quality of life assets. The system is widely accepted as an education leader in the area and the State.

In addition to the public school system, higher education is readily available in the community through the University of Mary Hardin-Baylor and Temple College. UMHB was chartered by the Republic of Texas in 1845 and is a fully accredited co-education four year college. In 2009, enrollment is 2,700. The college is governed by a Board of Trustees and is under the auspices of the Baptist General Convention of Texas.

UTILITIES . . . Oncor Electric Delivery serves the City's electric supplier and Atmos Energy provides natural gas. City water is provided by the City of Belton with 8.33 million gallons of capacity and current average consumption at 3.09 million gallons daily. Wastewater treatment is provided by the Brazos River Authority. The City of Belton and the City of Temple share a common treatment plant with a maximum capacity of 10.0 million gpd.

LABOR MARKET PROFILE

Bell County	August 2019	August 2018
Total Civilian Labor Force	143,439	140,895
Total Unemployment	5,460	6,112
Percent Unemployed	3.8%	4.3%
Total Employment	137,979	134,783

State of Texas	August 2019	August 2018
Total Civilian Labor Force	14,015,573	13,768,541
Total Unemployment	506,817	546,121
Percent Unemployed	3.6%	4.0%
Total Employment	13,508,756	13,222,420

Source: Texas Employment Commission, Austin, Texas

RECREATION AND TOURISM . . . The City has fourteen (14) City parks totaling 145.90 acres which provides two (2) splash pads, ten (10) basketball courts, three (3) large softball fields, six (6) little league size baseball fields, four (4) senior/big league baseball fields, seven (7) large soccer fields, seven (7) covered pavilions, an amphitheater with stage, a one (1) acre fishing lake with covered pier, and numerous covered and uncovered picnic tables with barbecue pits. Three (3) parks have spring fed creeks running through part of the park.

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APPENDIX B

EXCERPTS FROM THE
CITY OF BELTON, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2018

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

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JRBT

JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
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P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of the City Council
City of Belton, Texas:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Belton, Texas as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund 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 Note XIV to the financial statements, effective October 1, 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16, the schedules of changes in the City's net pension liability and related ratios and contributions on pages 73 and 74, and the schedule of changes in the City's total OPEB liability and related ratios and contributions on pages 76 and 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information (continued)

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.

Jaynes, Reitmeier, Boyd & Therrell, P.C.

March 20, 2019

Management's Discussion and Analysis

As management of the City of Belton, Texas, we offer readers of the financial statements this narrative discussion and analysis of the financial activities of the City of Belton for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through vi of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $74,306,352 (*net position*). Of this amount, $12,854,443 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $4,984,327, primarily due to grants and contributions from third parties.

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $10,061,186, a decrease of $234,146 in comparison with the prior year. Of this total amount, $5,026,335 (50.0 percent) is available for spending at the City's discretion (*unassigned fund balance*).

- At the end of the current fiscal year, unrestricted fund balance (total of the *committed, assigned, and unassigned* components of *fund balance*) for the General Fund was $5,942,037, or 46.2 percent of total general fund expenditures.

- The City's total outstanding long-term debt increased by $215,000 during the current fiscal year.

- The City adopted the provisions of Governmental Accounting Standards Board ("GASB") No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective October 1, 2017. GASB 75 provides new requirements for accounting for other postemployment benefit plans ("OPEB"), including the recognition of an OPEB liability in the statement of net position and reporting OPEB contributions subsequent to the measurement date as deferred outflows of resources. It was not practical for the City to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to OPEB at October 1, 2017; consequently, beginning balances for deferred outflows and inflows of resources related to OPEB (except for deferred outflows of resources related to contributions made after the measurement date) were not reported. The City recognized a cumulative effect of change in accounting principles to recognize its OPEB liability and related deferred outflows for contributions subsequent to the measurement date, which reduced total unrestricted net position at October 1, 2017 by $299,203.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also includes other supplementary information intended to furnish additional detail to support 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, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, planning, culture and recreation, solid waste collection, economic development, and maintenance. The business-type activities of the City include a water and sewer utility and a drainage utility.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19 - 21 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains thirty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Debt Service Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22 - 26 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utility and for its drainage utility.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and for the Drainage Fund, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 27 - 29 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 – 69 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 73 - 78 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 84 through 96 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $74,306,352 at the close of the most recent fiscal year.

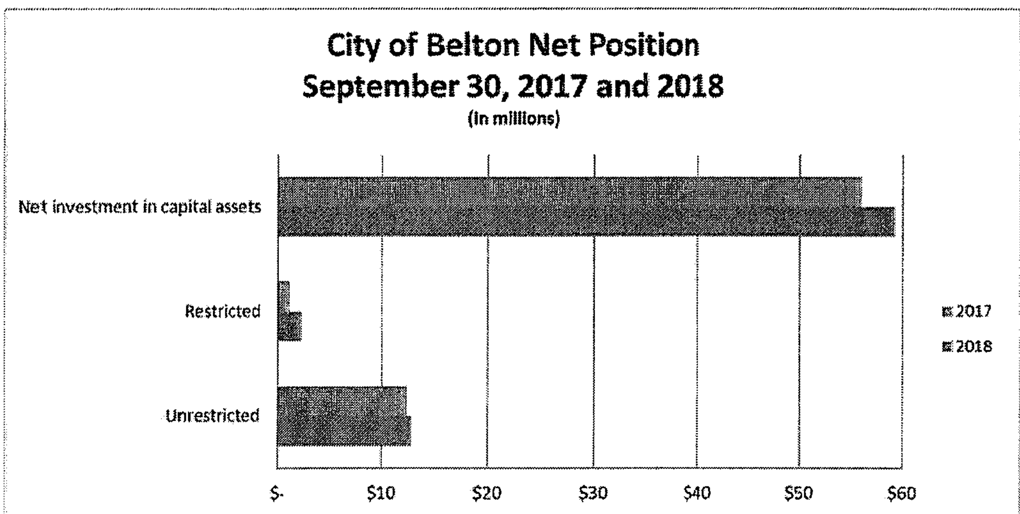
City of Belton Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 11,307,355	$ 11,828,344	$ 18,342,863	$ 20,738,850	$ 29,650,218	$ 32,567,194
Capital assets	40,372,069	36,983,128	44,456,558	39,111,420	84,828,627	76,094,548
Total assets	51,679,424	48,811,472	62,799,421	59,850,270	114,478,845	108,661,742
Total deferred outflows of resources	534,338	1,214,941	101,949	227,759	636,287	1,442,700
Long-term liabilities outstanding	17,127,982	16,751,964	20,498,879	21,645,194	37,626,861	38,397,158
Other liabilities	1,090,846	1,142,408	1,374,369	756,802	2,465,215	1,899,210
Total liabilities	18,218,828	17,894,372	21,873,248	22,401,996	40,092,076	40,296,368
Total deferred inflows of resources	601,871	157,349	114,833	29,497	716,704	186,846
Net position:						
Net investment in capital assets	25,577,477	24,735,870	33,628,880	31,298,115	59,206,357	56,033,985
Restricted	2,245,552	1,123,142	-	-	2,245,552	1,123,142
Unrestricted	5,570,034	6,115,680	7,284,409	6,348,421	12,854,443	12,464,101
Total net position	$ 33,393,063	$ 31,974,692	$ 40,913,289	$ 37,646,536	$ 74,306,352	$ 69,621,228

By far the largest portion of the City's net position ($59,206,357 or 79.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position ($2,245,552 or 3.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance ($12,854,443 or 17.3 percent) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

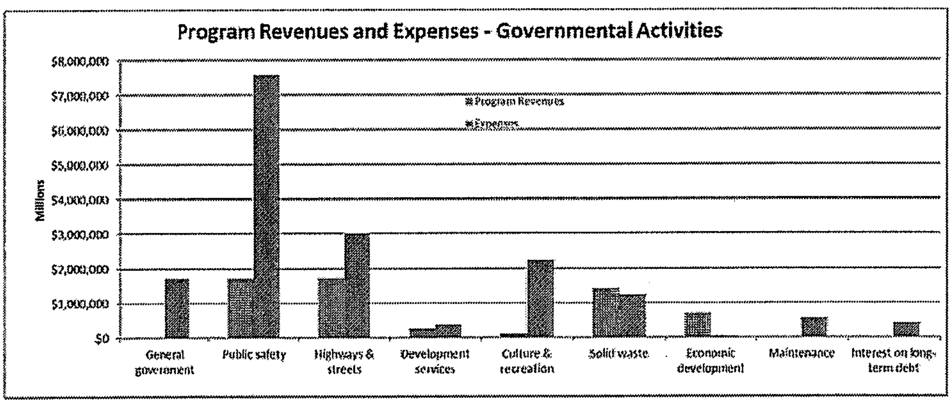


The City's total net position increased $4,685,124 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

City of Belton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 3,018,248	$ 3,469,905	$ 8,958,919	$ 8,246,690	$ 11,977,167	$ 11,716,595
Operating grants and contributions	935,743	1,031,482	-	-	935,743	1,031,482
Capital grants and contributions	1,960,463	1,756,063	2,404,750	3,296,277	4,365,213	5,052,340
General revenues:						
Property taxes	7,014,638	6,608,619	-	-	7,014,638	6,608,619
Sales taxes	3,510,105	3,276,982	-	-	3,510,105	3,276,982
Franchise taxes	1,248,967	1,164,334	-	-	1,248,967	1,164,334
Other taxes	208,983	208,502	-	-	208,983	208,502
Investment earnings	168,241	113,232	285,490	149,443	453,731	262,675
Gain (loss) on sale of assets	-	(981,302)	43,061	14,920	43,061	(966,382)
Other income	355,287	276,195	2,637	-	357,924	276,195
Total revenues	18,420,675	16,924,012	11,694,857	11,707,330	30,115,532	28,631,342
Expenses:						
General government	1,708,939	1,717,750	-	-	1,708,939	1,717,750
Public safety	7,583,124	7,270,358	-	-	7,583,124	7,270,358
Highways and streets	3,048,186	3,595,036	-	-	3,048,186	3,595,036
Planning	376,194	394,218	-	-	376,194	394,218
Culture and recreation	2,231,611	2,288,188	-	-	2,231,611	2,288,188
Solid waste	1,233,457	1,149,978	-	-	1,233,457	1,149,978
Economic development	20,538	456,739	-	-	20,538	456,739
Maintenance	551,823	499,933	-	-	551,823	499,933
Interest and other fiscal charge	500,946	530,523	-	-	500,946	530,523
Water and sewer	-	-	7,292,722	7,587,275	7,292,722	7,587,275
Drainage	-	-	583,665	467,002	583,665	467,002
Total expenses	17,254,818	17,902,723	7,876,387	8,054,277	25,131,205	25,957,000
Changes in net position before transfers	1,165,857	(978,711)	3,818,470	3,653,053	4,984,327	2,674,342
Transfers	503,778	774,986	(503,778)	(774,986)	-	-
Changes in net position	1,669,635	(203,725)	3,314,692	2,878,067	4,984,327	2,674,342
Net position, beginning of year as previously reported	31,974,692	32,178,417	37,646,536	34,768,469	69,621,228	66,946,886
Cumulative effect of change in accounting principle	(251,264)	-	(47,939)	-	(299,203)	-
Net position, beginning of year as restated	31,723,428	32,178,417	37,598,597	34,768,469	69,322,025	66,946,886
Net position, end of year	$ 33,393,063	$ 31,974,692	$ 40,913,289	$ 37,646,536	$ 74,306,352	$ 69,621,228

Governmental activities. During the current fiscal year, net position for governmental activities increased $1,669,635 from the prior fiscal year for an ending balance of $33,393,063. This increase was primarily the result of capital asset contributions and dedications.



