OFFICIAL STATEMENT DATED DECEMBER 9, 2019

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND THE INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL, INCLUDING A DESCRIPTION OF THE ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The Bonds have **NOT** been designated as "Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE: BOOK-ENTRY-ONLY **RATINGS: S&P Global Ratings. .... "AAA"**
See "SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Ratings" herein.

$10,780,000
CITY OF WEST UNIVERSITY PLACE, TEXAS
(A political subdivision and home rule city of the State of Texas located within Harris County)

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

Dated: January 1, 2020 Due: February 1, as shown below
Interest Accrues from Delivery Date

Principal of and interest on the $10,780,000 City of West University Place, Texas (the "City"), General Obligation Bonds, Series 2020 (the "Bonds") are payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the initial paying agent/registrar (the "Paying Agent/Registrar"). The Bonds are 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 principal denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of 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 beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, and an ordinance (the "Bond Ordinance") adopted by the City Council (the "Council") on November 11, 2019, in which the Council delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a "Pricing Certificate" which completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). See "THE BONDS – Authority for Issuance."

Interest on the Bonds will accrue from the Delivery Date (defined below) and is payable on February 1 and August 1 of each year, commencing August 1, 2020, to the registered owners (initially Cede & Co.) appearing on the registration books of the Paying Agent/Registrar on the 15th day of the month preceding each interest payment date (the "Record Date"). See "THE BONDS – Description of the Bonds."

The Bonds are **not** subject to redemption prior to their stated maturity.

The Bonds, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS – Source of Payment."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, AND CUSIP NUMBERS

Maturity February 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 956398 (b)	Maturity February 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 956398 (b)
2021	$2,715,000	4.000%	1.13%	UC3	2025	$ 355,000	2.125%	1.34%	UG4
2022	2,705,000	4.000	1.16	UD1	2026	360,000	2.000	1.44	UH2
2023	2,220,000	4.000	1.19	UE9	2027	370,000	4.000	1.50	UJ8
2024	1,675,000	2.250	1.25	UF6	2028	380,000	4.000	1.58	UK5

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(a) The initial yields are established by and are the sole responsibility of the Underwriters (hereinafter defined), and may subsequently be changed.
(b) CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the City, the Financial Advisor, nor the Underwriters, are responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association.

Proceeds from the sale of the Bonds will be used for the refunding of certain outstanding obligations of the City, as more specifically described in APPENDIX D attached hereto (the "Refunded Obligations"), and to pay the costs of issuance of the Bonds. See "THE BONDS – Use of Proceeds" and "- Sources and Uses of Funds." The refunding is being undertaken to lower the City's debt service payments and will result in a present value savings to the City.

The Bonds are offered when, as, and if issued and delivered to the underwriters listed below (the "Underwriters") subject to the approving opinion of the Attorney General of the State of Texas and the legal opinion of Johnson Petrov LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Houston, Texas. The Bonds are expected to be available for delivery on or about January 7, 2020 (the "Delivery Date").

SAMCO CAPITAL **FROST BANK**

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition of the City or other matters described herein since the date hereof.

NEITHER THE CITY, THE FINANCIAL ADVISOR, THE UNDERWRITERS NOR BOND COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE ATTACHED APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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 LAWS PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty, or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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INTRODUCTORY STATEMENT

Information contained in this Official Statement, including APPENDIX A, APPENDIX B and APPENDIX D, has been obtained from the City of West University Place, Texas (the "City") in connection with the offering by the City of its $10,780,000 General Obligation Refunding Bonds, Series 2020 (the "Bonds") identified on the cover page hereof.

This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances will this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

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

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

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 will be filed with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for information regarding the EMMA system and for a description of the City's undertaking to provide certain information on a continuing basis.

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The underwriters listed on the cover page hereof (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Bonds from the City for $11,376,128.35 (being the principal amount of the Bonds, plus a net premium of $648,680.85 and less an Underwriters' discount of $52,552.50).

The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the City of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" does not include any person who is a bondhouse, broker or similar person acting in the capacity of underwriter or wholesaler. The City has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriters at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or 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 or qualification provisions in such jurisdictions.

Municipal Bond Ratings

In connection with the sale of the Bonds, the City has made application to S&P Global Ratings ("S&P"), for a rating and a rating of "AAA" has been assigned to the Bonds. The City has furnished to S&P certain information and materials relating to the Bonds and the City, including certain information and materials which have not been included in this Official Statement.

An explanation of the significance of such rating may be obtained from the company furnishing the rating. The ratings reflect only the view of such organization and the City makes no representation as to the appropriateness of the ratings. 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 rating company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

The City..	The City of West University Place, Texas (the "City") is a political subdivision and home rule city of the State of Texas (the "State") located within Harris County. See "ADMINISTRATION OF THE CITY" and "APPENDIX A – General Information Regarding the City of West University Place" herein.
The Bonds.......................................	$10,780,000 General Obligation Refunding Bonds, Series 2020 (the "Bonds"), are dated January 1, 2020, and mature February 1, 2021 through and including February 1, 2028 inclusive, unless the Underwriters listed on the cover page hereof designate one or more maturities as a term bond. See "THE BONDS - Description of the Bonds."
Payment of Interest.........................	Interest on the Bonds accrues from the date of initial delivery, and is payable August 1, 2020 and on each February 1 and August 1 thereafter until maturity or prior redemption. See "THE BONDS – Description of the Bonds." The Bonds are issued in fully registered form in integral multiples of $5,000 of principal.
No Optional Redemption................	The Bonds are **not** subject to redemption at the option of the City prior to their stated maturity. See "THE BONDS – No Optional Redemption."
Authority...	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, and an ordinance (the "Bond Ordinance") adopted by the City Council (the "Council") on November 11, 2019, in which the Council delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a "Pricing Certificate" which completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). See "THE BONDS – Authority for Issuance."
Paying Agent/Registrar...................	The initial paying agent/registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). The City intends to use the book-entry-only system of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of the DTC to discontinue such system. See "THE BONDS - Book-Entry-Only System."
Source of Payment..........................	The Bonds, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS - Source of Payment."
Use of Proceeds	Proceeds from the sale of the Bonds will be used for the refunding of certain outstanding obligations of the City, as more specifically described in APPENDIX D attached hereto (the "Refunded Obligations"), and to pay the costs of issuance of the Bonds. See "THE BONDS – Use of Proceeds" and "-Sources and Uses of Funds." The refunding is being undertaken to lower the City's debt service payments and will result in a present value savings to the City.
Tax Exemption	In the opinion of Bond Counsel to the City, 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 **NOT** been designated as "Qualified Tax-Exempt Obligations for Financial Institutions."

Ratings	S&P Global Ratings........“AAA” See “SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Ratings.”
Payment Record	The City has never defaulted on the timely payment of principal of and interest on its obligations.

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- Selected Financial Information –
(Unaudited)

2019 Certified Net Taxable Assessed Valuation (100% of Market Value as of January 1, 2019)	$ 6,517,042,301	(a)
Direct Debt:		
Outstanding Tax Supported Debt (as of December 1, 2019)	$ 34,500,000	(b)
Plus: The Bonds	10,780,000	
Less: The Refunded Obligations	(11,265,000)	
Total Tax Supported Debt	$ 34,015,000	
Estimated Overlapping Debt	$ 133,138,737	
Total Direct and Estimated Overlapping Debt	$ 167,153,737	
Debt Service Fund Balance (Unaudited as of September 30, 2019)	$ 561,002	(c)

	% of 2019 Certified Taxable Assessed Valuation	Per Capita (Estimated Population: 15,741)
Debt Ratios: (b)(d)		
Direct Tax Supported Debt	0.52%	$ 2,161
Direct Tax Supported and Estimated Overlapping Debt	2.56%	$ 10,619

2019 Tax Rate (per $100 of Assessed Valuation)	
General Fund	$ 0.189690
Debt Service Fund	0.119520
Total	$ 0.309210
Annual Debt Service Requirements:	
Average (Fiscal Years 2020-2034)	$ 2,535,896
Maximum (2020)	$ 8,769,811
Tax Collections:	
Arithmetic Average, Tax Years (2014-2018) - Current Year Collections	99.54%
- Total and Prior Years	99.71%

(a) Certified by the Harris County Appraisal District and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.
(b) Includes ad valorem tax debt that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to the practice of the City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.
(c) Unaudited.
(d) Includes the Bonds and excludes the Refunded Obligations.

OFFICIAL STATEMENT
relating to

$10,780,000
CITY OF WEST UNIVERSITY PLACE, TEXAS
(A home rule city of the State of Texas located within Harris County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

INTRODUCTION

This Official Statement and Appendices A, B and D hereto provide certain information with respect to the issuance by the City of West University Place, Texas (the "City") of its General Obligation Refunding Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, (Chapter "1207") and an ordinance (the "Bond Ordinance") adopted by the City Council (the "Council") on November 11, 2019, in which the Council delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a "Pricing Certificate" which completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance") to the underwriters listed on the cover page hereof (the "Underwriters").

The Bonds, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS - Source of Payment."

There follows in this Official Statement descriptions of the Bonds, the plan of financing, and certain information about 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 upon request. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

THE BONDS

Description of the Bonds

The Bonds are dated January 1, 2020 and bear interest from the Delivery Date (as defined on the cover hereof) at the stated interest rates indicated on the cover page of this Official Statement, which interest is payable initially on August 1, 2020, and each February 1 and August 1 thereafter until the earlier of maturity or prior redemption. The Bonds are issued in fully registered form in principal denominations of $5,000 each or any multiple thereof. Principal of the Bonds is payable at the principal payment office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar. See "THE BONDS – Paying Agent/Registrar."

The definitive Bonds will be initially registered only in the name of Cede & Co., as 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. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of 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.

Use of Proceeds

Proceeds from the sale of the Bonds will be used for the refunding of certain outstanding obligations of the City, as more specifically described in APPENDIX D attached hereto (the "Refunded Obligations"), and to pay the costs of issuance of the Bonds. See "THE BONDS – Use of Proceeds" and "- Sources and Uses of Funds." The refunding is being undertaken to lower the City's debt service payments and will result in a present value savings to the City.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on the applicable redemption dates shown in APPENDIX D attached hereto from cash and investments to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent") pursuant to an Escrow Agreement between the City and the Escrow Agent (the "Escrow Agreement").

The Ordinance provides that from a portion of the proceeds of the sale of the Bonds to the underwriters listed on the cover page hereof (the “Underwriters”), the City will deposit with the Escrow Agent an amount, together with other lawfully available funds, if any, which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations. Such funds will be held by the Escrow Agent in an escrow account (the “Escrow Fund”) and either held as a cash deposit or used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code (the “Escrowed Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations and will not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

Robert Thomas CPA, LLC, certified public accountants (the “Verification Agent”), will verify at the time of delivery of the Bonds to the Underwriters that the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations on their respective redemption dates (see “VERIFICATION OF ARITHMETICAL COMPUTATIONS”). **Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the Bonds.**

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have made firm banking and financial arrangements for the redemption of the Refunded Obligations and effected the defeasance of all of the Refunded Obligations in accordance with Texas law. The opinion of Bond Counsel will note, in reliance upon the report delivered by the Verification Agent (the “Verification Report”) provided by the Verification Agent, that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

No Optional Redemption

The Bonds are **not** subject to redemption at the option of the City prior to their stated maturity.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. Provision is made in the Ordinance for replacing the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar must, promptly upon the appointment of a successor deliver the Paying Agent/Registrar’s records to the successor paying agent/registrar (the “Successor Paying Agent/Registrar”), and the Successor Paying Agent/Registrar will act in the same capacity as the previous Paying Agent/Registrar. Any Successor Paying Agent/Registrar selected by the City must be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Transfer, Exchange and Registration

In the event 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 will 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 or 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 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 will 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 “THE BONDS – Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment

The date for determining the person to whom interest is payable on the Bonds on any interest payment date is the close of business on the 15th day of the preceding month ("Record Date"). In the event of a nonpayment 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 will be 15 days after the Special Record Date) will 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 owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

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 name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

Redemption proceeds and principal and interest 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 dates 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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 the City takes no 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.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "TAX DATA – Debt Limitations and Debt Tax Rate Limitations" and "REMEDIES IN THE EVENT OF DEFAULT."