Business-type activities. For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to an ending balance of $40,913,289. The total increase in net position for business-type activities (Water and Sewer Fund, and Drainage Fund) was $3,314,692. Key changes year over year included:

- Charges for business-type activities totaled $8,958,919, an increase of $712,229 or 8.6 percent from the prior year. This increase is a reflection of increased water consumption compared to the previous year, as well as an increase in the water, sewer, and drainage rates;
- Expenses for business-type activities totaled $7,876,387, a decrease of $177,890 or 2.2 percent compared to the previous year primarily due to a decrease in water purchase costs related to the servicing of the City's share of the bonds issued by the Bell County Water Control and Improvement District #1; and
- Capital grants and contributions from grant agencies and developers amounted to $2,404,750.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City Council.

At September 30, 2018, the City's governmental funds reported combined ending fund balances of $10,061,186, a decrease of $234,146 in comparison with the prior year. Approximately 50.0 percent ($5,026,335) of this amount constitutes *unassigned fund balance,* which is available for spending at the City's discretion. The remainder of fund balance is *non-spendable*, *restricted, committed, or assigned* to indicate that it is:

1) Not in spendable form ($6,699);
2) Restricted for particular purposes:
    a. Debt service ($306,462);
    b. Public, educational, or governmental access facilities ($299,494);
    c. Public safety training, equipment, and security facilities ($175,166);
    d. Cemetery maintenance and improvements ($3,189); and
    e. Economic development ($1,434,099).
3) Committed for particular purposes:
    a. Economic development ($5,082).

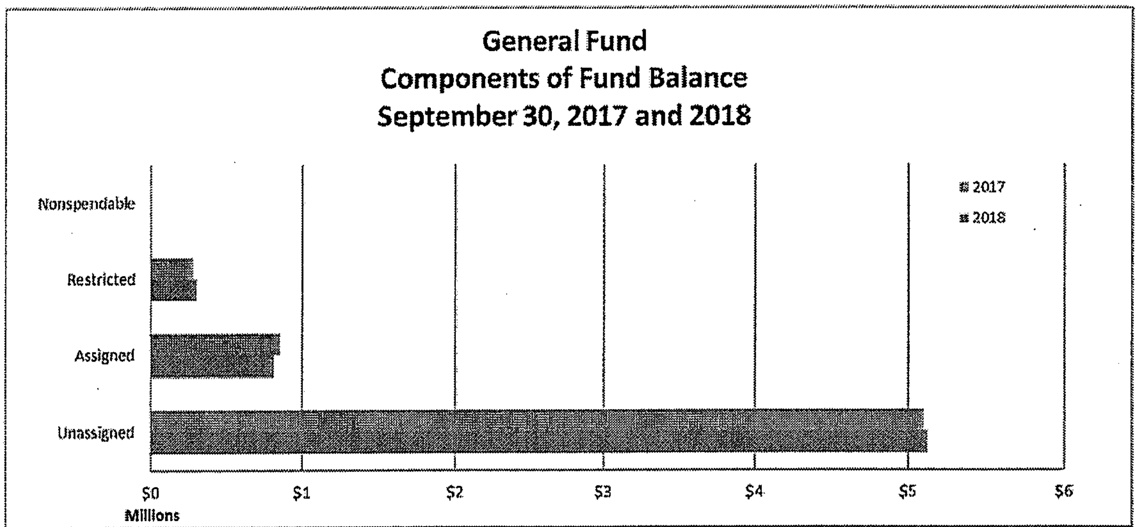
4) Assigned for particular purposes:

   a. Future civil service costs ($785,547);

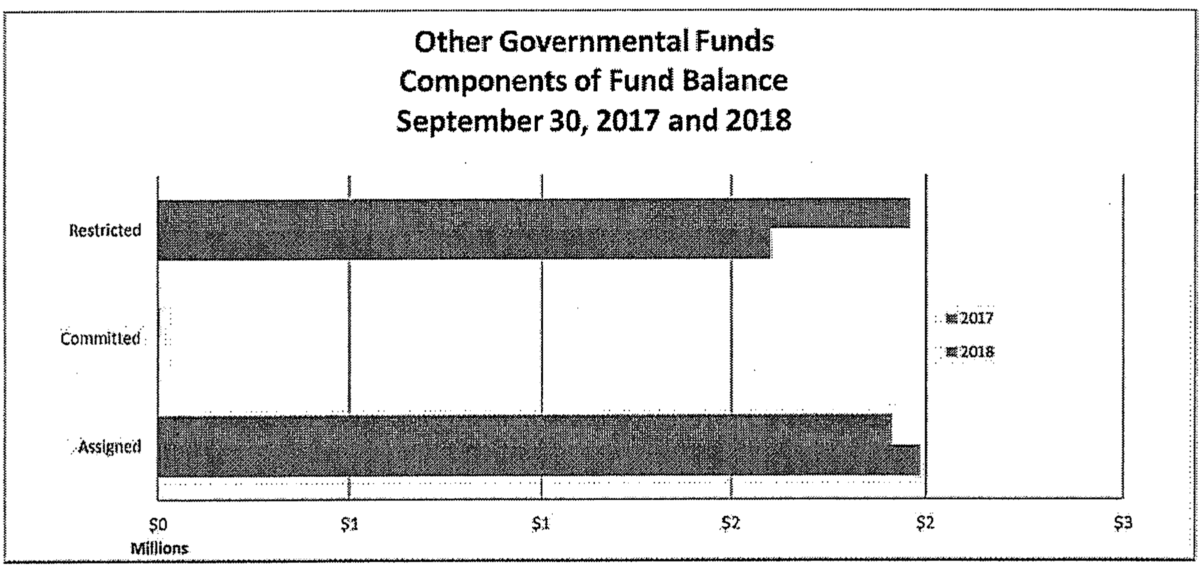
   b. Library books and services($31,009);

   c. Youth Advisory Commission ($2,649); and

   d. Capital projects and equipment ($1,985,455)



The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $5,122,832, while total fund balance increased by $8,592 to $6,256,112. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 39.8 percent of total General Fund expenditures, while total fund balance represents 48.6 percent of that same amount.



Assigned other governmental funds consist of capital project and capital equipment replacement funds. The balance increased from 2017 to 2018 primarily due to the funding of capital equipment replacement funds and the establishment of the major street maintenance fund, offset by the expenditure of capital project dollars on assigned projects.

Committed other governmental funds consist of the City funding dedicated to projects under the Texas Department of Housing and Community Affairs home replacement program. Replacement home activity during the year resulted in a decrease in fund balance to $5,082.

Restricted governmental funds relate to funds restricted to a specific purpose such as bond funds, Tax Increment Reinvestment Zone funds, and donations. The fund balance decrease from 2017 to 2018 was primarily due to the expenditure of bond proceeds in accordance with their designated use.

The Debt Service Fund, a major fund, had an increase in fund balance during the current year of $136,522, to bring the year-end fund balance to $306,462. This increase resulted from a transfer from the General Fund as part of the City's long-term tax rate management strategy.

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

Net position of the Water and Sewer Fund at the end of the year was $37,522,290, and the net position of the Drainage Fund amounted to $3,390,999. The total change in net position was $2,935,243 and $379,449, respectively. Notable changes in the Water and Sewer Fund activity include:

- Charges for sales and services totaled $8,428,213, an increase of $958,715 or 7.3 percent from the prior year. This increase is a reflection of increased water consumption compared to the previous year as well as an increase in the water and sewer rates;
- Operating expenses totaled $6,748,420, a decrease of $272,355 or 3.9 percent from the prior year. The decrease was primarily driven by a decrease in water purchase costs related to the servicing of the City's share of the bonds issued by the Bell County Water Control and Improvement District #1; and
- Capital contributions were $1,935,291. The contributions related to the dedication of water and sewer lines in the Liberty Valley, Sendero Estates, and Three Creeks subdivisions.

Notable changes in the Drainage Fund activity include:

- An increase in revenue of $63,564 or 16.3 percent due to an increased number of customers in the current year and an increase in the residential drainage fee;
- An increase in operating expenses of $116,744 or 7.0 percent. The increases were primarily driven by increases in engineering due to studies conducted during the year and depreciation; and
- There was $469,459 in capital contributions during the current year, related to the dedication of drainage facilities in the Liberty Valley and Sendero Estates subdivisions.

Budgetary Highlights

Original Budget Compared to Final Budget. Budgeted uses of funds, inclusive of expenditures and transfers out, increased by $450,000 between the original budget and final General Fund budget. The increase in uses was primarily attributable to additional funding for fire department HVAC maintenance ($50,000), additional refuse collection costs ($50,000), and transfers out to provide additional funding for street maintenance ($150,000) and to provide funding for the City's long-term tax rate management strategy ($200,000). Amendments were also made to the BEDC budget to allow for additional expenditures to cover the cost of land ($43,000) and a transfer out to provide additional funding for long-term economic development infrastructure projects ($1,694,500).

Budgeted sources of funds, inclusive of revenues and other financing sources increased by $250,000 between the original budget and final budget. The increase in sources was attributable to:

- $50,000 in additional refuse collection revenues (General Fund); and
- $200,000 in transfers in (Debt Service Fund).

Final budget compared to actual results. The most significant differences between budgeted revenues and actual revenues of the General Fund were as follows:

Revenue Source	Budgeted Revenues	Actual Revenues	Difference
Taxes	$ 9,706,619	$ 10,009,336	$ 299,717
Charges for services	2,677,900	2,692,984	(34,916)
Fines	349,200	280,794	(68,406)

The overage in tax revenues was caused by strong ad valorem, sales and franchise tax collections that surpassed budget expectations. Court fines and fees decreased due to a reduction in the number of citations written during the year. Ambulance billings were consistent with expectation, but a larger than expected write-off of uncollectible accounts was experienced as the City adopted a more conservative policy when reserving for ambulance receivables.