Perfection of Security

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the ad valorem taxes pledged thereto, as well as the pledge of the pledged revenues additionally securing the Bonds, and such pledges are, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the ad valorem taxes and/or pledged revenues is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the City agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge or pledges to occur.

Authority for Issuance

The Bonds are issued pursuant to applicable provisions of the Constitution and laws of the State of Texas, including particularly Chapter 1207, and the provisions of the Ordinance.

Defeasance

The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, or (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Future Debt

The City has $2,000,000 authorized but unissued bonds for park land acquisition from an election held November 7, 2006. The City does not intend to issue the authorized bonds from the November 7, 2006 election. Under State law, the City may issue certain obligations that are secured by ad valorem taxes without an election. Examples of such obligations include certificates of obligation, and tax anticipation notes. The City currently anticipates issuing approximately $20 million in additional debt during the next twelve months to fund projects identified in its five-year community improvement plan. If issued, the actual amount of debt issued will depend upon a number of factors, including potential funding from the United States Department of Transportation and the availability of community development block grants. The City is also in the process of prioritizing and developing a funding plan for the remainder of its five-year community improvement plan. Depending on the rate of development within the City, changes in assessed valuation, and the amounts, interest rates, maturities and the timing of issuance of any additional bonds, increases in the City's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on the City's outstanding bonds, the Bonds, and any such future bonds.

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Sources and Uses of Funds

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

SOURCES OF FUNDS:		
Principal Amount of the Bonds	$	10,780,000.00
Premium on the Bonds		648,680.85
City Contribution		220,972.00
Total Sources of Funds	$	11,649,652.85
USES OF FUNDS		
Deposit to Escrow Fund	$	11,485,428.13
Expenses:		
Underwriters' Discount	$	52,552.50
Other Issuance Expenses (1)		111,672.22
Total Uses of Funds	$	11,649,652.85

(1) Includes legal fees of the City, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar and Escrow Agent, contingency and other costs of issuance.

REMEDIES IN THE EVENT OF DEFAULT

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

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to school districts. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

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 governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the city's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the city was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

As noted above, the Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general certificate 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 Certificate holders 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.

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 other 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 must not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments in Texas

Pursuant to Section 9 of the Bond Procedures Act of 1981, as amended, Chapter 1201, Texas Government Code (the "Procedures Act"), all bonds issued by the City constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Procedures Act further provides that the Bonds are eligible to secure deposits of public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES 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 a 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 the City's custodian of the banking deposits issued for the City's 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 Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), 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), 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 as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, 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) 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 (13) through (15) below, 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; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "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; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal 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 (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in 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.

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, other than the prohibited obligations described below, (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 (13) through (15) 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.

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, if the City Council authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) 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 ordinance, order or resolution.

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

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

The City's policies require investments in accordance with applicable state law. The City's Investment Policy and Investment Strategy excludes certain investments allowable under State law described above under "Legal Investments." Investments prohibited by the City's Investment Policy and Investment Strategy include (1) collateralized mortgage obligations, (2) commercial paper, including pools which invest in commercial paper, (3) all swaps including but not limited to even-basis swaps and interest rate swaps, (4) forwards and futures, (5) options, (6) foreign exchange, (7) planned amortization classes, (8) regular floaters tied to government securities, (9) investments with various interest rate caps floors and collars, (10) investment pools in which the City would own more than 10% of the market value of the pool, and (11) any other investments that are not on the authorized investment list. The City generally invests in obligations of the United States or its agencies and instrumentalities, fully collateralized demand deposit accounts and collateralized certificates of deposit.

Current Investments

State law and City ordinances authorize the City to invest in direct obligations of the U.S. Treasury with maturity dates of three years or less, obligations of agencies of the U.S. Government with maturity dates of three years or less, and certain investment pools. The City's investment balances (unaudited) on September 30, 2019 were as follows:

	Principal Invested	Market Value
Cash/Checking	$ 1,803,003	$ 1,803,003
Investment Pools	13,960,298	13,960,298
Government Securities	15,982,031	15,998,386
Total Portfolio	$31,745,332	$31,761,687

Additional Provisions

Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives 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 Council; (3) 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 imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the treasurer, chief financial officer and investment officers; (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 mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

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CITY TAX DEBT

Tax Supported Debt Statement

The following tables and calculations relate to the Bonds and to all Tax Debt of the City. The City and various other governmental entities which overlap all or a portion of the City are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of property within the City. See "- Estimated Overlapping Tax Debt."

2019 Certified Net Taxable Assessed Valuation (100% of Market Value as of January 1, 2019)	$ 6,517,042,301	(a)
Direct Debt:		
Outstanding Tax Supported Debt (as of December 1, 2019)	$ 34,500,000	(b)
Plus: The Bonds	10,780,000	
Less: The Refunded Obligations	(11,265,000)	
Total Tax Supported Debt	$ 34,015,000	
Debt Service Fund Balance (Unaudited as of September 30, 2019)	$ 561,002	

(a) Certified by the Harris County Appraisal District and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.

(b) Includes ad valorem tax debt that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to the practice of the City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

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Tax Supported Debt Service Schedule

The following schedule sets forth the principal and interest on the City's Outstanding Tax Supported Debt, plus the principal and interest requirements on the Bonds.

FY Ending 12/31	Current Total Debt Service (a)	Less: Debt Service on the Refunded Bonds	Plus: The Bonds		Total Debt Service Requirements
			Principal	Interest	
2020	$ 8,990,783	$ 440,856		$ 219,884	$ 8,769,811
2021	4,337,956	3,145,050	$ 2,715,000	333,731	4,241,637
2022	4,198,816	3,026,853	2,705,000	225,331	4,102,294
2023	3,244,391	2,441,388	2,220,000	126,831	3,149,835
2024	3,177,343	1,833,494	1,675,000	63,588	3,082,437
2025	3,177,846	494,388	355,000	40,972	3,079,430
2026	3,173,935	490,488	360,000	33,600	3,077,047
2027	3,172,956	490,825	370,000	22,600	3,074,731
2028	3,174,599	485,388	380,000	7,600	3,076,811
2029	398,400				398,400
2030	395,400				395,400
2031	396,900				396,900
2032	397,800				397,800
2033	398,100				398,100
2034	397,800				397,800
Totals	$39,033,024	$12,848,728	$10,780,000	$1,074,137	$38,038,433

(a) Includes ad valorem tax debt that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to the practice of the City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

Average Annual Requirements (2020-2034)	$2,535,896
Maximum Annual Requirement (2020)	$8,769,811

Debt Service Payout (All Tax Supported Bonds)	60.24% in 5 years
	94.71% in 10 years
	100.00% in 15 years

Estimated Overlapping Tax Debt

The following table indicates the outstanding Tax Debt of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. The information is based upon data secured from individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. 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. 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 Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated overlapping Tax Debt.

Taxing Jurisdiction	Debt as of November 1, 2019	Overlapping Percent	Overlapping Amount
Harris County	$1,885,182,125	1.16%	$ 21,868,113
Harris County Department of Education	6,320,000	1.16	73,312
Harris County Flood Control District	83,075,000	1.16	963,670
Harris County Hospital District	57,300,000	1.16	664,680
Houston Community College	560,480,000	2.67	14,964,816
Houston Independent School District	2,961,695,000	2.97	87,962,342
Port of Houston Authority	572,569,397	1.16	6,641,805
TOTAL ESTIMATED OVERLAPPING			$133,138,737
The City (a)		100.00%	34,015,000
Total Direct and Estimated Overlapping Debt			$167,153,737

(a) Includes the Bonds and excludes the Refunded Obligations. Also includes ad valorem tax debt that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to the practice of the City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

Debt Ratios

	Direct Tax Debt (a)	Direct and Estimated Overlapping Tax Debt (a)
Per 2019 Certified Net Assessed Valuation ($6,517,042,301)	0.52%	2.56%
Per Capita (15,741)	$2,161	$10,619

(a) Includes the Bonds and excludes the Refunded Obligations. Also includes ad valorem tax debt that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to the practice of the City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

TAX DATA

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. Reference is made to 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 Taxable Property. 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 ("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 Harris County Appraisal District (the "Appraisal District"). Except as 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 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 (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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 ("Productivity Value"). 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 "TAX DATA - City's Rights in the Event of Tax Delinquencies."

Issuer and Taxpayer Remedies. Under certain circumstances, the City and its taxpayers 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.

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. (See "– Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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 market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 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 City did not elect to grant an additional homestead exemption for the 2019 tax year. The City grants a $185,000 exemption to persons over age 65 and a $185,000 exemption to disabled persons.

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 Exemptions. Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

The City has taken official action and determined not to grant a "Goods-in Transit" exemption.

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 Financing Zones. A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, generally located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of 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.

Public Hearing and Maintenance and Operation 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.
>
> "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).

"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.

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.

Debt Limitations and Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance. Additionally, the Home Rule Charter of the City limits the total bonded indebtedness of the City secured by ad valorem taxes to an amount not to exceed 5% of the net taxable assessed valuation of property in the City.

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

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Historical Analysis of Tax Collection

- Collection Ratios -

Tax Year	Net Taxable Assessed Valuation (a)	Tax Rate Per $100 of Assessed Valuation	Adjusted Tax Levy	% of Collections: Current Year Collection	% of Collections: Total Collections	Fiscal Year Ending 12-31
2009	$4,254,216,197	$0.35875	$15,031,309	99.64%	99.86%	2010
2010	4,080,210,817	0.37411	15,265,103	99.56	99.85	2011
2011	4,059,539,678	0.37411	15,193,428	99.54	99.82	2012
2012	4,217,795,356	0.37411	15,778,014	99.54	99.83	2013
2013	4,376,123,897	0.37400	16,365,976	99.52	99.84	2014
2014	4,813,227,118	0.36179	17,426,385	99.48	99.79	2015
2015	5,440,905,294	0.33179	18,062,162	99.49	99.73	2016
2016	5,864,302,202	0.31680	18,580,835	99.53	99.63	2017
2017	6,078,494,687	0.31680	19,245,565	99.44	99.44	2018
2018	6,176,493,043	0.31680	19,438,293	99.75	99.98	2019
2019	6,517,042,301	0.30921	20,151,346	(In Process of Collection)		2020

(a) Certified by the Harris County Appraisal District and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.

- Tax Rate Distribution -

	2019	2018	2017	2016	2015
Maintenance	$0.18969	$0.19277	$0.19214	$0.18557	$0.18321
Debt Service	0.11952	0.12403	0.12466	0.13123	0.14858
Total	$0.30921	$0.31680	$0.31680	0.31680	$0.33179

- Delinquent Tax Collection Procedures -

In addition to the legal procedures and penalties described under "Levy and Collection of Taxes," the City has contracted with Linebarger Goggan Blair & Sampson, LLP to act as Delinquent Tax Attorney, to file suit to collect delinquent taxes due the City.

Analysis of Tax Base

- Tax Base Distribution -

Type of Property	2019 Tax Roll (a) Amount	2019 %	2018 Tax Roll (a) Amount	2018 %	2017 Tax Roll(a) Amount	2017 %
Residential	$6,576,753,110	93.92%	$6,242,283,488	94.02%	$6,154,689,173	94.06%
Vacant Lots/Tracts	97,354,226	1.39	82,339,771	1.24	77,493,653	1.18
Commercial/Industrial	89,023,862	1.27	85,796,907	1.29	83,332,295	1.27
Utilities	18,394,275	0.26	17,876,013	0.27	17,680,987	0.27
Personal Property	22,800,534	0.33	14,785,010	0.22	15,791,970	0.24
Other	197,898,124	2.83	196,494,773	2.96	194,410,227	2.97
Total Market Value	$7,002,224,131	100.00%	$6,639,575,962	100.00%	$6,543,398,305	100.00%
Less: Exemption	(485,181,830)		(463,082,919)		(464,903,618)	
Net Taxable Assessed Value	$6,517,042,301		$6,176,493,043		$6,078,494,687	

(a) These values may differ from those shown elsewhere in this Official Statement due to subsequent additions, deletions and adjustments to the tax roll.

- Principal Taxpayers -

Principal Taxpayer	Type of Property	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation
U West Marketplace Assoc.	Commercial	$11,742,814	$11,719,254	$11,693,250
AT&T	Utility	9,983,365	9,860,343	10,107,223
Retail Fund I Houston Rice	Commercial	8,531,941	8,291,321	8,320,076
Centerpoint Energy Inc.	Utility	6,501,920	(a)	6,035,034
DKGA / WUC LP	Commercial	6,285,135	5,564,600	5,279,650
2715 Bissonnet LLC	Commercial Building	6,172,292	(a)	(a)
University Shops Houston LP	Shopping Center	5,953,973	5,986,838	6,054,269
Kherkher Steven & Susan	Residence	5,432,730	(a)	(a)
Donnell, James and Donna	Residence	5,410,655	5,166,583	(a)
Day, Timothy and Elaine	Residence	5,384,210	5,096,814	(a)
Lindley John & Cherie	Residence	5,375,378	(a)	(a)
Webster Properties LP	Commercial Land	(a)	6,171,187	5,816,000
Sanders, Don A.	Residence	(a)	5,365,716	5,550,716
Biggio, Craig and Patricia	Residence	(a)	5,168,000	5,168,000
Pham, Cynthia	Residence	(a)	(a)	5,387,583
Total Ten Principal Taxpayers		$76,774,413	$68,390,656	$69,411,801
Percentage Ten Principal Taxpayers Comprise of Tax Roll		1.18%	1.11%	1.14%

(a) Not included as top ten taxpayer for respective tax year.

- Tax Adequacy -

Average Annual Debt Service Requirements (2020-2034)	$2,535,896 (a)
Tax Rate of $0.041 per $100 assessed valuation against the 2019 Certified Assessed Valuation at 97% collection produces...	$2,591,828
Maximum Annual Tax Debt Service Requirements (in the year 2020)...............................	$8,769,811 (a)
Tax Rate of $0.139 per $100 assessed valuation against the 2019 Certified Assessed Valuation at 97% collection produces...	$8,786,928

(a) Includes the Bonds and excludes the Refunded Obligations. Also includes ad valorem tax debt that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to the practice of the City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

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Estimated Overlapping Taxes

Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed, which lien is on a parity with any tax lien on such property in favor of the City. In addition to ad valorem taxes required to retire the aforementioned direct and estimated overlapping debt, certain taxing jurisdictions including those mentioned above in "CITY TAX DEBT - Estimated Overlapping Tax Debt" are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Taxing Jurisdiction	2019 Total Tax Rate Per $100
The City	$0.309210
Harris County	0.407130
Harris County Flood Control District	0.027920
Harris County Department of Education	0.000500
Harris County Hospital District	0.165910
Port of Houston Authority	0.010740
Houston Independent School District	1.136700
Houston Community College	0.100263
Total	$2.158373

Sales Tax

- Authority -

The City has adopted the provisions of Texas Tax Code, Chapter 321, as amended, which grants the City the power to impose and levy a 1% sales tax. **The City may not and has not pledged the proceeds from the sales tax as security for the Bonds.**

- Collection History -

The State Comptroller, after deduction of a 2% service fee, currently remits the City's portion of sales tax collections monthly. By statute the Comptroller is required to remit at least twice annually. The following is an analysis of the collection history of the City's sales and use tax:

		Ad Valorem Tax Comparisons		
Fiscal Year Ended 12-31	Sales and Use Tax Receipts	Equivalent Tax Year	Tax Rate Equivalent	% of Actual Tax Levy
2009	$ 946,726	(2008)	$0.025	6.30%
2010	1,050,079	(2009)	0.026	6.88
2011	997,318	(2010)	0.025	6.54
2012	1,003,897	(2011)	0.025	6.61
2013	957,658	(2012)	0.023	6.07
2014	1,051,890	(2013)	0.024	6.43
2015	1,117,336	(2014)	0.023	6.41
2016	1,051,361	(2015)	0.019	5.83
2017	1,064,672	(2016)	0.018	5.76
2018	1,172,256	(2017)	0.019	6.09
2019 (a)	679,248	(2018)	0.010	3.49

(a) Unaudited. As of September 30, 2019.

SELECTED FINANCIAL DATA

Historical Operations of the City

-General Fund-

The following is a condensed statement of revenues and expenses of the City's General Fund for the past five fiscal years. The inclusion of the following table is not intended to imply that any revenues of the City, other than receipts from ad valorem taxes as provided in the Ordinance, are pledged to pay principal and interest on the Bonds and the City's Outstanding Tax Supported Debt.

	Fiscal Year Ended December 31,				
	2019 (a)	2018	2017	2016	2015
REVENUES					
General Property Taxes	$11,872,089	$11,652,747	$10,897,253	$ 9,967,606	$ 9,336,883
Sales Taxes (b)	679,248	1,172,256	1,064,672	1,051,361	1,117,336
Franchises Fees	654,476	1,128,060	1,159,730	1,144,256	1,204,795
Other Taxes	-0-	13,528	14,330	15,955	17,625
Permits, Licenses and Fees	537,937	668,694	542,903	482,362	602,956
Fines & Forfeitures	200,505	218,175	164,384	134,770	187,803
Charges for Services	2,742,247	3,038,733	2,959,471	2,638,584	2,607,192
Intergovernmental	45,122	284,974	-0-	-0-	-0-
Interest Earnings	282,380	249,105	43,227	79,585	67,032
Other Revenue	141,142	525,597	441,874	382,471	378,000
Total Revenues	$17,155,146	$18,951,869	$17,287,844	$15,896,950	$15,519,622
EXPENDITURES					
General Government	$ 3,282,343	$ 3,323,639	$ 3,426,621	$ 2,919,287	$ 3,446,572
Public Safety	5,845,442	8,155,677	8,072,917	7,626,200	7,012,054
Public Works	2,209,429	2,992,352	3,014,800	3,013,390	2,449,669
Public Service	2,983,972	3,693,301	3,597,756	3,545,655	2,864,683
Capital Outlay	-0-	103,320	-0-	-0-	-0-
Total	$14,321,186	$18,268,289	$18,112,094	$17,104,532	$15,772,978
Excess (Deficiency) Revenues Over Expenditures	$ 2,833,960	$ 683,580	$ (824,250)	$ (1,207,582)	$ (253,356)
Operating Transfers In	$ 1,256,954	$ 1,530,048	$ 1,604,900	$ 514,500	$ 1,560,000
Operating Transfers Out	-0-	(200,000)	(500,000)	(500,000)	(79,300)
Other	(11,500)	-0-	1,802	6,276	850
Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 4,079,414	$ 2,013,628	$ 282,452	$ (1,186,806)	$1,228,194
Beginning Fund Balance (Restated)	$ 8,233,958	$ 6,220,330	$ 5,937,878	$ 7,124,684	$ 5,896,490
General Fund Balance	$12,313,372	$ 8,233,958	$ 6,220,330	$ 5,937,878	$ 7,124,684

(a) Unaudited. As of September 30, 2019. Unaudited information has not been prepared or reviewed by the City's independent auditor. The information is provided by the City and is subject to change.
(b) See "TAX DATA – Sales Tax."

Source: City's audited financial statements for the Fiscal Years Ended December 31, 2015 through 2018.

- Debt Service Fund -

	Fiscal Year Ended December 31,				
	2019 (a)	2018	2017	2016	2015
Debt Service Fund Balance	$ 561,002	$ 868,291	$ 900,120	$ 912,718	$ 566,276

(a) Unaudited. As of September 30, 2019. Unaudited information has not been prepared or reviewed by the City's independent auditor. The information is provided by the City and is subject to change.

Source: City's audited financial statements for the Fiscal Years Ended December 31, 2015 through 2018.

Pension Fund

The City participates in one of the nontraditional joint contributory, hybrid defined benefits pension plans administered by the Texas Municipal Retirement System ("TMRS"), an agency operated by the State of Texas. Employees of municipal governmental entities who participate in TMRS contribute a fixed percentage, currently 7.0% of their gross pay, and the City currently contributes approximately 13.56% of such employees gross pay to TMRS. As employees leave municipal employment other than through retirement, they may withdraw from TMRS those funds they contributed, but forfeit their employer's contributions. Each municipal employer's requirements for current contributions are offset by the amounts of such forfeitures.

As of September 30, 2019, the City employed 112 full-time employees and 63 part-time employees. All full-time employees are covered by TMRS and both the City and the covered employees made the required contributions for the year ended December 31, 2018 which amounted to $1,959,677, including amortization of prior service cost over 25 years. The City had an unfunded accrued liability for prior service benefits in the amount of approximately $4,838,375 as of December 31, 2017. The liability for prior service benefits will be amortized over a period of twenty-five years or less by contributions from the City which are a level percentage of payroll. For information regarding the City's participation in TMRS, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018, Note 10."

Other Post-Employment Benefits

The City maintains the City of West University Place Retiree Health Care Plan ("Plan"), which is a single employer defined benefits healthcare plan administered by the City. The Plan provides medical benefits to eligible retirees and their spouses. For information regarding the Plan, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018, Note 11."

The City participates in a cost-sharing multiple employer defined benefits group-term life insurance program operated by TMRS know as the Supplemental Death Benefits Fund (the "SDBF"). For information regarding the City's participation in the SDBF, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018, Note 11."