Transfers out exceeded budgeted amounts by $186,232 due to increased funding of capital initiatives across multiple departments, including Police ($48,829), Fire ($63,000), and Highways and Streets ($31,900) among others.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2018, amounts to $84,828,627 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, streets, bridges, drainage structures, and water and sewer system infrastructure to include pumps, pipes, storage tanks, and associated fittings and fixtures. The total increase in the City's investment in capital assets for the current fiscal year was 11.5 percent (a 9.2 percent increase for governmental activities and a 13.7 percent increase for business-type activities).

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

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	$ 4,751,226	$ 2,594,527	$ 285,175	$ 369,801	$ 5,036,401	$ 2,964,328
Buildings	5,720,539	5,451,289	87,456	84,590	5,807,995	5,535,879
Improvements other than buildings	1,811,464	2,002,452	-	-	1,811,464	2,002,452
Machinery and equipment	2,364,936	2,178,833	1,635,791	1,625,842	4,000,727	3,804,675
Infrastructure	25,366,096	21,376,154	35,365,341	34,873,311	60,731,437	56,249,465
Construction in progress	357,808	3,379,873	7,082,795	2,157,876	7,440,603	5,537,749
Total	$ 40,372,069	$ 36,983,128	$ 44,456,558	$ 39,111,420	$ 84,828,627	$ 76,094,548

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

- Work was completed on:
  - Sparta Road expansion and reconstruction;
  - South Main sidewalk extension and water line relocation;
  - Police Department remodel; and
  - Wireless Tower (AMI) installation.
- Work began/continued on:
  - Chisholm Trail Hike and Bike phase II trail extension;
  - Temple-Belton Wastewater Treatment Plant redevelopment;
  - North Belton elevated water storage tank;
  - I-35 sewer line extension;
  - BEDC office building renovation; and
  - Avenue D extension.

Additional information on the City's capital assets can be found in Note V on pages 48 - 51 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $34,419,995, all of which is backed by the full faith and credit of the City. In addition, $19,717,706 of this amount is also backed with a pledge of water and sewer revenue and storm water drainage revenue.

City of Belton's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	$ 14,702,289	$ 13,527,827	-	-	$ 14,702,289	$ 13,527,827
Revenue bonds with tax cross-pledge	-	-	19,717,706	20,677,168	19,717,706	20,677,168
Total	$ 14,702,289	$ 13,527,827	$ 19,717,706	$ 20,677,168	$ 34,419,995	$ 34,204,995

The City's total bonded debt increased by $215,000 (0.6 percent) during the current fiscal year. The increase was due to the issuance of $2,185,000 in certificates of obligations to fund the acquisition of land adjacent to the City's existing Heritage Park and offset by regularly scheduled principal payments. The City "AA-" rating from Standard & Poor's for general obligation debt was affirmed during the 2018 Certificate of Obligation debt issue process.

No direct funded debt limitation is imposed on the City under current State law or the City Charter. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem rate to $2.50 per $100 of assessed valuation for all City purposes. The City Charter limits the tax rate to $1.90 per $100 of assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the maximum tax rate for general obligation debt service. The City's fiscal year 2018 tax rate is well below all of the aforementioned limits.

Additional information on the City's long-term debt can be found in Note VI on pages 51 - 55 of this report.

Economic Factors and Next Year's Budget and Rates

The following economic factors currently affect the City of Belton and were considered in developing the 2019 fiscal year budget:

- The local economy has remained stable and is experiencing growth as evidenced by construction activity. Several large projects are underway, and the City continues to make infrastructure improvements and conduct master planning which will position the City for future expansion.

- Growth does create new challenges which must be addressed, and the Strategic Plan provides a framework for the future. Meeting these challenges takes the vision of Council to guide the Strategic Plan, financial resources to fund the Plan, and a management team and staff to implement the Plan. The Belton City Council, management, and staff remain dedicated to the purposes of planning and providing for the future of the City.

- The fiscal year 2019 budget was based on sustaining operating levels, while meeting the demands of a growing community. The ad valorem tax rate was maintained at the current rate of $0.6598 per $100 of assessed valuation to fund increases in recurring expenditure obligations. A water and sewer rate study was completed and adopted by Council during FY 2015, and will include future rate increases to fund planned projects, including most notably the design and construction of a new water tower, the expansion of the wastewater treatment plant, and the expansion of sewer services south down the IH-35 corridor. Previous rate increases from the rate study funded the transition to automated water metering and the Nolan Creek trunk sewer line replacement.

At the end of fiscal year 2018, fund balance (budgetary basis) in the General Fund is $5,205,919. The City Council has stipulated that the General Fund maintain three months operating expenditures as a minimum of undesignated reserves, which currently equates to $3.42 million. It is intended that the available fund balance beyond the minimum be used for non-recurring capital outlay and projects, and not for financing of on-going operational costs. For fiscal year 2019, fund balance in all budgeted funds is projected to remain at adequate levels to provide for unexpected decreases in revenues plus extraordinary unbudgeted expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Director of Finance
City of Belton
P.O. Box 120
Belton, Texas, 76513

Basic Financial Statements

CITY OF BELTON, TEXAS
FOUNDED 1850

Exhibit A-1

City of Belton, Texas
Statement of Net Position
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Belton Economic Development Corporation, Inc.
Assets				
Cash and cash equivalents	$ 9,418,150	17,082,673	26,500,823	6,858,933
Receivables (net of allowance for uncollectibles)	1,522,673	1,250,576	2,773,249	309,604
Due from other governments	359,833	-	359,833	-
Prepaid items	6,699	7,719	14,418	-
Restricted cash and cash equivalents	-	1,895	1,895	-
Capital assets not being depreciated:				
Land	4,751,226	285,175	5,036,401	918,847
Construction in progress	357,808	7,082,795	7,440,603	393,734
Capital assets, net of accumulated depreciation:				
Buildings	5,720,539	87,456	5,807,995	947,588
Improvements other than buildings	1,811,464	-	1,811,464	-
Machinery and equipment	2,364,936	1,635,791	4,000,727	-
Infrastructure	25,366,096	35,365,341	60,731,437	1,058,629
Total assets	51,679,424	62,799,421	114,478,845	10,487,335
Deferred Outflows of Resources				
Deferred outflows of resources	534,338	101,949	636,287	11,580
Total deferred outflows of resources	534,338	101,949	636,287	11,580
Liabilities				
Accounts and retainages payable	749,194	980,168	1,729,362	34,353
Accrued interest payable	78,996	95,106	174,102	-
Other accrued liabilities	247,636	49,575	297,211	32,587
Customer deposits payable	15,020	249,520	264,540	2,200
Noncurrent liabilities:				
Due within one year	794,971	1,041,017	1,835,988	-
Due in more than one year	16,333,011	19,457,862	35,790,873	27,570
Total liabilities	18,218,828	21,873,248	40,092,076	96,710
Deferred Inflows of Resources				
Deferred inflows of resources	601,871	114,833	716,704	13,044
Total deferred inflows of resources	601,871	114,833	716,704	13,044
Net Position				
Net investment in capital assets	25,577,477	33,628,880	59,206,357	3,318,798
Restricted for:				
Debt service	333,694	-	333,694	-
Economic development	1,434,009	-	1,434,009	-
Court	36,898	-	36,898	-
Public safety	138,268	-	138,268	-
Public access facilities	299,494	-	299,494	-
Cemetery	3,189	-	3,189	-
Unrestricted	5,570,034	7,284,409	12,854,443	7,070,363
Total net position	$ 33,393,063	40,913,289	74,306,352	10,389,161

See accompanying notes to financial statements.

City of Belton, Texas
Statement of Activities
For the Fiscal Year Ended
September 30, 2018

Functions/Programs		Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	$	1,708,939	-	2,000	-
Public safety		7,583,124	1,256,344	406,857	52,911
Highways and streets		3,048,186	-	-	1,724,242
Planning		376,194	249,596	-	-
Culture and recreation		2,231,611	100,485	12,819	-
Solid waste		1,233,457	1,411,823	-	-
Economic development		20,538	-	514,067	183,310
Maintenance		551,823	-	-	-
Interest and other fiscal charges		500,946	-	-	-
Total governmental activities		17,254,818	3,018,248	935,743	1,960,463
Business-type activities:					
Water and sewer		7,292,722	8,506,124	-	1,935,291
Drainage		583,665	452,795	-	469,459
Total business-type activities		7,876,387	8,958,919	-	2,404,750
Total primary government	$	25,131,205	11,977,167	935,743	4,365,213
Component unit:					
Belton Economic Development Corporation, Inc.	$	1,488,732	52,156	-	-
Total component unit	$	1,488,732	52,156	-	-

General revenues:
- Property taxes
- Sales taxes
- Franchise taxes
- Hotel/motel taxes
- Alcoholic beverage taxes
- Unrestricted investment earnings
- Miscellaneous
- Gain (loss) on sale of assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year as previously reported

Cumulative effect of change in accounting principle

Net position, beginning of year as restated

Net position, end of year

See accompanying notes to financial statements.

Governmental Activities	Business-type Activities	Total	Component Unit Belton Economic Development Corporation, Inc.
Net Revenues (Expenses) and Changes in Net Position — Primary Government			
(1,706,939)		(1,706,939)	
(5,867,012)		(5,867,012)	
(1,323,944)		(1,323,944)	
(126,598)		(126,598)	
(2,118,307)		(2,118,307)	
178,366		178,366	
676,839		676,839	
(551,823)		(551,823)	
(500,946)		(500,946)	
(11,340,364)		(11,340,364)	
-	3,148,693	3,148,693	
-	338,589	338,589	
-	3,487,282	3,487,282	
(11,340,364)	3,487,282	(7,853,082)	
			(1,436,576)
			(1,436,576)
$ 7,014,638	-	7,014,638	-
3,510,105	-	3,510,105	1,755,053
1,248,967	-	1,248,967	-
162,032	-	162,032	-
46,951	-	46,951	-
168,241	285,490	453,731	105,957
355,287	2,637	357,924	-
-	43,061	43,061	-
503,778	(503,778)	-	-
13,009,999	(172,590)	12,837,409	1,861,010
1,669,635	3,314,692	4,984,327	424,434
31,974,692	37,646,536	69,621,228	9,970,173
(251,264)	(47,939)	(299,203)	(5,446)
31,723,428	37,598,597	69,322,025	9,964,727
$ 33,393,063	40,913,289	74,306,352	10,389,161

City of Belton, Texas
Balance Sheet
Governmental Funds
September 30, 2018

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 5,463,632	306,462	3,648,056	9,418,150
Receivables (net of allowance for uncollectibles)	1,385,479	27,233	109,961	1,522,673
Due from other governments	359,833	-	-	359,833
Due from other funds	18,698			18,698
Prepaid items	6,699	-	-	6,699
Total assets	$ 7,234,341	333,695	3,758,017	11,326,053
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts and retainages payable	$ 509,111	-	240,083	749,194
Accrued liabilities	247,012	-	624	247,636
Customer deposits payable	15,020	-	-	15,020
Due to other funds	-	-	18,698	18,698
Total liabilities	771,143	-	259,405	1,030,548
Deferred inflows of resources:				
Unavailable revenue	207,086	27,233	-	234,319
Total deferred inflows of resources	207,086	27,233	-	234,319
Fund balances:				
Nonspendable	6,699	-	-	6,699
Restricted	307,376	306,462	1,604,572	2,218,410
Committed	-	-	5,082	5,082
Assigned	819,205	-	1,985,455	2,804,660
Unassigned	5,122,832	-	(96,497)	5,026,335
Total fund balances	6,256,112	306,462	3,498,612	10,061,186
Total liabilities, deferred inflows of resources and fund balances	$ 7,234,341	333,695	3,758,017	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	40,372,069
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	234,319
Long-term liabilities, including bonds payable and the net pension and total OPEB liabilities, are not due and payable in the current period, and therefore, are not reported in the funds.	(17,274,511)
Net position of governmental activities	$ 33,393,063

See accompanying notes to financial statements.