ADMINISTRATION OF THE CITY

Mayor and City Council

Policy-making functions are the responsibility of and are vested in the Mayor and City Council for the City, under provisions of the Home Rule Charter of the City of West University Place (the "Charter") adopted in 1940 and most recently revised in 2019. The Mayor and four City Council members are elected at large in odd-numbered years on the second Saturday in May. The Mayor is entitled to vote on all issues and has no power to veto City Council action. Members of the City Council are described below:

Council Members	Term Begins June 1	Term Expires May	Occupation
Bob Higley Mayor	2019	2021	Financial Advisor
Kevin Trautner Mayor Pro Tem Council Member	2019	2021	Chief Legal Officer
John P. Barnes Council Member	2019	2021	Attorney
Lauri Lankford Council Member	2019	2021	Retired
Ed Sobash Council Member	2019	2021	Electrical Engineer

Administration

Under provisions of the Charter, the City Council enacts local legislation, adopts budgets, determines policies and appoints the City Manager, who is charged with the duties of executing the laws and administering the government of the City. As the chief executive officer and head of the administrative branch of the City government, the City Manager is given the power and duties to:

(1) Appoint and remove all department heads and all other employees in the administrative service of the City and may authorize the head of a department to appoint and remove subordinates in his respective department;

(2) Prepare the budget annually, submit it to the City Council, and be responsible for its administration;

(3) Prepare and submit to the City Council a complete report on the finances and administrative activities of the City;

(4) Keep the City Council advised of the financial condition and future needs of the City and make appropriate recommendations; and

(5) Perform such other necessary duties as prescribed by the Charter or required by the City Council.

Members of the administrative staff are described below:

Name	Position	Years with City	Years in Current Position
Dave Beach	City Manager	14 Years	10 Months
Marie Kalka	Director of Finance	2 Years	2 Years
Alan Petrov	City Attorney	13 Years	13 Years
Thelma Gilliam	City Secretary	11 Years	11 Years

Consultants

The City has retained several consultants to perform professional services in connection with the independent auditing of its books and records and other City activities. Several of these consultants are identified below:

Bond Counsel .... Johnson Petrov LLP
Houston, Texas

Certified Public Accountants .... Weaver and Tidwell, L.L.P.
Houston, Texas

Financial Advisor .... BOK Financial Securities, Inc.
Houston, Texas

LEGAL MATTERS

Legal Opinions

The delivery of the Bonds is subject to the approving opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City and the approving legal opinion of Johnson Petrov L.L.P., Bond Counsel to the City ("Bond Counsel"), in substantially the form attached as APPENDIX C. In connection with the issuance of the Bonds, Bond Counsel has represented only the City. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Bond Counsel has reviewed the statements and information appearing in the Official Statement under the captions "SALE AND DISTRIBUTION OF THE BONDS – Securities Laws" (first paragraph only), "THE BONDS" (except the subcaptions "Book-Entry-Only System," "Use of Proceeds," "Future Debt," and "Sources and Uses of Funds," as to which no opinion is expressed) "LEGAL MATTERS – Legal Opinions," "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance With Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Ordinance. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the

City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein. Bracewell LLP will pass on certain matters for the Underwriters. The legal fees to be paid to Bracewell LLP in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

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.

No-Litigation Certificate

The City will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, executed by appropriate City officials, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Underwriters to take and pay for the Bonds, and of the City to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the City subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

Tax Exemption

In the opinion of Johnson Petrov L.L.P., Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable Certificate Premium. No deduction is allowable for the amortizable Certificate Premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable Certificate Premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable Certificate Premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available at no charge via the MSRB's Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB 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 headings "OFFICIAL STATEMENT SUMMARY - Selected Financial Information," "CITY TAX DEBT" (except for "Estimated Overlapping Debt"), "TAX DATA," "SELECTED FINANCIAL DATA," "INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE CITY - Current Investments," and in APPENDIX B. The City will update and provide this information within six months after the end of each fiscal year. The City will provide the updated information to the MSRB free of charge via EMMA.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), as amended and in effect from time to time. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not commissioned or are not available by the required time, the City will provide unaudited financial statements and audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX "B" or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is December 31. Accordingly, it must provide updated information by June 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. If the City fails to provide updated information as described above, it will provide timely notice of the failure to the MSRB.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice in a timely manner not in excess of ten business days after the occurrence of the event 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 holders 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 Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a financial obligation of the City (as defined by Rule 15c2-12, 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 Ordinances make any provision for debt service reserves, liquidity enhancement or credit enhancement, merger, consolidation, or acquisition. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City; and the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendment to Rule 15c2-12 effected by the 2018 Release.

Availability of Information

The City has agreed to provide the foregoing information only to the MSRB. The information will be available to the public at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of 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 a breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 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 beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

For the past five years, the City has complied in all material respects with its continuing disclosure agreements made in accordance with Rule 15c2-12.

SEVERE WEATHER EVENTS

The City is located near the Texas Gulf Coast approximately 50 miles inland. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. Since 2015, the greater Houston area, including the City, has experienced four storms exceeding a 0.2% probability (i.e., "500-year flood" event). Several of these storms, including Hurricane Harvey, resulted in damages to City facilities, and also resulted in damages to residential and commercial properties in the City which comprise the City's ad valorem tax base. If a future weather event significantly damaged all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the City's tax rate. There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

On or about September 19, 2019, Tropical Storm Imelda ("Imelda") produced significant rainfall and flooding to parts of southeastern Texas. The Governor of the State declared the damaged areas to be a "disaster area" and on October 4, 2019, the federal government issued a disaster declaration. Based on the information currently available, the City does not believe that the storm had a material impact on the City's facilities or its finances.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

Robert Thomas CPA, LLC, certified public accountants, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"), the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Robert Thomas CPA, LLC will rely on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, Robert Thomas CPA, LLC will rely on any information provided to it by the City's retained advisors, consultants or legal counsel. Robert Thomas CPA, LLC was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

FINANCIAL ADVISOR

BOK Financial Securities, 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. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the City and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the City.

The descriptions herein of the Bonds and the Ordinance do not purport to be complete and all such descriptions of references thereto are qualified in their entirety by reference to the complete form of the Ordinance. Statements made herein involving estimates or projections, whether or not expressly identified as such, should not be construed to be statements of fact or as representations that such estimates or projections will ever be attained or will approximate actual results. Any summaries or excerpts of constitutional provisions, statutes, ordinances, or other documents do not purport to be complete statements of same and are made subject to all of the provisions thereof. Reference should be made to such original sources in all respects.

Audited Financial Statements

Weaver and Tidwell, L.L.P., has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Weaver and Tidwell, L.L.P. relating to the City's financial statements for the fiscal year ended December 31, 2018 is included in this Official Statement in APPENDIX B; however, Weaver and Tidwell, L.L.P., has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

Forward Looking Statements

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

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in this Official Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

The City Council has delegated to an authorized officer of the City the authority to deem the Official Statement final as of its date. In connection with the approval of the sale of the Bonds the final Official Statement will be authorized and approved by the City Council of the City of West University Place, Texas as of its date.

/s/ Bob Higley
Mayor
City of West University Place, Texas

ATTEST:

/s/ Thelma Gilliam
City Secretary
City of West University Place, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF WEST UNIVERSITY PLACE

The following information has been derived from various sources, including the Texas Municipal Reports, U.S. Census data, and City officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

- City Economics -

The City of West University Place (the "City"), located in Harris County, Texas encompasses a 2.0 square mile area located a few blocks south of U.S. Highway 59 (the "Southwest Freeway") and approximately five miles from the central business district of downtown Houston. Incorporated in 1924, the City became a Home-Rule City in 1940 and operates under the Council-Manager form of municipal government. The City, with a 2010 census population of 14,787, is a zoned residential area completely surrounded by the Cities of Houston, Bellaire and Southside Place. Primarily a residential area, its citizens are employed throughout the Houston urban area. Rice University and the Texas Medical Center complex are located about one mile east of the City in the adjoining City of Houston.

There is very little vacant and/or undeveloped land in the City; however, some commercial and townhouse development is occurring along the City's periphery. Residential construction generally involves rebuilding and remodeling. Home prices within the City are estimated to be approximately $800,000 to $5,400,000 with an average home value of approximately $1,276,000.

The largest taxpayers of the City include utility companies, office buildings, shopping centers, homebuilders, and homeowners. There have been few changes in the nature of the largest taxpayers, and few changes are anticipated in the future.

The City provides numerous recreational facilities for its citizens. They consist of nine parks provided with picnic-and-play facilities, including a baseball and softball complex with numerous fields available for various organized activities; five tennis courts; three handball/racquetball courts; two swimming pools; a community center, and a fitness center with six rooms for recreational activities. A branch of the Harris County Library is located in the City, which sponsors many reading programs, after school movies, family movies, and numerous other community-oriented cultural programs.

ECONOMIC AND GROWTH INDICATORS

U.S. Census of Population

	City of West University Place		City of Houston		Harris County	
	Number	% Change	Number	% Change	Number	% Change
1930	1,322	---	292,352	+111.43%	359,328	+92.50%
1940	9,221	+597.50%	384,514	+31.52	528,961	+47.20
1950	17,074	+85.16	596,163	+55.04	806,701	+52.51
1960	14,628	-14.33	938,219	+57.38	1,243,158	+54.10
1970	13,317	-8.96	1,232,802	+31.40	1,741,912	+40.12
1980	12,010	-9.81	1,573,630	+27.65	2,409,544	+38.33
1990	12,920	+7.58	1,630,553	+3.62	2,818,199	+16.96
2000	14,211	+9.99	1,953,631	+19.81	3,400,578	+20.66
2010	14,787	+4.05	2,099,451	+7.46	4,092,459	+20.35

Employment Statistics

Harris County, Texas

	2019 (a)	2018	2017	2016	2015
Labor Force	2,361,077	2,304,397	2,268,057	2,251,321	2,236,170
Employed	2,277,204	2,203,924	2,153,104	2,131,500	2,132,542
Unemployed	83,873	100,473	114,953	119,821	103,628
Rate	3.6%	4.4%	5.1%	5.3%	4.6%

City of Houston, Texas

	2019 (a)	2018	2017	2016	2015
Labor Force	1,185,654	1,156,707	1,137,890	1,139,056	1,139,966
Employed	1,144,488	1,107,639	1,082,103	1,081,666	1,091,075
Unemployed	41,166	49,068	55,787	57,390	48,891
Rate	3.5%	4.2%	4.9%	5.0%	4.3%

(a) As of October 31, 2019.
Source: Texas Workforce Commission.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

The information contained in this Appendix consists of excerpts from the City's Comprehensive Annual Financial Report of the Fiscal Year Ended December 31, 2018 and is not intended to be a complete statement of the City's financial position. Reference is made to the complete report for further information.

City of West University Place, Texas

Comprehensive Annual Financial Report for
the Fiscal Year Ended December 31, 2018

City of West University Place, Texas

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2018

Officials Issuing Report:

David Beach
City Manager

Marie Kalka
Finance Director

Introductory Section

City of West University Place

Finance
3800 University Blvd.
West University Place, TX 77005
713.662.5826

June 20, 2019

The Honorable Mayor, City Council
Members, and Citizens of the
City of West University Place, Texas:

The Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of West University Place, Texas (the "City") for the fiscal year ended December 31, 2018. This report is published to provide the City Council (the "Council"), City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

We believe the data presented is accurate in all material respects and is organized in a manner designed to present fairly the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

Weaver and Tidwell, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City's financial statements for the year ended December 31, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City was incorporated in 1924 and became a Texas Home-Rule City in 1940. The City operates under the Council-Manager form of municipal government. The Council is comprised of the Mayor and four Council members, who are responsible for passing ordinances, adopting the budget, appointing board and committee members, and appointing the City Manager. The Mayor and Council are elected on an at-large, non-partisan basis for two-year terms. The City Manager is responsible for carrying out the policies and ordinances of the Mayor and Council, overseeing the day-to-day operations of the City, and appointing department heads.