Exhibit A-4

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Ad valorem	$ 5,203,313	990,961	806,822	7,001,096
Sales	3,510,105	-	-	3,510,105
Franchise	1,248,967	-	-	1,248,967
Hotel/motel	-	-	162,032	162,032
Alcoholic beverage	46,951	-	-	46,951
Licenses and permits	249,596	-	-	249,596
Intergovernmental	423,125	-	732,770	1,155,895
Charges for services	2,692,984	-	-	2,692,984
Fines	283,137	-	18,100	301,237
Interest	110,872	10,380	46,989	168,241
Contributions and donations	11,069	-	259,263	270,332
Payments in lieu of taxes	9,375	-	-	9,375
Miscellaneous	358,822	-	400	359,222
Total revenues	14,148,316	1,001,341	2,026,376	17,176,033
Expenditures:				
Current:				
General government	1,554,767	-	110,348	1,665,115
Public safety	6,881,472	-	149,084	7,030,556
Highways and streets	897,622	-	663,904	1,561,526
Planning	357,122	-	3,050	360,172
Culture and recreation	1,434,597	-	151,162	1,585,759
Solid waste	1,205,209	-	-	1,205,209
Economic development	-	-	20,538	20,538
Maintenance services	502,981	-	4,220	507,201
Debt service:				
Principal	-	705,538	305,000	1,010,538
Interest and fiscal charges	-	361,121	52,056	413,177
Bond issuance costs	-	(658)	2,185	1,527
Capital outlay	30,094	-	4,760,372	4,790,466
Total expenditures	12,863,864	1,066,001	6,221,919	20,151,784
Excess (deficiency) of revenues over (under) expenditures	1,284,452	(64,660)	(4,195,543)	(2,975,751)
Other financing sources (uses):				
Insurance proceeds	22,821	-	3,244	26,065
Proceeds from the sale of capital assets	2,833	-	38,353	41,186
Issuance of debt	-	1,182	2,169,394	2,170,576
Transfers in	555,661	200,000	1,657,175	2,412,836
Transfers out	(1,857,175)	-	(51,883)	(1,909,058)
Total other financing sources (uses)	(1,275,860)	201,182	3,816,283	2,741,605
Net change in fund balances	8,592	136,522	(379,260)	(234,146)
Fund balances, beginning of year	6,247,520	169,940	3,877,872	10,295,332
Fund balances, end of year	$ 6,256,112	306,462	3,498,612	10,061,186

See accompanying notes to financial statements.

Exhibit A-5

City of Belton, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended
September 30, 2018

Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:

Net change in fund balances - total governmental funds (Exhibit A-4)	$ (234,146)
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 as depreciation expense. This is the amount by which capital outlays ($4,790,466) exceed depreciation expense ($2,768,859) in the current period.	2,021,607
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations, etc.) is to increase net position. This is capital assets contributed ($1,469,979) less the net book value of capital assets sold ($102,645) in the current period.	1,367,334
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(225,336)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. This amount is the net effect of change in the net pension liability and the related deferred outflows and inflows of resources ($19,651), less the net effect of change in the total OPEB liability and the related deferred outflows of resources ($23,918) less the change in accrued interest payable ($9,945) plus the change in compensated absences ($30,026).	(23,488)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount of new debt issued less principal repayments and bond premium amortization in the current year.	(1,236,336)
Change in net position of governmental activities (Exhibit A-2)	$ 1,669,635

See accompanying notes to financial statements.

Exhibit A-6

City of Belton, Texas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis
For the Fiscal Year Ended
September 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Revenues:				
Taxes:				
Current ad valorem	$ 5,029,819	5,029,819	5,105,092	75,273
Delinquent ad valorem	59,800	59,800	47,031	(12,769)
Penalty and interest	54,400	54,400	51,190	(3,210)
Total ad valorem	5,144,019	5,144,019	5,203,313	59,294
Sales	3,370,000	3,370,000	3,510,105	140,105
Franchise	1,157,100	1,157,100	1,248,967	91,867
Alcoholic beverage	38,500	38,500	46,951	8,451
Total taxes	9,709,619	9,709,619	10,009,336	299,717
Licenses and permits:				
Building	112,200	112,200	119,128	6,928
Electrical	34,900	34,900	38,100	3,200
Plumbing	36,400	36,400	48,991	12,591
Mechanical	18,200	18,200	16,325	(1,875)
Swimming pool	1,100	1,100	1,040	(60)
Rezoning fees	5,700	5,700	3,100	(2,600)
Subdivision fees	8,500	8,500	12,062	3,562
Miscellaneous	11,400	11,400	10,850	(550)
Total licenses and permits	228,400	228,400	249,596	21,196
Intergovernmental	352,807	352,807	365,804	12,997
Charges for services:				
Ambulance	1,250,000	1,250,000	1,193,986	(56,014)
Parks and recreation	68,900	68,900	87,175	18,275
Brush collection	182,300	182,300	183,661	1,361
Refuse collection	1,176,700	1,226,700	1,228,162	1,462
Total charges for services	2,677,900	2,727,900	2,692,984	(34,916)
Fines:				
Municipal court	244,500	244,500	200,816	(43,684)
Court fees	104,700	104,700	79,978	(24,722)
Total fines	349,200	349,200	280,794	(68,406)
Rental	-	-	100	100
Interest	65,000	65,000	95,673	30,673
Contributions and donations	2,000	2,000	-	(2,000)
Payments in lieu of taxes	9,500	9,500	9,375	(125)
Miscellaneous	187,700	187,700	311,657	123,957
Total revenues	13,582,126	13,632,126	14,015,319	383,193

(Continued)

Exhibit A-6
(Continued)

City of Belton, Texas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis
For the Fiscal Year Ended
September 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Expenditures:				
General government:				
City council	$ 74,604	94,317	92,795	1,522
City administration	888,955	627,686	595,036	32,650
Finance	510,903	513,917	506,868	7,049
Legal	177,993	179,681	179,681	-
Information Technology	174,713	174,867	174,867	-
Total general government	1,827,168	1,590,468	1,549,247	41,221
Public safety:				
Police	3,905,618	3,905,618	3,773,443	132,175
Fire	2,873,060	2,884,682	2,821,145	63,537
Total public safety	6,778,678	6,790,300	6,594,588	195,712
Highways and streets	954,604	929,679	897,622	32,057
Planning	391,000	376,000	357,122	18,878
Culture and recreation:				
Parks	1,081,037	1,086,690	1,076,682	10,008
Library	308,436	308,436	304,139	4,297
Total culture and recreation	1,389,473	1,395,126	1,380,821	14,305
Solid waste	1,154,190	1,207,259	1,205,209	2,050
Maintenance services	515,826	515,870	509,549	6,321
Total expenditures	13,010,939	12,804,702	12,494,158	310,544
Excess (deficiency) of revenues over (under) expenditures	571,187	827,424	1,521,161	693,737
Other financing sources (uses):				
Insurance proceeds	-	-	22,821	22,821
Transfers in	575,307	575,307	542,662	(32,645)
Transfers out	(1,146,357)	(1,802,594)	(1,988,826)	(186,232)
Total other financing sources (uses)	(571,050)	(1,227,287)	(1,423,343)	(196,056)
Net change in fund balances	137	(399,863)	97,818	497,681
Fund balances, beginning of year	5,108,101	5,108,101	5,108,101	-
Fund balances, end of year	$ 5,108,238	4,708,238	5,205,919	497,681

See accompanying notes to financial statements.

Exhibit A-7

City of Belton, Texas
Statement of Net Position –
Proprietary Funds
September 30, 2018

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Drainage	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 16,806,365	276,308	17,082,673
Receivables (net of allowance for uncollectibles)	1,154,665	95,911	1,250,576
Prepaid items	7,719	-	7,719
Total current assets	17,968,749	372,219	18,340,968
Noncurrent assets:			
Restricted cash and cash equivalents	1,895	-	1,895
Capital assets:			
Land	285,045	130	285,175
Buildings	116,474	-	116,474
Infrastructure	53,875,672	3,880,094	57,755,766
Machinery and equipment	2,682,416	281,613	2,964,029
Construction in progress	7,082,795	-	7,082,795
	64,042,402	4,161,837	68,204,239
Less accumulated depreciation	(22,873,283)	(874,398)	(23,747,681)
Total capital assets, net	41,169,119	3,287,439	44,456,558
Total noncurrent assets	41,171,014	3,287,439	44,458,453
Total assets	59,139,763	3,659,658	62,799,421
Deferred Outflows of Resources			
Deferred outflows of resources	91,109	10,840	101,949
Liabilities			
Current liabilities:			
Accounts and retainages payable	946,348	33,820	980,168
Accrued interest payable	93,708	1,398	95,106
Other accrued liabilities	44,466	5,109	49,575
Customer deposits payable	249,520	-	249,520
Compensated absences - current	45,267	-	45,267
Revenue bonds payable - current	979,000	16,750	995,750
Total current liabilities	2,358,309	57,077	2,415,386
Noncurrent liabilities:			
Compensated absences	20,145	988	21,133
Net pension liability	164,687	19,593	184,280
Total OPEB liability	52,219	6,220	58,439
Revenue bonds payable	19,010,598	183,412	19,194,010
Total noncurrent liabilities	19,247,649	210,213	19,457,862
Total liabilities	21,605,958	267,290	21,873,248
Deferred Inflows of Resources			
Deferred inflows of resources	102,624	12,209	114,833
Net Position			
Net investment in capital assets	30,541,603	3,087,277	33,628,880
Unrestricted	6,980,687	303,722	7,284,409
Total net position	$ 37,522,290	3,390,999	40,913,289

See accompanying notes to financial statements.

Exhibit A-8

City of Belton, Texas
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Fiscal Year Ended
September 30, 2018

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Drainage	Total
Operating revenues:			
Charges for sales and services:			
Water service	$ 4,907,703	-	4,907,703
Sewer service	3,087,121	-	3,087,121
Storm drainage fees	-	452,742	452,742
Reconnect and late fees	144,860	-	144,860
Tap fees	288,529	-	288,529
Other operating revenue	77,911	53	77,964
Total operating revenues	8,506,124	452,795	8,958,919
Operating expenses:			
Salaries and wages	1,186,882	140,722	1,327,604
Employee benefits	368,336	50,761	419,097
Supplies	113,729	21,683	135,412
Repairs and maintenance	192,317	22,029	214,346
Water, sewage treatment, and other charges	2,117,599	126,678	2,244,277
Depreciation	2,769,557	212,782	2,982,339
Total operating expenses	6,748,420	574,655	7,323,075
Operating income (loss)	1,757,704	(121,860)	1,635,844
Nonoperating revenues (expenses):			
Insurance proceeds	2,637	-	2,637
Gain on sale of capital assets	6,915	36,146	43,061
Interest earnings	280,776	4,714	285,490
Interest expense	(544,302)	(9,010)	(553,312)
Total nonoperating revenues (expenses)	(253,974)	31,850	(222,124)
Income (loss) before contributions and transfers	1,503,730	(90,010)	1,413,720
Capital contributions	1,935,291	469,459	2,404,750
Transfers out	(503,778)	-	(503,778)
Change in net position	2,935,243	379,449	3,314,692
Total net position, beginning of year, as previously reported	34,629,889	3,016,647	37,646,536
Cumulative effect of change in accounting principle	(42,842)	(5,097)	(47,939)
Total net position, beginning of year, as restated	34,587,047	3,011,550	37,598,597
Total net position, end of year	$ 37,522,290	3,390,999	40,913,289

See accompanying notes to financial statements.

City of Belton, Texas
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended
September 30, 2018

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Drainage	Total
Cash flows from operating activities:			
Receipts from customers and users	$ 8,528,098	400,596	8,928,694
Payments to suppliers	(2,162,212)	(197,630)	(2,359,842)
Payments to employees	(1,196,048)	(141,300)	(1,337,348)
Net cash provided by operating activities	5,169,838	61,666	5,231,504
Cash flows from noncapital financing activities:			
Transfer from other funds	2,765,183	113,500	2,878,683
Transfer to other funds	(3,268,961)	(113,500)	(3,382,461)
Net cash used in noncapital financing activities	(503,778)	-	(503,778)
Cash flows from capital and related financing activities:			
Purchases and construction of capital assets	(5,838,130)	(176,682)	(6,014,812)
Proceeds from the sale of assets	94,181	43,602	137,783
Principal paid on capital debt	(943,550)	(15,912)	(959,462)
Interest paid on capital debt	(593,816)	(9,121)	(602,937)
Net cash used in capital and related financing activities	(7,281,315)	(158,113)	(7,439,428)
Cash flows from investing activities:			
Interest received	280,776	4,714	285,490
Net cash provided by investing activities	280,776	4,714	285,490
Net decrease in cash and cash equivalents	(2,334,479)	(91,733)	(2,426,212)
Cash and cash equivalents, beginning of year	19,142,739	368,041	19,510,780
Cash and cash equivalents, end of year	$ 16,808,260	276,308	17,084,568
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ 1,757,704	(121,860)	1,635,844
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,769,557	212,782	2,982,339
Decrease (increase) in receivables	21,974	(52,199)	(30,225)
Increase in accounts and retainages payable	577,726	23,264	600,990
Increase in other accrued liabilities	3,610	1,238	4,848
Increase in customer deposits payable	16,170	-	16,170
Increase in compensated absences	9,166	578	9,744
Increase (decrease) in net pension liability and pension-related deferred outflows and inflows of resources	9,857	(2,628)	7,229
Increase in total OPEB liability and OPEB-related deferred outflows of resources	4,074	491	4,565
Total adjustments	3,412,134	183,526	3,595,660
Net cash provided by operating activities	$ 5,169,838	61,666	5,231,504
Noncash capital and related financing activities:			
Contributions of capital assets	$ 1,935,291	469,459	2,404,750

See accompanying notes to financial statements.

City of Belton, Texas

Notes to Financial Statements

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Belton, Texas (the "City") was founded in 1850 and chartered in January of 1852 under provisions of the Constitution of the State of Texas. The City operates under a home rule charter which was approved by the electorate August 20, 1951, rewritten and approved May 5, 1990, and again rewritten and approved May 7, 2005. The charter provides for the Council-Manager form of government for the City. The Council is the legislative and governing body of the City and has control of all the City finances, property, functions, services, affairs and programs, subject to the terms and provisions of the City Charter. The City Manager is the chief executive and administrative officer of the City and is responsible to the Council for the proper administration of all the affairs and business of the City. As authorized by its charter, the City provides the following services: public safety (police and fire), highways and streets, sanitation and health, public improvements, planning and zoning, recreation, general administrative services, and water, sewer, and drainage utilities.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City did not have any blended component units. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

Discretely presented component unit - The Belton Economic Development Corporation, Inc. (the "Development Corporation") is a governmental nonprofit corporation organized for the purpose of promoting, assisting, and enhancing economic development activities of the City of Belton, Texas. The City Council appoints a governing body that is not substantively the same as the governing body of the primary government. Budgets of the Corporation and debt to be incurred must be approved by the Council.

Financial statements for the Development Corporation may be obtained from the finance department of the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component unit. Governmental activities, which normally are

I. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as another financing source.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

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

The *Drainage Fund* accounts for operations related to providing storm drainage service to the citizens of Belton. All activities necessary to provide such services are accounted for in this fund including, but not limited to, operations, maintenance, financing and related debt service, billing, and collection.

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

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets and Budgetary Accounting

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

1. Between thirty and ninety days prior to the beginning of each fiscal year, the City Manager submits a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held on the proposed budget and on the revised budget, if applicable.
3. Prior to September 28, but no sooner than five days after the final public hearing, the budget is legally enacted through passage of an ordinance. If not accepted and formally approved by the City Council before September 28, the budget as submitted by the City Manager is automatically adopted.
4. The City Manager is authorized to transfer budgeted amounts within departments within any fund and with Council authorization, between departments within any fund during the last three months of the fiscal year. Any revisions that alter the total expenditures of any fund must be approved by the City Council. Supplemental appropriations during the year were not significant.

I. Summary of Significant Accounting Policies (continued)

D. Budgets and Budgetary Accounting (continued)

5. A provision is made in the annual budget of the General Fund for a contingent appropriation not to exceed three percent of the total General Fund expenditures to be used in the case of unforeseen expenditures. This contingency is under the control of the City Manager and distributed by him. Disbursements of this appropriation are transferred to the department incurring the expenditure.

6. Annual budgets are legally adopted for the General Fund, the Hotel/Motel Tax Special Revenue Fund, the Debt Service Fund, the TIRZ Special Revenue Fund, the Water and Sewer Fund, and the Drainage Fund. Certain differences exist between the basis of accounting used for budgetary purposes and that used for financial reporting in accordance with generally accepted accounting principles ("GAAP"). Budgets are not prepared for capital project funds because all significant expenditures are based on fixed-bid contracts, which are controlled by management in the initial project planning stages.

7. Budget appropriations lapse at year-end and do not carry forward to future periods. The reported budgetary data has been revised for amendments authorized during the year.

8. The level of control (level at which expenditures may not exceed budget) is the fund.

The City prepares its annual appropriated budgets on a budgetary basis which differs from the GAAP basis. The budget and all transactions of the General Fund are presented in accordance with the City's budgetary basis in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis to provide a meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the GAAP basis is that revenues, expenditures and other financing sources (uses) of certain activities are not budgeted. Adjustments necessary to convert the net change in fund balance on the budgetary basis to a GAAP basis for the General Fund are provided below:

Net change in fund balance - budgetary basis	$ 97,818
Activities not included in the General Fund budget	(89,226)
Net change in fund balance - GAAP basis	$ 8,592

I. Summary of Significant Accounting Policies (continued)

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in governmental funds. Encumbrances do not constitute expenditures or liabilities because the commitments lapse at year-end and must be budgeted in the following year. At year-end, the amounts of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General fund	$ 3,500
Nonmajor governmental funds	206,853
Water and sewer fund	2,438,289
Drainage fund	26,465
Total primary government	$ 2,675,107
Discretely present component unit	$ 93,846

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, external investment pools and deposits in the City's internal cash and investment pool.

State statutes and the City's investment policy authorize the City to invest in obligations of the United States and its agencies, certificates of deposit, and public funds investment pools.

Investments are reported at fair value. The City invests in public funds investment pools that were created to function as money market mutual funds within appropriate state laws and regulations. Each of these public funds investment pools seek to maintain a constant $1.00 net asset value per share.

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances

I. Summary of Significant Accounting Policies (continued)

G. Receivables and Payables (continued)

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 30 percent of outstanding property taxes at September 30, 2018.

H. Inventory

The City does not maintain any significant amount of supplies. Supplies are expensed when the purchase is made.

I. Restricted Assets

Proceeds related to the Texas Community Block Development Grant program (CDBG) are classified as restricted assets on the balance sheet because their use is limited to projects approved under CDBG guidelines.

J. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Infrastructure assets are defined by the City as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest expense that relates to the cost of acquiring or constructing fixed assets in the enterprise fund is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction.

I. Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements other than buildings	4 – 50
Machinery and equipment	5 – 15
Infrastructure	10 – 25

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

L. Net Position Flow Assumption

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

M. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and

I. Summary of Significant Accounting Policies (continued)

M. Fund Balance Flow Assumptions (continued)

unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

N. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of 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.

O. Postemployment Benefits Other than Pensions ("OPEB")

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan.

P. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave for employees other than those employed under the civil service statute, outlined in local government code chapter 143. Those employed under the rules of civil service may accumulate sick leave that is payable upon their separation from the City, up to the maximum prescribed under the statute. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the

I. Summary of Significant Accounting Policies (continued)

P. Compensated Absences (continued)

governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated vacation leave, which is expected to be liquidated with expendable available financial resources, is reported as a program expense and fund liability in the general fund. Amounts of accumulated vacation leave within the governmental funds that are not expected to be liquidated with expendable available financial resources are reported as a long-term liability on the statement of net position. No expenditure is reported for these amounts in the fund financial statements. Accumulated vacation leave of proprietary fund types are recorded as an expense and liability of those funds as the benefits accrue to employees.

Q. 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 are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

R. Fund Balance

In the fund financial statements, governmental funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council (the City's highest level of decision-making authority) by adoption of an ordinance prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Through a

I. Summary of Significant Accounting Policies (continued)

R. Fund Balance (continued)

provision in the City's charter, the City Manager may assign fund balance. The City Council may also assign fund balance by ordinance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

For the classification of governmental fund balances, the City considers expenditures to be made from the most restrictive first when more than one classification is available.