The City provides a full range of municipal services. These services include police and fire protection, municipal court, streets, drainage, leisure services, water and sewer, solid waste collection and disposal, community development, and general administrative services. Based upon the criterion set forth in generally accepted accounting principles, the following organization is included within the City's reporting entity:

Entity	Method of Inclusion
Friends of West University Parks Fund	Blended

LOCAL ECONOMY

The City encompasses a two square mile area located a few blocks south of U.S. Highway 59 (the "Southwest Freeway") and approximately five miles from downtown Houston, Texas. The City is an integral part of the Houston metropolitan area and is completely surrounded by the cities of Houston, Bellaire, and Southside Place. The City is primarily a residential area whose working inhabitants are employed throughout the Houston urban area. Rice University and the Texas Medical Center complex are located about one mile east of the City limits in the City of Houston.

There is almost no vacant and/or undeveloped land in the City, so construction generally involves rebuilding and remodeling. The City continues to enjoy a stable outlook, with property values currently estimated at $6.3 billion for the 2018 tax year. Among reasons for this strength are the City's convenient proximities to the Texas Medical Center, downtown Houston, the Rice Village and Rice University, as well as the Galleria area.

The City's tax rate is one of the lowest in the Houston area and is projected to remain relatively stable into the future due to projected stability in taxable values, the political stability of the community, and the underlying strength in the Houston area economy. The strength and continued diversity of the Metro Houston market area has a positive impact on the City.

The City's relative stability is the result of a desire for suburban families to live closer to work. The City's low crime rate, exceptional school district and hometown appeal have attracted many of these families. These factors have contributed, and continue to contribute, to the relative stability of property values in the City.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

The City Council has adopted a series of financial standards and policies for operating and debt management. Management of the City has made every effort to comply with these standards and policies and believes we are currently in compliance.

The City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, in an effort to reduce the City's unfunded liability and cost of the Texas Municipal Retirement System, the Council approved the elimination of the recurring cost-of-living adjustment for employees and retirees. For retiree healthcare, at the November 17, 2008 Council meeting, Council adopted a new personnel handbook, with modifications that included elimination of City funded healthcare coverage for employees hired January 1, 2009 and thereafter.

The City has refunded several outstanding debt obligations from 2010 through 2017, resulting in total debt savings of over $4.75M.

Capital expenditures are funded through annual allocations from the general fund, the water and sewer fund, the Congestion Mitigation/Traffic Management agreement funds received from the Metropolitan Transit Authority of Harris County or the issuance of debt. The allocations are transferred to the capital improvements fund for general capital projects, to the water and sewer capital reserve fund for water and sewer related projects, or to the transportation/drainage fund for qualifying projects.

General capital projects planned for the 2019 budget include the continuation of the virtual gate project, completion of WURC west side concrete parking lot, completion of PW maintenance parking lot/wash bay, and completion of the animal control shelter renovations.

Transportation/drainage projects planned for the 2019 budget include the Buffalo Speedway project, miscellaneous drainage improvements to improve street drainage, repair damaged storm drains, and remove low spots from roadways, and the design phase of Auden Street shared drainage system upgrade.

Additionally, water and sewer related projects planned in 2019 are WWTP fencing, WWTP Weir replacement, WWTP floodwater protection, water system chlorimination upgrades, WWTP efficiency study, WWTP lighting replacement, and lift stations 1-12 lining project.

These projects are listed specifically in the annual budget in the capital project funds section.

RELEVANT FINANCIAL POLICIES

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing the financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter (the "Charter") establishes the fiscal year as January 1 through December 31. The Charter requires the City Manager to submit a proposed budget and accompanying budget message to the Council each year. The proposed budget is reviewed by the Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between line items within a department within any fund; however, any revisions that alter the total expenditures of any fund or department must be approved by the Council.

Budgetary control has been established at the department level. Monthly financial reports for Council are produced showing budget and actual revenues and expenditures. Individual line items are reviewed and analyzed for budgetary compliance.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2017. This was the 34rd consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

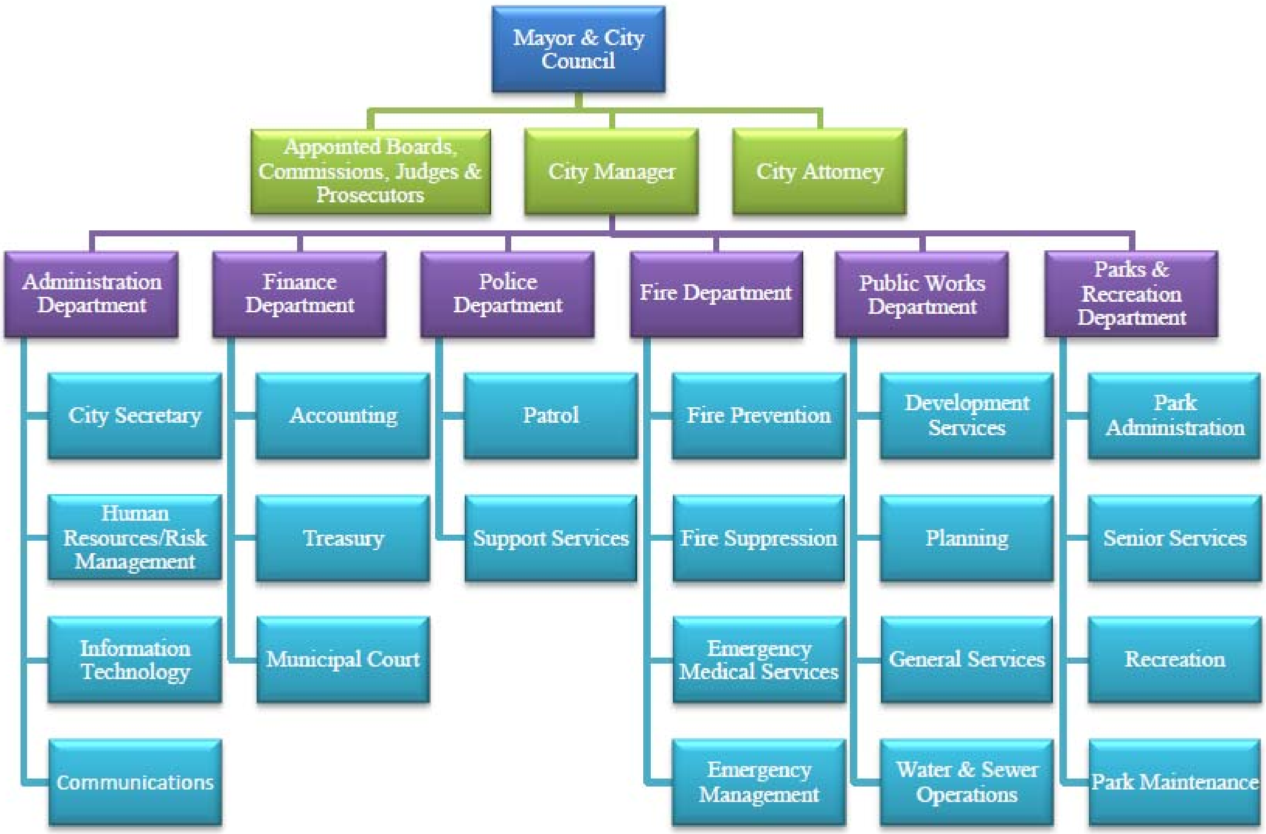
The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. Appreciation is expressed to all City employees throughout the organization, especially to those who were instrumental in the successful completion of this report. Additionally, we thank the Mayor, Council, and City Manager for their support and for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Marie Kalka

Marie Kalka
Finance Director

City of West University Place, Texas
Organizational Chart
December 31, 2018



City of West University Place, Texas
Certificate of Achievement
For Excellence in Financial Reporting

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West University Place
Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

City of West University Place, Texas
Principal Officials
December 31, 2018

City Officials	Term Expires	Elective Position
Bob Higley	05/2021	Mayor
Kevin Trautner	05/2021	Mayor Pro Tem
John P. Barnes	05/2021	Council Member
Lauri Lankford	05/2021	Council Member
Ed Sobash	05/2021	Council Member

Key Staff	Position
David Beach	City Manager
Thelma Gilliam	City Secretary
James Urban	Human Resources Director
Alan Petrov	City Attorney
Marie Kalka	Finance Director
Robert Loper	Municipal Court Judge
Ken Walker	Police Chief
Aaron Taylor	Fire Chief
Susan White	Parks and Recreation Director
Gary McFarland	Information Technology Director
Gerardo Barrera	Public Works Interim Director

Financial Section

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Independent Auditor's Report

The Honorable Mayor
and Members of the City Council of the
City of West University Place, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West University Place, Texas (the City), as of and for the fiscal year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and 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.

Weaver and Tidwell, L.L.P.
24 Greenway Plaza, Suite 1800 | Houston, Texas 77046
Main: 713.850.8787 | Fax: 713.850.1673
CPAs AND ADVISORS | WEAVER.COM

The Honorable Mayor
and Members of the City Council of the
City of West University Place, Texas

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West University Place, Texas, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1.F. to the basic financial statements, during the year ended December 31, 2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Beginning net position has been restated as a result of the implementation of this statement. Our opinion is not modified with respect to this matter.

As discussed in Note 12 to the basic financial statements, the City restated beginning net position of the internal service funds to correct a misstatement in its previously issued 2017 financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, 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, Statistical Section and Combining and Individual Fund Statements and Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable Mayor
and Members of the City Council of the
City of West University Place, Texas

The Combining and Individual Fund 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 Statements and Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Matter

The financial statements of the City for the year ended December 31, 2017, before the restatements described in Note 12, were audited by another auditor whose report dated June 15, 2018, expressed an unmodified opinion.