		General	Debt Service	Other Funds	Totals
Nonspendable:					
Prepaid items	$	6,699	-	-	6,699
Restricted for:					
Court technology and security		-	-	36,898	36,898
Public safety		4,693	-	133,575	138,268
Public access facilities		299,494	-	-	299,494
Cemetery		3,189	-	-	3,189
Debt service		-	306,462	-	306,462
Economic development		-	-	1,434,099	1,434,099
Committed for:					
Economic development		-	-	5,082	5,082
Assigned for:					
Civil service sick pay and appeals		785,547	-	-	785,547
Culture and recreation		33,658	-	-	33,658
Capital projects and equipment		-	-	1,985,455	1,985,455
Unassigned		5,122,832	-	(96,497)	5,026,335
	$	6,256,112	306,462	3,498,612	10,061,186

S. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows and inflows of resources, and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

I. Summary of Significant Accounting Policies (continued)

T. Reconciliation of Government-wide and Fund Financial Statements

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 are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $17,274,511 difference are as follows:

General obligation bonds	$ 14,702,289
Premium on general obligation bonds	92,303
Compensated absences	1,061,245
Accrued interest payable	78,996
Net pension liability	965,862
Total OPEB liability	306,283
Pension-related deferred outflows of resources	(503,237)
Pension-related deferred inflows of resources	601,871
OPEB-related deferred outflows of resources	(31,101)
	$ 17,274,511

II. Deposits and Investments

Investments of the City at September 30, 2018, consist of investments in Texas Local Government Investment Pool ("TexPool"), in Texas Local Government Investment Pool Prime ("TexPool Prime"), in Texas Short-Term Asset Reserve Program ("TexSTAR"), in TexSTAR Local Government Investment Cooperative ("LOGIC"), and in Texas Cooperative Liquid Assets Securities System ("Texas CLASS") of $799,788, $7,198,436, $1,002,266, $7,208,645, and $7,202,375, respectively.

Credit Risk: For an investment, credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations. The Public Funds Investment Act (Government Code Chapter 2256) restricts the types of investments in which the City may invest. The City's investment policy addresses credit quality by further restricting authorized investments to obligations of the United States and its agencies, and public funds investment pools rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The City's investments in TexPool, TexPool Prime, TexSTAR, LOGIC, and Texas CLASS are rated AAAm by Standard & Poors.

II. <u>Deposits and Investments</u> (continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City will not invest in securities maturing more than two years from the date of purchase, and the composite portfolio will have a weighted average maturity of 365 days or less. The weighted average maturities of TexPool, TexPool Prime, TexSTAR, LOGIC, and Texas CLASS are 28, 37, 30, 34, and 22 days, respectively, as of September 30, 2018.

Custodial Credit Risk: The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with state law, by either surety bonds, letters of credit of the United States or its agencies and instrumentalities, or by eligible securities held by an independent third-party custodian. For an investment, custodial credit risk is the risk that in the event of the failure of the counter-party, the City will not be able to recover the value of its investment or collateralized securities that are in the possession of an outside third party. The City's investment policy requires that the purchase of investment securities be settled on a delivery basis and that ownership of all securities be perfected in the name of the City.

The City uses the following external public funds investment pools:

TexPool and *TexPool Prime:* The Texas Local Government Investment Pool ("TexPool") and the Texas Local Government Investment Pool Prime ("TexPool Prime") were created by an inter-local contract under the laws of the State of Texas and are governed by the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexPool and TexPool Prime are governed by the Comptroller of Public Accounts as public funds investments pools through the Texas Treasury Safekeeping Trust Company. The Comptroller is the sole officer, director, and shareholder of the Trust Company. The Comptroller and the Texas Treasury Safekeeping Trust Company have contracted with Federated Investors, Inc., as administrator and investment manager for the TexPool Portfolios. There are no maximum transaction amounts and withdrawals from TexPool and TexPool Prime may be made daily. TexPool and TexPool Prime use amortized cost rather than the fair value to report net position to compute share prices.

TexSTAR: The Texas Short-Term Asset Reserve Program ("TexSTAR") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexStar's governing body is a five-member Board of Directors consisting of representatives of three participants and one member designated by each of the co-administrators. JPMorgan Investment Management, Inc. (the investment manager) and First Southwest Company, LLC serve as co-administrators for TexSTAR. There are no maximum transaction amounts and withdrawals from TexStar may be made daily. TexSTAR uses amortized cost rather than the fair value to report net position to compute share prices.

II. Deposits and Investments (continued)

LOGIC: The Local Government Investment Cooperative ("LOGIC") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member Board of Directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators for LOGIC. JPMorgan Investment Management, Inc. (the investment manager) and First Southwest Company, LLC serve as co-administrators. There are no maximum transaction amounts and withdrawals from LOGIC may be made daily. LOGIC uses amortized cost rather than the fair value to report net position to compute share prices.

Texas CLASS: The Texas Cooperative Liquid Assets Securities System ("Texas CLASS") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Texas CLASS's governing body is a three-member Board of Trustees. Public Trust Advisors, LLC serve as the pool's administrator and investment adviser. There are no maximum transaction amounts and withdrawals from Texas CLASS may be made daily. Texas CLASS uses amortized cost rather than the fair value to report net position to compute share prices.

A reconciliation of deposits and investments as shown on the statement of net position:

Cash on hand	$ 44,551
Carrying amount of deposits	9,905,590
Carrying amount of investments	23,411,510
Total	$ 33,361,651
Per the statement of net position for the City:	
Cash and cash equivalents	$ 26,500,823
Restricted cash and cash equivalents	1,895
	26,502,718
Per the statement of net position for the Belton Economic Development Corporation, Inc.:	
Cash and cash equivalents	6,858,933
Total	$ 33,361,651

III. 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:

			Enterprise Funds			
	General	Debt Service	Water and Sewer	Drainage	Nonmajor Governmental Funds	Total
Receivables:						
Taxes	$ 1,156,210	41,343	-	-	38,385	1,235,938
Water/sewer	-	-	1,188,653	-	-	1,188,653
Storm drainage	-	-	-	113,714	-	113,714
Ambulance	5,894,358	-	-	-	-	5,894,358
Other	337,951	-	-	-	71,576	409,527
	7,388,519	41,343	1,188,653	113,714	109,961	8,842,190
Less:						
Allowance for uncollectibles	6,003,040	14,110	33,988	17,803	-	6,068,941
	$ 1,385,479	27,233	1,154,665	95,911	109,961	2,773,249

IV. Property Taxes

The City's property taxes are levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessed value for the tax roll of January 1, 2017, upon which the 2018 fiscal year levy was based, was $1,061,924,954.

The tax levy of October 2017 set a tax rate of $0.6598 per $100 of assessed valuation at 100 percent of assumed market value. The City may levy a tax of up to $1.90 per $100 of assessed valuation.

Taxes were due January 31, 2018, at which time a lien attaches for unpaid taxes. Tax collections during the fiscal year ended September 30, 2018, for the fiscal year 2018 levy were 98.9 percent of the total tax levy for that year.

Legislation has been passed by the Texas Legislature, which 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 county appraisal districts and for a state property tax board.

The appraisal of property within the City is the responsibility of the county appraisal district. The appraisal district is required under the property tax code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed at least every five years. The City may challenge appraised values established

IV. Property Taxes (continued)

by the appraisal district through various appeals and, if necessary, legal action. State law provides that the City Council set tax rates on City property. State law provides that the City Council sets the ad valorem tax rates on taxable property within the City. However, if the adopted maintenance and operations tax rate (which excludes the tax rate necessary to service the debt obligations of the City) exceeds the effective maintenance and operations tax rate by more than eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the effective rate.

V. Capital Assets

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,594,527	2,156,699	-	4,751,226
Construction in progress	3,379,873	1,813,409	(4,835,474)	357,808
Total capital assets not being depreciated	5,974,400	3,970,108	(4,835,474)	5,109,034
Capital assets, being depreciated:				
Buildings	$ 9,196,679	627,504	(6,617)	9,817,566
Improvements other than buildings	4,024,651	35,228	(22,680)	4,037,199
Machinery and equipment	6,139,421	723,475	(241,665)	6,621,231
Infrastructure	34,536,499	5,739,604	(227,212)	40,048,891
Total capital assets, being depreciated	53,897,250	7,125,811	(498,174)	60,524,887
Less accumulated depreciation for:				
Buildings	(3,745,390)	(355,938)	4,301	(4,097,027)
Improvements other than buildings	(2,022,199)	(214,140)	10,604	(2,225,735)
Machinery and equipment	(3,960,587)	(537,373)	241,665	(4,256,295)
Infrastructure	(13,160,346)	(1,661,408)	138,959	(14,682,795)
Total accumulated depreciation	(22,888,522)	(2,768,859)	395,529	(25,261,852)
Total capital assets, being depreciated, net	31,008,728	4,356,952	(102,645)	35,263,035
	$ 36,983,128	8,327,060	(4,938,119)	40,372,069

V. Capital Assets (continued)

Primary Government (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	369,801	-	(84,626)	285,175
Construction in progress	2,157,876	5,630,581	(705,662)	7,082,795
Total capital assets not being depreciated	2,527,677	5,630,581	(790,288)	7,367,970
Capital assets, being depreciated:				
Buildings	104,793	11,681	-	116,474
Machinery and equipment	2,813,992	335,882	(194,911)	2,954,963
Infrastructure	54,608,690	3,147,075	-	57,755,765
Total capital assets being depreciated	57,527,475	3,494,638	(194,911)	60,827,202
Less accumulated depreciation for:				
Buildings	(20,203)	(8,815)	-	(29,018)
Machinery and equipment	(1,188,150)	(272,646)	141,624	(1,319,172)
Infrastructure	(19,735,379)	(2,700,878)	45,833	(22,390,424)
Total accumulated depreciation	(20,943,732)	(2,982,339)	187,457	(23,738,614)
Total capital assets, being depreciated, net	36,583,743	512,299	(7,454)	37,088,588
	$ 39,111,420	6,142,880	(797,742)	44,456,558

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

Governmental activities:	
General government	$ 84,159
Public safety	513,751
Highways and streets, including depreciation of general infrastructure assets	1,450,923
Planning	13,374
Culture and recreation	637,682
Solid waste	28,392
Maintenance	40,578
Total depreciation expense - governmental activities	$ 2,768,859
Business-type activities:	
Water and sewer	$ 2,769,557
Drainage	212,782
Total depreciation expense - business-type activities	$ 2,982,339

V. **Capital Assets** (continued)

Primary Government (continued)

The City has active construction projects as of September 30, 2018. At year-end, the City's construction commitments for governmental activities are as follows:

Project Title	Expended to Date	Remaining Commitment
Engineering	$ 357,808	168,475
Total	$ 357,808	168,475

The projects will be financed with available resources.

At September 30, 2018, the City's construction commitments for business-type activities are as follows:

Project Title	Expended to Date	Remaining Commitment
TBWWTP Redevelopment- Preliminary Engineering Phase I	$ 372,088	-
TBWWTP Redevelopment Phase I	3,043,891	1,141,221
SCADA System Upgrade	232,256	46,720
N Belton Water Tank Engineering	117,068	16,400
N Belton Water Tank Line Engineering	50,290	2,010
Sparta Road Pump Station	184,920	16,913
Leon Street Water Line	195,211	22,781
Leon Street Sewer Line	162,434	23,282
Shady Lane Sewer - Design	81,298	84,402
South Belton Sewer	2,603,241	523,230
South Belton Sewer Ph II - Design	40,098	402,067
Total	$ 7,082,795	2,279,026

The projects will be financed with available resources.

V. Capital Assets (continued)

Discretely Presented Component Unit

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 877,834	41,013	-	918,847
Construction in progress	226,360	167,374	-	393,734
Total capital assets not being depreciated	1,104,194	208,387	-	1,312,581
Capital assets, being depreciated:				
Buildings	1,261,523	-	-	1,261,523
Infrastructure	2,937,556	-	-	2,937,556
Total capital assets being depreciated	4,199,079	-	-	4,199,079
Less accumulated depreciation for:				
Buildings	(274,524)	(39,411)	-	(313,935)
Infrastructure	(1,730,710)	(148,217)	-	(1,878,927)
Total accumulated depreciation	(2,005,234)	(187,628)	-	(2,192,862)
Total capital assets, being depreciated, net	2,193,845	(187,628)	-	2,006,217
	$ 3,298,039	20,759	-	3,318,798

At September 30, 2018, the City's construction commitments for the discretely presented component unit are as follows:

Project Title	Expended to Date	Remaining Commitment
Building 117 N East Street	$ 177,140	240,000
Avenue D Engineering	216,594	93,406
Total	$ 393,734	333,406

The projects will be financed with available resources.

VI. Long-Term Debt

The City issues general obligation bonds and combination tax and revenue certificates of obligation to provide funds for the acquisition and construction of major capital facilities for both governmental and business-type activities. The amount of this debt that is reported

VI. Long-Term Debt (continued)

in proprietary funds is that portion that directly relates to a given proprietary fund and that is expected to be repaid from the resources of a proprietary fund. Surplus water and sewer revenues are pledged for the combination tax and revenue certificates of obligation; however, the pledge is limited to only an amount not to exceed $1,000.

The following is a summary of changes in long-term debt for the City for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 13,527,827	2,185,000	(1,010,538)	14,702,289	475,000
Premium	30,429	64,645	(2,771)	92,303	-
Net pension liability	2,102,437	551,212	(1,687,787)	965,862	-
Total OPEB liability	259,355 *	49,591	(2,663)	306,283	
Compensated absences	1,091,271	638,986	(669,012)	1,061,245	319,971
	$ 17,011,319	3,489,434	(3,372,771)	17,127,982	794,971
Business-type activities:					
General obligation and revenue bonds	$ 20,677,168	-	(959,462)	19,717,706	995,750
Premium	517,240	-	(45,186)	472,054	-
Net pension liability	394,132	105,167	(315,019)	184,280	-
Total OPEB liability	49,483 *	9,463	(507)	58,439	-
Compensated absences	56,654	60,559	(50,813)	66,400	45,267
	$ 21,694,677	175,189	(1,370,987)	20,498,879	1,041,017

* As noted in Note XIV to the financial statements, the City adopted the provision of GASB 75 effective October 1, 2017, which resulted in a restatement of the beginning liability of $259,355 for governmental activities and $49,483 for business-type activities at October 1, 2017.

Pension and OPEB liabilities and compensated absences for governmental activities are generally liquidated by the General Fund.

Long-term debt of the City's governmental activities at September 30, 2018, is comprised of the following:

$2,480,000 Series 2003 general obligation bonds due in annual installments of $130,000 to $200,000 through 2023; interest at 4.15%	$ 910,000
$4,500,000 Series 2005 general obligation bonds due in annual installments of $140,000 to $275,000 through 2025; interest at 3.54%	1,615,000

VI. Long-Term Debt (continued)

$1,485,000 Series 2008 combination tax and revenue certificates of obligation due in annual installments of $59,400 to $107,663 through 2028; interest at 4.19%	$ 887,289
$6,825,000 Series 2013 combination tax and revenue certificates of obligation due in annual installments of $20,000 to $520,000 through 2033; interest at 3.08%	6,170,000
$1,070,000 Series 2015 combination tax and revenue certificates of obligation due in annual installments of $45,000 to $65,000 through 2035; interest at 2.77%	935,000
$2,270,000 Series 2017 general obligation refunding certificates of obligation due in annual installments of $135,000 to $175,000 through 2027; interest at 4.13%	2,000,000
$2,185,000 Series 2018 combination tax and revenue certificates of obligation due in annual installments of $25,000 to $445,000 through 2030; interest at 5.00%	2,185,000
	$ 14,702,289

Annual debt service requirements for governmental activities to maturity are as follows:

Year Ended September 30, 2018	Principal	Interest
2019	$ 475,000	297,654
2020	1,154,250	439,967
2021	1,197,963	405,616
2022	1,231,675	369,383
2023	1,151,675	331,581
2024-2028	5,619,062	1,107,688
2029-2033	3,742,664	322,964
2034-2038	130,000	5,850
	$ 14,702,289	3,280,703

Long-term debt of the City's business-type activities at September 30, 2018, is comprised of the following:

VI. Long-Term Debt (continued)

$4,360,449 Series 2002 combination tax and revenue certificates of obligation due in annual installments of $260,000 to $360,000 through 2022; interest at 4.4%	$ 1,330,000
$515,000 Series 2008 combination tax and revenue certificates of obligation due in annual installments of $20,600 to $37,337 through 2028; interest at 4.19%	307,706
$8,595,000 Series 2015 combination tax and revenue certificates of obligation due in annual installments of $345,000 to $550,000 through 2035; interest at 2.77%	7,540,000
$9,585,000 Series 2016 combination tax and revenue certificates of obligation due in annual installments of $85,000 to $665,000 through 2036; interest at 3.00%	9,360,000
$1,350,000 Series 2017 general obligation refunding certificates of obligation due in annual installments of $105,000 to $170,000 through 2027; interest at 4.13%	1,180,000
	$ 19,717,706

Annual debt service requirements to maturity for business-type activities are as follows:

Year Ended September 30, 2018	Principal	Interest
2019	$ 995,750	570,638
2020	1,022,037	542,739
2021	1,048,325	513,596
2022	1,073,325	483,249
2023	1,124,613	451,736
2024-2028	6,138,656	1,796,408
2029-2033	5,295,000	938,550
2034-2038	3,020,000	166,350
	$ 19,717,706	5,463,266

The City's bond indentures contain restrictions concerning the maintenance of accounting records as well as reporting the results of the City's operations to specified major bond holders. The City is in compliance with all significant requirements and restrictions.

VI. Long-Term Debt (continued)

Discretely Presented Component Unit

The following is a summary of changes in long-term debt of the Development Corporation for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net pension liability	$ 47,283	11,946	(38,297)	20,932	-
Total OPEB liability	5,621 *	1,075	(58)	6,638	-
	$ 52,904	13,021	(38,355)	27,570	-

* As noted in Note XIV to the financial statements, the City adopted the provision of GASB 75 effective October 1, 2017, which resulted in a restatement of the beginning liability of $5,621 at October 1, 2017.

VII. Interfund Transfers

Interfund transfers for 2018 are as follows:

	Transfers in			
	General	Debt Service	Other Nonmajor Governmental	Total
Transfers out:				
General	$ -	200,000	1,657,175	1,857,175
Other nonmajor governmental	51,883	-	-	51,883
Water and sewer	503,778	-	-	503,778
	$ 555,661	200,000	1,657,175	2,412,836

Transfers are used to: (1) move revenues from the fund responsible for collecting them to the fund responsible for expending them as required by statute or budget; and (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VIII. Employee Benefits

Pension Plan

Plan Description - The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at www.tmrs.com.

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

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

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

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	83
Inactive employees entitled to but not yet receiving benefits	136
Active employees	174

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

VIII. Employee Benefits (continued)

Pension Plan (continued)

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.75% and 7.71% in calendar years 2018 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $636,453 and were equal to the required contributions.

Net Pension Liability – The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a three-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 used in the December 31, 2017 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through 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 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.

VIII. **Employee Benefits** (continued)

Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

	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 projected cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

VIII. Employee Benefits (continued)

Pension Plan (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	$ 21,404,605	18,860,753	2,543,852
Changes for the year:			
Service cost	891,715	-	891,715
Interest	1,439,110	-	1,439,110
Difference between expected and actual experience	(90,945)	-	(90,945)
Contributions - employer	-	609,271	(609,271)
Contributions - employee	-	403,491	(403,491)
Net investment income	-	2,614,129	(2,614,129)
Benefit payments, including refunds of employee contributions	(1,060,641)	(1,060,641)	-
Administrative expense	-	(13,547)	13,547
Other changes	-	(686)	686
Net changes	1,179,239	2,552,017	(1,372,778)
Balance at December 31, 2017	$ 22,583,844	21,412,770	1,171,074

$20,932 of the net pension liability of $1,171,074 is the liability of the Development Corporation, the discretely presented component unit. Detailed information regarding the deferred outflows and inflows of resources related to pensions of the component unit can be found in Note IX.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension liability	$ 4,603,692	1,171,074	(1,603,140)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

VIII. Employee Benefits (continued)

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

For the year ended September 30, 2018, the City recognized pension expense of $636,453.

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	$ -	182,473
Difference between projected and actual investment earnings, net	-	547,275
Difference in assumption changes	119,714	-
Contributions subsequent to the measurement date	490,443	-
Total	$ 610,157	729,748

The $490,443 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2018	$ 14,157
2019	(36,823)
2020	(305,618)
2021	(281,750)
Total	$ (610,034)

VIII. <u>Employee Benefits</u> (continued)

OPEB Plan

Plan Description – The City also participates in a defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage by adopting an ordinance before November 1 of any year to be effective the following January 1. As the SDBF covers both active and retired members, with no segregation of assets, the SDBF does not meet the definition of a trust under paragraph 4 of Governmental Accounting Standards Board ("GASB") No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (i.e. no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the City's yearly contributions for retirees.

Benefits – 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 a fixed amount of $7,500.

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	59
Inactive employees entitled to but not yet receiving benefits	20
Active employees	174

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

The City's contributions to the SDBF for the year ended September 30, 2018 were $15,105 and were equal to the required contributions.