As part of our audit of the December 31, 2018 financial statements, we also audited the adjustments described in Note 12 that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
June 20, 2019

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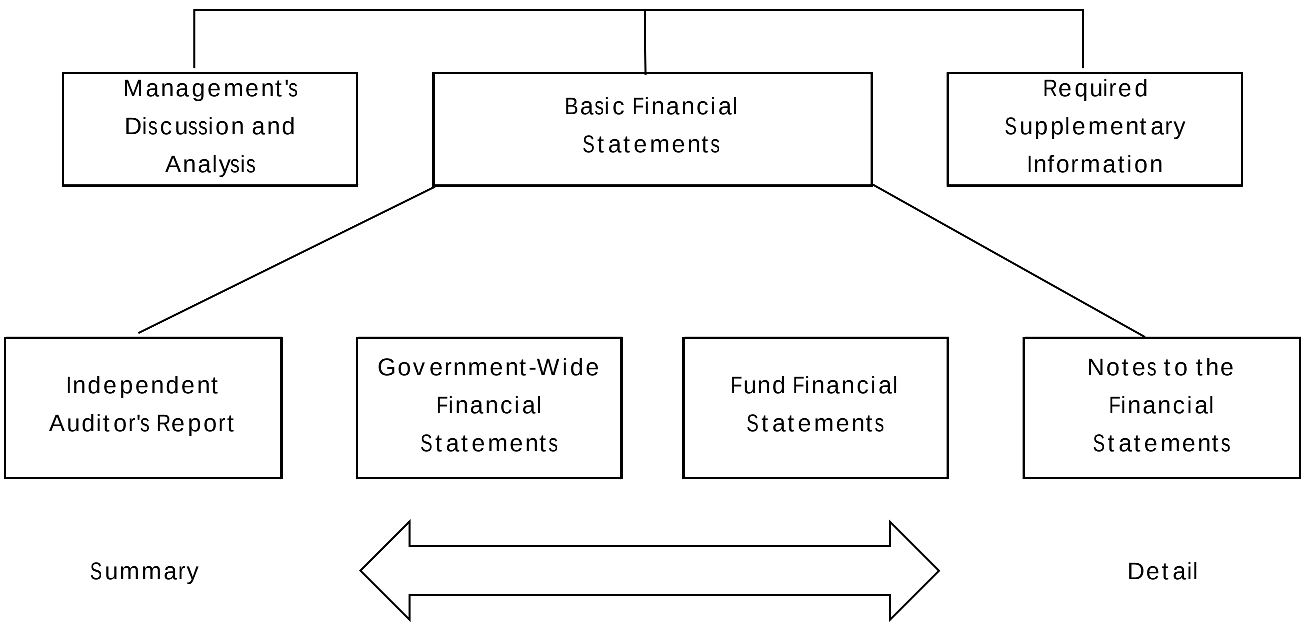
Management's Discussion and Analysis

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of West University Place, Texas (the "City") for the year ending December 31, 2018. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's basic financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about costs of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows 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. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent 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 - the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. Governmental Activities - Most of the City's basic services are reported here including general government (administration and finance), public safety (police and fire protection), public works (streets and drainage), and public services (leisure services and community development). Interest payments on the City's tax-supported debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines, and permit fees finance most of these activities.

2. Business-Type Activities - Services involving a fee for those services are reported here. These services include the City's water and sewer services and solid waste collection, as well as interest payments on debt issued for water and wastewater improvements.

The Friends of West University Parks Fund, although legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found after the MD&A.

Fund Financial Statements

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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 year. Such information may be useful in evaluating the City'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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 11 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 debt service fund, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, and select special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains two types of proprietary funds. 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 distribution, wastewater collection/treatment, and solid waste operations. The proprietary fund financial statements provide separate information for the water and sewer and solid waste funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses internal service funds to account for its vehicle and equipment replacement services and for expenses associated with health benefits and technology management. These internal service funds have been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, schedule of changes in net pension liability and related ratios for the Texas Municipal Retirement System (TMRS), schedule of contributions for TMRS, schedule of changes in total other postemployment liability and related ratios for the Texas Municipal Retirement System (TMRS), and schedule of changes in total other postemployment liability and related ratios for the Retiree Health Care Plan. RSI can be found after the notes to the basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $87,975,648 as of December 31, 2018. This compares with $82,696,489 from the prior fiscal year. The largest portion of the City's net position, 83 percent, reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

The following table reflects the condensed statement of net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 42,718,317	$ 38,826,831	$ 5,223,598	$ 3,932,567	$ 47,941,915	$ 42,759,398
Capital assets	91,753,665	93,510,336	18,646,517	20,050,471	110,400,182	113,560,807
Total assets	134,471,982	132,337,167	23,870,115	23,983,038	158,342,097	156,320,205
Deferred charge on refunding	1,210,858	1,592,164	-	-	1,210,858	1,592,164
Deferred outflows - pensions	1,480,032	3,288,175	205,238	499,810	1,685,270	3,787,985
Deferred outflows - OPEB	332,132	-	46,058	-	378,190	-
Total deferred outflows of resources	3,023,022	4,880,339	251,296	499,810	3,274,318	5,380,149
Long-term liabilities outstanding	48,467,230	55,216,288	1,300,285	1,302,695	49,767,515	56,518,983
Other liabilities	2,352,615	2,347,385	763,309	733,018	3,115,924	3,080,403
Total liabilities	50,819,845	57,563,673	2,063,594	2,035,713	52,883,439	59,599,386
Property taxes	19,537,933	19,289,639	-	-	19,537,933	19,289,639
Deferred inflow - pensions	1,070,892	100,032	148,503	14,808	1,219,395	114,840
Total deferred inflows of resources	20,608,825	19,389,671	148,503	14,808	20,757,328	19,404,479
Net position:						
Net investment in capital assets	54,149,042	48,398,572	18,646,517	20,050,471	72,795,559	68,449,043
Restricted	2,869,031	3,030,359	-	-	2,869,031	3,030,359
Unrestricted	9,048,261	8,835,231	3,262,797	2,381,856	12,311,058	11,217,087
Total net position	$ 66,066,334	$ 60,264,162	$ 21,909,314	$ 22,432,327	$ 87,975,648	$ 82,696,489

A portion of the City's net position, $2,869,031 or three percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, $12,311,058 or 14 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by $5,279,159 during the current fiscal year, an increase of six percent in comparison to the prior year. This overall increase includes an increase of $8,372,119 resulting from the operations of the current fiscal year, offset by a decrease of $3,092,960 resulting from adjustments to prior period net position related to the implementation of a new accounting standard and the correction of an error in the prior period financial statements. These prior period adjustments are detailed in Note 12 to the basic financial statements.

Of the $8,372,199 increase in net position resulting from the operations of the current fiscal year, an increase of $8,563,076 is attributable to the governmental activities, which primarily was a result of payment of debt resulting in increasing of net investment in capital assets. The increase in governmental activities is offset by a $190,957 decrease in business-type activities, which is the result of net transfers of resources out of business type activities to governmental activities.

As noted previously, the City implemented a new accounting standard during the current fiscal year. The implementation of this standard, Governmental Accounting Standards Board Statement No. 75 (GASB 75) – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulted in the recognition of $378,190 in deferred outflows of resources related to other postemployment benefits (OPEBs) and an OPEB liability of $4,652,988. Net position of the previous fiscal year was restated by a reduction of $3,092,960 to reflect the deferred outflows of resources and OPEB liability balances as of the end of the previous fiscal year, as measured under GASB 75.

The implementation of GASB 75 in the current year results in the City's accounting for its OPEB liabilities and related deferred outflows and inflows of resources in a manner consistent with the accounting and measurement of the City's pension liabilities and related deferred outflows and inflows of resources, which are accounted for under GASB 68, *Accounting and Financial Reporting for Pensions.* As of December 31, 2018, the City reports a combined pension and OPEB liability of $9,491,363, compared to $11,772,704 as of December 31, 2017 (as restated). The decrease is due primarily to an increase in investment income accumulated on pension plan fiduciary net position. Further details can be found in the notes to the basic financial statements as well as the RSI following the notes.

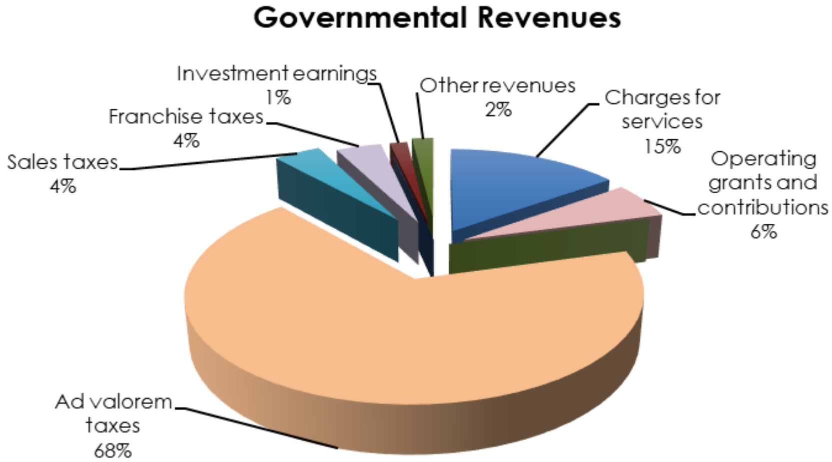
Statement of Activities

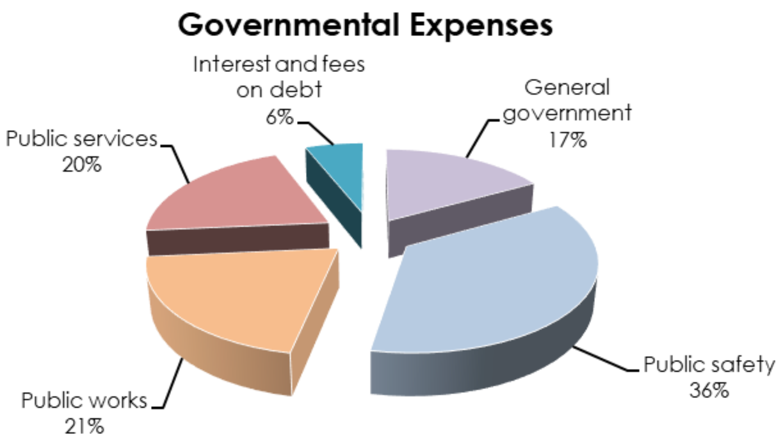
The following table reflects the City's changes in net position:

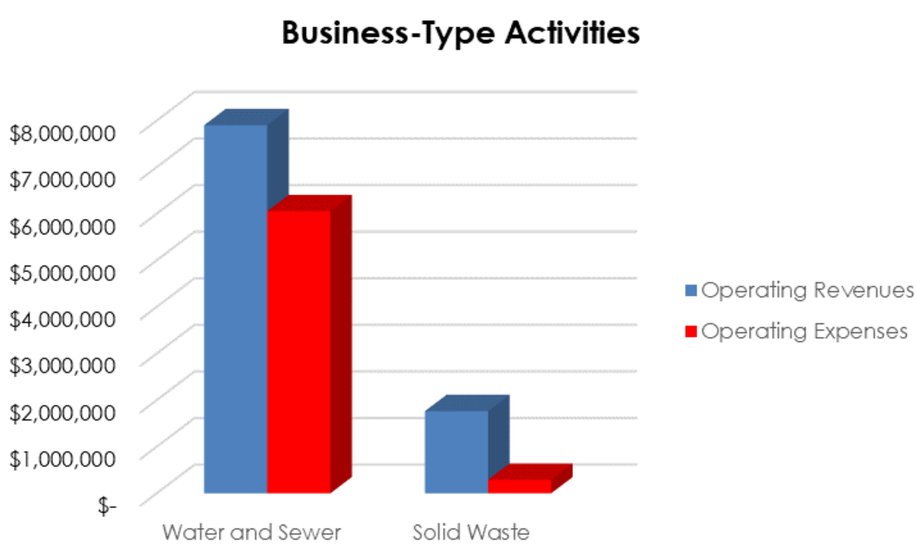
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 4,234,303	$ 3,722,210	$ 9,651,548	$ 9,326,936	$ 13,885,851	$ 13,049,146
Operating grants and contributions	1,647,584	1,278,517	74,545	-	1,722,129	1,278,517
Capital grants and contributions	-	1,600,000	-	67,892	-	1,667,892
General revenues:						
Ad valorem taxes	19,304,056	18,614,853	-	-	19,304,056	18,614,853
Sales taxes	1,172,256	1,064,672	-	-	1,172,256	1,064,672
Franchise taxes	1,128,060	1,159,730	-	-	1,128,060	1,159,730
Other taxes	13,528	14,330	-	-	13,528	14,330
Investment earnings	432,447	122,556	40,370	17,706	472,817	140,262
Other revenues	528,572	455,033	12,665	-	541,237	455,033
Total revenues	28,460,806	28,031,901	9,779,128	9,412,534	38,239,934	37,444,435
Expenses:						
General government	3,805,870	3,880,070	-	-	3,805,870	3,880,070
Public safety	8,172,672	8,090,377	-	-	8,172,672	8,090,377
Public works	4,628,774	4,872,132	-	-	4,628,774	4,872,132
Public services	4,616,244	4,527,049	-	-	4,616,244	4,527,049
Interest and fees on debt	1,354,716	1,496,068	-	-	1,354,716	1,496,068
Water and sewer	-	-	5,966,645	6,125,682	5,966,645	6,125,682
Solid waste	-	-	1,322,894	1,392,583	1,322,894	1,392,583
Total expenses	22,578,276	22,865,696	7,289,539	7,518,265	29,867,815	30,383,961
Increase (decrease) in net position before transfers	5,882,530	5,166,205	2,489,589	1,894,269	8,372,119	7,060,474
Transfers	2,680,546	2,798,454	(2,680,546)	(2,798,454)	-	-
Change in net position	8,563,076	7,964,659	(190,957)	(904,185)	8,372,119	7,060,474
Net position - beginning	60,264,162	52,299,503	22,432,327	23,336,512	82,696,489	75,636,015
Prior period adjustments	(2,760,904)	-	(332,056)	-	(3,092,960)	-
Net position - beginning, as restated	57,503,258	52,299,503	22,100,271	23,336,512	79,603,529	75,636,015
Net position - ending	$ 66,066,334	$ 60,264,162	$ 21,909,314	$ 22,432,327	$ 87,975,648	$ 82,696,489

As noted previously, the City has adjusted the balance reported for net position of the prior period, as detailed in Note 12 to the basic financial statements.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.







For the year ended December 31, 2018, revenues from governmental activities totaled $28,460,806, compared with $28,031,901 in the prior year. This increase of $428,905 occurred primarily as the result of $512,093 increase in charges for services due primarily from an increase in permits and recognition of warrant and ambulance unavailable revenue. Also, $369,067 change in operating grants and contributions, $1,600,000 decrease in capital grants and contributions, as well as $689,203 in additional property tax revenue. Capital grants and contributions decreased as a result of donated land that the City received during the 2017 fiscal year. Increased property tax valuations throughout the City attributed to the increase in property tax revenue. Finally, investment earnings saw a $309,891 increase due to market rate increases.

For the year ended December 31, 2018, expenses for governmental activities totaled $22,578,276, a decrease of $287,420 or one percent from last year. The overall decrease is primarily due to decreases in Public Works and interest and fees on debt expenses.

Charges for services for business-type activities increased $324,612, which is an increase of three percent. Operating expenses for business-type activities decreased by $228,726. This decrease is primarily due to a decrease in depreciation and a change in the internal service fund allocation method between the governmental and business-type activities.

Financial Analysis of City’s Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds

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

The City's governmental funds reflect a combined fund balance of $13,938,293. Of this, $189,376 is nonspendable, $868,291 is restricted for debt service, $56,954 is restricted for enabling legislation, $1,461,899 is restricted for City parks, $121,152 is restricted for METRO, $280,345 is restricted for tree replacement, $303,424 is restricted for governmental programming, $118,377 is assigned for purchases on order, and $2,915,694 is assigned to capital projects funds.

There was an increase in the combined fund balance of $2,338,550 compared to the prior year. This is largely attributable to increases in revenue from ad valorem taxes, investment earnings, as well as, funds received from FEMA for Hurricane Harvey. In addition, expenditures decreased slightly overall for total governmental funds due to vacancies in several departments.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was $7,622,781, while total fund balance reached $8,233,958. 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 fund expenditures. Unassigned fund balance represents 42 percent of total general fund expenditures, while total fund balance represents 45 percent of the total general fund expenditures. The general fund demonstrated an overall increase of $2,013,628 primarily due to increases in revenue and other financing sources related to ad valorem taxes, investment earnings, other revenues, and reimbursement from FEMA for Hurricane Harvey.

The debt service fund has a total fund balance of $868,291, all of which is restricted for the payment of debt service. Expenditures exceeded revenues by $1,232,075, with an overall net decrease in fund balance after other funding sources for the year of $31,829. This decrease in fund balance is primarily due to ad valorem taxes not fully collected.

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

General Fund Budgetary Highlights

There had been a planned decrease in budgeted fund balance in the amount of $301,063 in the general fund with budget amendments throughout the year bringing the decrease to $387,349. However, fund balance increased by $2,013,628, resulting in a positive variance of $2,400,977 from actual over budgeted as amended.

Actual general fund revenues were greater than the amended budgeted revenues by $1,333,517 during 2018. This net variance includes the positive variances of $574,083 for charges for services and $280,609 for intergovernmental.

Actual expenditures were less than budgeted amounts in total by $1,047,412 for the fiscal year. This net variance is due to positive variances of $275,361 for general government, $518,374 for public safety, $174,846 for public works, and $78,831 for public services.

Capital Assets

At the end of fiscal year 2018, the City's governmental and business-type activities funds had invested $91,753,665 and $18,646,517, respectively, in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents net decreases of $1,756,671 and $1,403,954, respectively.

Major capital assets events during the year included the following:

- Construction paving projects of $149,853
- Purchase of concrete mixer for $27,875
- Replace Library AC for $27,875
- Construction in progress for various City projects in the amount of $281,069

More detailed information about the City's capital assets is presented in note 5 to the financial statements.

Long-Term Debt

At the end of the current year, the City had total bonds and certificates of obligation outstanding of $38,370,000. Of this amount, $32,595,000 was general obligation debt and $5,775,000 was certificates of obligation debt. During the year, the City had a net decrease in long-term debt of $7,888,447.

More detailed information about the City's long-term liabilities is presented in note 6 to the financial statements.

Current underlying ratings on debt issues are as follows:

	Standard and Poor's
General obligation bonds	AAA
Certificates of obligation	AAA

Economic Factors and Next Year's Budget

The City Council approved a $40.05 million operating budget for fiscal year 2019. The budget maintains the property tax rate at $0.31680 per $100 of valuation. The City's tax rate is one of the lowest in the Houston area and is projected to remain relatively stable into the future due to projected stability in taxable values, the political stability of the community, and the underlying strength in the Houston area economy.

The City has carefully monitored the performance of utility services and increased rates as needed for the water and sewer fund. As of January 2016, the water and sewer fund had no direct debt. General obligation refunding bonds were issued in 2010 and 2016 to refund all the outstanding revenue bonds for substantial interest rate savings. Funds are transferred from the water and sewer fund to the debt service fund to cover the annual debt service requirement attributable to these refunded bonds. The adopted fiscal year 2019 budget maintains the 2018 water and sewer rates as recommended in the completed 2017 water and sewer rate study.

The strength and continued diversity of the Metro Houston market area has a positive impact on the City. There is almost no vacant and/or undeveloped land in the City, so construction generally involves rebuilding and remodeling. For the immediate future, the rate of growth is expected to remain steady with reconstruction continuing to impact the value of property well into the future, as well as the recapture of value that has been capped at ten percent per year. The City continues to enjoy a stable outlook, with property values at $6.3 billion. Among reasons for this strength are the City's convenient proximities to the Texas Medical Center, downtown Houston, the Rice Village, and Rice University, as well as the Galleria area. The City's low crime rate and hometown appeal have attracted many of these families. These factors have contributed, and continue to contribute, to the relative stability of property values in the City.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Marie Kalka, Finance Director, 3800 University Boulevard, West University Place, Texas, 77005; telephone 713.662.5816; or for general City information, visit the City's website at www.westutx.gov.

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Basic Financial Statements

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City of West University Place, Texas
Statement of Net Position
December 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 14,088,918	$ 1,737,487	$ 15,826,405
Investments	14,560,551	1,858,648	16,419,199
Receivables, net of allowances	11,001,418	1,400,076	12,401,494
Internal balances	(227,387)	227,387	-
Due from other governments	2,736,734	-	2,736,734
Inventory	15,527	-	15,527
Prepaids	542,556	-	542,556
Capital assets:			
Nondepreciable capital assets	8,280,834	219,036	8,499,870
Depreciable capital assets, net	83,472,831	18,427,481	101,900,312
Total assets	134,471,982	23,870,115	158,342,097
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,210,858	-	1,210,858
Deferred outflows - pension	1,480,032	205,238	1,685,270
Deferred outflows - other postemployment benefits	332,132	46,058	378,190
Total deferred outflows of resources	3,023,022	251,296	3,274,318
LIABILITIES			
Accounts payable and accrued liabilities	1,929,056	763,309	2,692,365
Accrued interest payable	423,559	-	423,559
Noncurrent liabilities:			
Due within one year	8,667,009	85,982	8,752,991
Due in more than one year	31,464,755	58,406	31,523,161
Net pension liability	4,249,138	589,237	4,838,375
Other postemployment benefits liability	4,086,328	566,660	4,652,988
Total liabilities	50,819,845	2,063,594	52,883,439
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - property taxes	19,537,933	-	19,537,933
Deferred inflows - pension	1,070,892	148,503	1,219,395
Total deferred inflows of resources	20,608,825	148,503	20,757,328
NET POSITION			
Net investment in capital assets	54,149,042	18,646,517	72,795,559
Restricted for:			
Debt service	645,257	-	645,257
Enabling legislation	56,954	-	56,954
City parks	1,461,899	-	1,461,899
METRO	121,152	-	121,152
Tree replacement	280,345	-	280,345
Governmental programming	303,424	-	303,424
Unrestricted	9,048,261	3,262,797	12,311,058
TOTAL NET POSITION	$ 66,066,334	$ 21,909,314	$ 87,975,648

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas
Statement of Activities
For the Fiscal Year Ended December 31, 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	$ 3,805,870	$ -	$ 655,433	$ -
Public safety	8,172,672	1,402,809	174,721	-
Public works	4,628,774	913,079	124,401	-
Public services	4,616,244	1,918,415	693,029	-
Interest on long-term debt	1,354,716	-	-	-
Total governmental activities	22,578,276	4,234,303	1,647,584	-
Business-type activities:				
Water and sewer	5,966,645	7,900,773	54,672	-
Solid waste	1,322,894	1,750,775	19,873	-
Total business-type activities	7,289,539	9,651,548	74,545	-
TOTAL PRIMARY GOVERNMENT	$ 29,867,815	$ 13,885,851	$ 1,722,129	$ -

General revenues:
Ad valorem taxes
Sales taxes
Franchise taxes
Other taxes
Investment earnings
Other revenues
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as originally reported
Implementation of change in accounting principle (see Note 1)

Net position - beginning, as restated

NET POSITION - ENDING

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (3,150,437)	$ -	$ (3,150,437)
(6,595,142)	-	(6,595,142)
(3,591,294)	-	(3,591,294)
(2,004,800)	-	(2,004,800)
(1,354,716)	-	(1,354,716)
(16,696,389)	-	(16,696,389)
-	1,988,800	1,988,800
-	447,754	447,754
-	2,436,554	2,436,554
(16,696,389)	2,436,554	(14,259,835)
19,304,056	-	19,304,056
1,172,256	-	1,172,256
1,128,060	-	1,128,060
13,528	-	13,528
432,447	40,370	472,817
528,572	12,665	541,237
2,680,546	(2,680,546)	-
25,259,465	(2,627,511)	22,631,954
8,563,076	(190,957)	8,372,119
60,264,162	22,432,327	82,696,489
(2,760,904)	(332,056)	(3,092,960)
57,503,258	22,100,271	79,603,529
$ 66,066,334	$ 21,909,314	$ 87,975,648

City of West University Place, Texas
Balance Sheet - Governmental Funds
December 31, 2018

	General Fund	Debt Service Fund	Nonmajor Governmental	Total Governmental Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 6,411,092	$ 1,782,795	$ 2,642,149	$ 10,836,036
Investments	6,855,750	1,907,117	2,320,640	11,083,507
Receivables, net of allowances	6,819,834	3,956,721	223,257	10,999,812
Due from other funds	34,769	-	4,738	39,507
Due from other governments	1,665,277	1,071,457	-	2,736,734
Inventory	15,527	-	-	15,527
Prepaids	173,849	-	-	173,849
TOTAL ASSETS	$ 21,976,098	$ 8,718,090	$ 5,190,784	$ 35,884,972
LIABILITIES				
Accounts payable and accrued liabilities	$ 1,286,316	$ -	$ 247,897	$ 1,534,213
Due to other funds	58,531	-	39,507	98,038
Total liabilities	1,344,847	-	287,404	1,632,251
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	12,132,565	7,849,799	-	19,982,364
Unavailable revenue - warrants	196,234	-	-	196,234
Unavailable revenue - ambulance services	54,544	-	-	54,544
Unavailable revenue - grants	13,950	-	67,336	81,286
Total deferred inflows of resources	12,397,293	7,849,799	67,336	20,314,428
FUND BALANCES				
Nonspendable:				
Inventory	15,527	-	-	15,527
Prepaids	173,849	-	-	173,849
Restricted for:				
Debt service	-	868,291	-	868,291
Enabling legislation	-	-	56,954	56,954
City parks	-	-	1,461,899	1,461,899
METRO	-	-	121,152	121,152
Tree replacement	-	-	280,345	280,345
Governmental programming	303,424	-	-	303,424
Assigned to:				
Purchases on order	118,377	-	-	118,377
Capital projects funds	-	-	2,915,694	2,915,694
Unassigned	7,622,781	-	-	7,622,781
Total fund balances	8,233,958	868,291	4,836,044	13,938,293
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 21,976,098	$ 8,718,090	$ 5,190,784	$ 35,884,972

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 13,938,293
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
Capital assets, nondepreciable (excluding internal service)	$ 8,280,834	
Capital assets, net depreciable (excluding internal service)	82,081,451	90,362,285
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
Property taxes	$ 444,431	
Warrants	196,234	
Ambulance services	54,544	
Grants	81,286	776,495
Internal service funds are used by management to charge certain costs to individual funds. A portion of the assets, deferred outflows, liabilities and deferred inflows of the internal service funds are included in the governmental activities in the statement of net position.		7,460,954
Long-term liabilities and related deferred outflows and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported as liabilities or deferrals in the governmental funds.		
General obligation bonds and certificates of obligation	$ (38,370,000)	
Premiums on bonds and certificates of obligation	(445,481)	
Accrued interest on bonds and certificates of obligation	(423,559)	
Compensated absences	(1,236,831)	
Deferred charge on refunding	1,210,858	
Net pension liability	(4,032,314)	
Deferred outflows of resources - pension	1,404,509	
Deferred inflows of resources - pension	(1,016,247)	
Other postemployment benefits liability	(3,877,812)	
Deferred outflows of resources - other postemployment benefits	315,184	(46,471,693)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 66,066,334

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Fiscal Year Ended December 31, 2018

	General Fund	Debt Service Fund	Nonmajor Governmental	Total Governmental Funds
REVENUES				
Ad valorem taxes	$ 11,652,747	$ 7,588,217	$ -	$ 19,240,964
Sales taxes	1,172,256	-	-	1,172,256
Franchise taxes	1,128,060	-	-	1,128,060
Other taxes	13,528	-	-	13,528
Permits, licenses, and fees	668,694	-	43,400	712,094
Fines and forfeitures	218,175	-	14,523	232,698
Charges for services	3,038,733	-	-	3,038,733
Intergovernmental	284,974	-	586,114	871,088
Contributions	-	-	661,479	661,479
Investment earnings	249,105	19,741	62,085	330,931
Other revenues	525,597	-	-	525,597
Total revenues	18,951,869	7,607,958	1,367,601	27,927,428
EXPENDITURES				
Current:				
General government	3,323,639	-	9,859	3,333,498
Public safety	8,155,677	-	-	8,155,677
Public works	2,992,352	-	27,427	3,019,779
Public services	3,693,301	-	307,678	4,000,979
Capital outlay	103,320	-	845,838	949,158
Debt service:				
Principal	-	7,770,000	-	7,770,000
Interest and fiscal agent fees	-	1,070,033	-	1,070,033
Total expenditures	18,268,289	8,840,033	1,190,802	28,299,124
Excess (deficiency) of revenues over (under) expenditures	683,580	(1,232,075)	176,799	(371,696)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,530,048	1,200,246	1,227,290	3,957,584
Transfers out	(200,000)	-	(1,047,338)	(1,247,338)
Total other financing sources (uses)	1,330,048	1,200,246	179,952	2,710,246
Net change in fund balances	2,013,628	(31,829)	356,751	2,338,550
Fund balances, beginning of year	6,220,330	900,120	4,479,293	11,599,743
FUND BALANCES, END OF YEAR	$ 8,233,958	$ 868,291	$ 4,836,044	$ 13,938,293

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, 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 December 31, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 2,338,550
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 960,133	
Depreciation expense	(3,142,046)	(2,181,913)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Property taxes	$ 63,092	
Warrants	81,286	
Ambulance services	54,544	
Grants	196,234	395,156
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal repayments	$ 7,770,000	
Amortization of bond premiums	118,447	
Amortization of deferred charges on refunding	(381,306)	
Change in accrued interest	(21,824)	
Compensated absences	(96,878)	7,388,439
The changes in net pension and other postemployment benefits liabilities and related deferred outflows and deferred inflows of resources are reported in the statement of activities, but do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The net change consists of the following:		
Change in net pension liability	$ 2,119,602	
Change in deferred outflows of resources - pension	(1,738,811)	
Change in deferred inflows of resources - pension	(921,150)	
Change in other postemployment benefits liability	(264,071)	
Change in deferred outflows of resources - other postemployment benefits	148,530	(655,900)
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue of the internal service funds is reported with governmental activities.		1,278,744
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 8,563,076

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas

Statement of Net Position

Proprietary Funds

December 31, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Solid Waste	Totals Enterprise Funds	Total Internal Service Funds
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,439,342	$ 298,145	$ 1,737,487	$ 3,252,882
Investments	1,539,713	318,935	1,858,648	3,477,044
Receivables, net of allowances	1,093,342	306,734	1,400,076	1,606
Due from other funds	-	-	-	74,906
Prepaids	-	-	-	368,707
Total current assets	4,072,397	923,814	4,996,211	7,175,145
Noncurrent assets				
Capital assets				
Land	193,875	-	193,875	-
Construction in progress	25,161	-	25,161	-
Buildings and improvements	459,625	-	459,625	-
Machinery and equipment	2,325,680	-	2,325,680	4,127,255
Water and sewer systems	56,703,215	-	56,703,215	-
Accumulated depreciation	(41,061,039)	-	(41,061,039)	(2,735,875)
Total capital assets (net of accumulated depreciation)	18,646,517	-	18,646,517	1,391,380
Total noncurrent assets	18,646,517	-	18,646,517	1,391,380
Total assets	22,718,914	923,814	23,642,728	8,566,525
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	146,015	59,223	205,238	75,523
Deferred outflows - other postemployment benefits	32,767	13,291	46,058	16,948
Total deferred outflows of resources	178,782	72,514	251,296	92,471
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	665,633	97,676	763,309	394,843
Due to other funds	9,245	3,421	12,666	3,709
Compensated absences	74,400	11,582	85,982	27,182
Total current liabilities	749,278	112,679	861,957	425,734
Noncurrent liabilities				
Compensated absences	58,406	-	58,406	52,270
Net pension liability	419,207	170,030	589,237	216,824
Other postemployment benefits liability	403,144	163,516	566,660	208,516
Total noncurrent liabilities	880,757	333,546	1,214,303	477,610
Total liabilities	1,630,035	446,225	2,076,260	903,344
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	105,651	42,852	148,503	54,645
Total deferred inflows of resources	105,651	42,852	148,503	54,645
NET POSITION				
Net investment in capital assets	18,646,517	-	18,646,517	1,391,380
Unrestricted	2,515,493	507,251	3,022,744	6,309,627
TOTAL NET POSITION	$ 21,162,010	$ 507,251	$ 21,669,261	$ 7,701,007

Reconciliation to the government-wide statement of net position:

Adjustment to reflect internal service fund activities related to enterprise funds	240,053
Net position of business-type activities	$ 21,909,314

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas

Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
For the Fiscal Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Solid Waste	Totals Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES				
Charges for sales and services	$ 7,900,773	$ 1,750,775	$ 9,651,548	$ 5,241,614
Other revenues	-	12,665	12,665	7,156
Total operating revenues	7,900,773	1,763,440	9,664,213	5,248,770
OPERATING EXPENSES				
Costs of sales and services	3,178,510	976,181	4,154,691	2,789,795
Personnel	1,176,371	498,325	1,674,696	647,185
Repairs and maintenance	-	-	-	116,752
Depreciation	1,700,205	-	1,700,205	284,763
Total operating expenses	6,055,086	1,474,506	7,529,592	3,838,495
Operating income	1,845,687	288,934	2,134,621	1,410,275
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	54,672	19,873	74,545	33,731
Investment earnings	30,732	9,638	40,370	101,516
Gain on sale of capital assets	-	-	-	2,975
Total nonoperating revenues (expenses)	85,404	29,511	114,915	138,222
Income before contributions and transfers	1,931,091	318,445	2,249,536	1,548,497
CONTRIBUTIONS AND TRANSFERS				
Transfers in	29,700	-	29,700	-
Transfers out	(2,450,246)	(260,000)	(2,710,246)	(29,700)
Total contributions and transfers	(2,420,546)	(260,000)	(2,680,546)	(29,700)
Change in net position	(489,455)	58,445	(431,010)	1,518,797
Net position - beginning, as originally reported	21,889,699	542,628	22,432,327	6,219,163
Implementation of change in accounting principle (see Note 1)	(238,234)	(93,822)	(332,056)	(151,501)
Prior period adjustment (see Note 12)	-	-	-	114,548
Net position - beginning, as restated	21,651,465	448,806	22,100,271	6,182,210
NET POSITION, END OF YEAR	$ 21,162,010	$ 507,251	$ 21,669,261	$ 7,701,007

Reconciliation to the government-wide statement of activities:

Adjustment to reflect internal service fund activities related to enterprise funds	240,053
Change in net position for business-type activities	$ (190,957)

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Solid Waste	Totals Enterprise Funds	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 8,072,270	$ 1,770,897	$ 9,843,167	$ 7,156
Cash received from interfund charges for services	-	-	-	5,167,692
Cash payments to suppliers	(3,061,888