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

Actuarial assumptions – The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

VIII. Employee Benefits (continued)

Inflation	2.5% per year
Salary increases	3.5% to 10.5%, including inflation
Discount rate	3.31% (based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017
Overall payroll growth	3.0% per year
Administrative expenses	All administrative expenses are paid through the TMRS Pension Trust.

Mortality rates for service retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. For disabled retirees, the RP2000 Combined Mortality Table with Blue Collar Adjustment were used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for the future mortality improvements subject to the 3% floor.

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

The changes in the total OPEB liability for the measurement period ending December 31, 2017 was as follows:

	Total OPEB Liability
Balance at December 31, 2016	$ 314,459
Changes for the year:	
Service cost	17,754
Interest on total OPEB liability	12,161
Changes in assumptions or other inputs	30,214
Benefit payments **	(3,228)
Net changes	56,901
Balance at December 31, 2017	$ 371,360

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

VIII. Employee Benefits (continued)

$6,638 of the total OPEB liability of $371,360 is the liability of the Development Corporation, the discretely presented component unit. Detailed information regarding the deferred outflows and inflows of resources related to OPEB of the component unit can be found in Note IX.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.31%) or once percentage point (4.31%) higher than the current rate.

	1% Decrease (2.31%)	Current Rate Assumption (3.31%)	1% Increase (4.31%)
City's total OPEB liability	$ 450,351	371,360	311,213

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

For the year ended September 30, 2018, the City recognized OPEB expense of $34,082.

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

	Deferred Outflows of Resources
Changes in assumptions	$ 26,048
Contributions subsequent to the measurement date	11,662
Total	$ 37,710

There were no deferred inflows of resources related to OPEB at September 30, 2018.

The $11,662 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 reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

VIII. Employee Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Year Ended December 31,		
2018	$	4,167
2019		4,167
2020		4,167
2021		4,167
2022		4,167
Thereafter		5,213
Total	$	26,048

IX. Deferred Outflows and Inflows of Resources

The statements of financial position and the balance sheet include the following deferred outflows/inflows of resources at September 30, 2018:

	Statements of Net Position			Balance Sheet - Governmental Funds	
	Governmental Activities	Business-Type Activities	Belton Economic Development Corporation, Inc.	General Fund	Debt Service Fund
Deferred outflows of resources:					
Pension - post measurement date contributions	$ 404,501	77,176	8,766	-	-
Pension - differences in assumption changes	98,736	18,838	2,140	-	-
OPEB - post measurement date contributions	9,619	1,835	208	-	-
OPEB - differences in assumption changes	21,482	4,100	466	-	-
	$ 534,338	101,949	11,580	-	-
Deferred inflows of resources:					
Unavailable revenue - property taxes	$ -	-	-	207,086	27,233
Pension - net differences between projected and actual earnings	451,374	86,119	9,782	-	-
Pension - net differences between expected and actual experience	150,497	28,714	3,262	-	-
	$ 601,871	114,833	13,044	207,086	27,233

Deferred Outflows of Resources. Post-measurement date contributions will be recognized as a reduction of the net pension liability and total OPEB liability in the following fiscal year. The changes in assumptions will be recognized in pension and OPEB expense over one and five years, respectively.

IX. Deferred Outflows and Inflows of Resources (continued)

Deferred Inflows of Resources. The governmental funds, under the modified accrual basis of accounting, report unavailable revenues from property taxes, which is deferred and recognized as an inflow of resources in the period that the amounts become available. The pension-related difference between projected and actual earnings and expected and actual experience will be recognized in pension expense over three years and the average of the expected remaining service lives of all active employees, respectively.

X. Risk Management

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool (the "Pool"). The Pool was created for the purpose of providing coverage against risks, which are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, property, and workers' compensation coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide through commercial companies reinsurance contracts. The Pool agrees to handle all liability, property, and workers' compensation claims and provide any defense as is necessary. The Pool makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses. The City agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool. The City also carries commercial insurance on all other risks of loss, including employee health and accident insurance.

The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the past three years.

XI. Commitments and Contingencies

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The Development Corporation has entered into several economic development agreements with business that will provide financial incentives to the businesses based on specific capital investment, employment or other economic development measures. Commitments made under the agreements total approximately $2.1 million.

The City has entered into a long-term agreement to purchase water from the Brazos River Authority (the "Authority"). The agreement requires the City to pay for a certain portion of the water rights, whether or not it actually withdraws the full amount of water to which it is entitled. The cost of the water may be adjusted each year based on changes in the consumer price index. Further, additional costs imposed on the Authority (by taxation or as a result

XI. Commitments and Contingencies (continued)

of new regulations) may be passed through to the City. The agreement expires in 2042. The City's cost under the agreement for the year ended September 30, 2018, was $34,125.

Also, the City has entered into a long-term agreement to purchase water from Bell County Water Control and Improvement District No. 1 (the "District"). The District serves six civilian resale customers (cities and water districts) and the Fort Hood Military Reservation. Under the agreement, the City pays its proportionate share of fixed capital costs (debt service) and operating costs (purchasing, producing, treating and delivering water) of the District. Consequently, the price of the water will vary over the term of the agreement. In addition to capital and operating costs, the contract with the District requires the City to pay for water rights, both for water currently being used (election use water) and for rights to future water (option water). The cost of option water is paid whether or not the City actually withdraws the full amount of water to which it is entitled. The cost of both election use and option water may be adjusted annually each year based on changes in the consumer price index. The agreement remains in effect until all bonds of the District are repaid, currently 2018. Charges for water under the agreement for the year ended September 30, 2018, were $1,074,179.

Finally, the City entered into a tri-party agreement with the City of Temple, Texas ("Temple") and the Authority, whereby the Authority operates and maintains a wastewater treatment plant for Temple and the City (currently known as the Temple Belton Regional Sewerage System). The City is charged an amount equal to a pro-rata portion of actual expenditures based on its percentage of flow through the plant. The plant is jointly owned by Temple and the City but a separate legal entity was not created. Consequently, Temple and the City each report their proportionate share of capital assets of the plant. The City's expense under the tri-party agreement for the year ended September 30, 2018, was $414,583.

The City is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate outcome of these claims will not have a material adverse effect on the City's financial position.

XII. Related Organizations

The following entities are related organizations to which the City appoints board members but for which the City has no significant financial accountability: Central Texas Housing Consortium, Texas; Public Property Finance Corporation of Texas; and Texas Dormitory Finance Authority.

XIII. Tax Abatements

The City enters into ad valorem tax abatement agreements with businesses pursuant to its Tax Abatement Policy and Texas Tax Code Chapter 311, Texas Tax Code Chapter 312, Texas Local Government Code Chapter 380 and Section 52-a of the State Constitution of Texas. Under its policy, the City may grant ad valorem tax abatements up to 100% of a

XIII. Tax Abatements (continued)

business's ad valorem tax bill for the purpose of the promotion of high quality commercial and industrial development in all parts of the City, and an ongoing improvement of the quality of life of its citizens.

For the fiscal year ended September 30, 2018, the City abated ad valorem taxes totaling $50,853, as detailed below:

- A 100 % ad valorem tax abatement on certain improvements to CGI Technologies, Inc. for the construction of a new facility. The fiscal year 2018 abatement amounted to $23,926. The City may recapture the abated taxes should CGI Technologies, Inc. become delinquent in its payment to the City of any ad valorem taxes not abated or breech any other terms set forth in the abatement agreement.

- A 100% ad valorem tax abatement on certain improvements to CMH Manufacturing, Inc. for the modernization/expansion of a new facility and the creation of 175 permanent jobs for a total of 385 permanent jobs. The fiscal year 2018 abatement amounted to $8,334. The City may recapture the abated taxes should CMH Manufacturing, Inc. become delinquent in its payment to the City of any ad valorem taxes not abated, fall below the 175 additional permanent job threshold for an extended period of time or breech any other terms set forth in the abatement agreement.

- An 80 % ad valorem tax abatement on certain equipment to Wire Rope Industries USA, Inc. for the purchase and installation of new equipment and the creation of 4 permanent jobs for a total of 22 permanent jobs. The fiscal year 2018 abatement amounted to $18,593. The City may recapture the abated taxes should Wire Rope Industries USA, Inc. become delinquent in its payment to the City of any ad valorem taxes not abated, fall below 18 permanent jobs for an extended period of time or breech any other terms set forth in the abatement agreement.

XIV. Change in Accounting Principle

The City adopted the provisions of Governmental Accounting Standards Board ("GASB") No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective October 1, 2017. GASB 75 provides new requirements for accounting for other postemployment benefit plans ("OPEB"), including the recognition of an OPEB liability in the statement of net position and reporting OPEB contributions subsequent to the measurement date as deferred outflows of resources. It was not practical for the City to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to OPEB at October 1, 2017; consequently, beginning balances for deferred outflows and inflows of resources related to OPEB (except for deferred outflows of resources related to contributions made after the measurement date) were not reported. The City recognized a cumulative effect of change in accounting principle to recognize its

XIV. Change in Accounting Principle (continued)

OPEB liability and related deferred outflows for contributions subsequent to the measurement date, which reduced unrestricted net position at October 1, 2017 for governmental activities by $251,264, for business-type activities by $47,939 and for the Development Corporation by $5,446.

XV. Authoritative Pronouncements Not Yet Effective

A summary of pronouncements issued by the Governmental Accounting Standards Board (GASB), which may impact the City but are not yet effective follows. The City has not yet determined the effects of the adoption of these pronouncements on the financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations* (issued November 2016) – the objective of this statement is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* (issued January 2017) – the objective of this statement is to enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases* (issued June 2017) – the objective of this statement is to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The statement will also require notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (issued April 2018) – The objective of this statement is to clarify which liabilities governments should include in their note disclosures related to debt. This statement requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018.

XV. Authoritative Pronouncements Not Yet Effective (continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (issued June 2018) – The objective of this statement is to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (issued August 2018) – The objective of this statement is to clarify accounting and financial reporting requirements for a state and local government's majority equity interests in an organization that remains legally separate after acquisition. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018.

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<u>APPENDIX C</u>

FORM OF BOND COUNSEL'S OPINION

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McCALL
PARKHURST & HORTON

100 YEARS | Focused on Public Finance since 1919.

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

CITY OF BELTON, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF $5,575,000

AS BOND COUNSEL FOR THE CITY OF BELTON, TEXAS (the "City") in connection with the issuance of the bonds described above (the "Bonds"), we have examined the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and in the ordinance of the City adopted on October 8, 2019 authorizing the issuance of the Bonds and the Pricing Certificate delivered pursuant thereto.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, certified copies of the pertinent proceedings of the City, and other pertinent documents authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; that the Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and the principal of the Bonds have been levied and pledged for such purpose, within the limits prescribed by law, on taxable property within the City.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the Sufficiency Certificate of Specialized Public Finance, Inc. and on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted 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 Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City and the assessed valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES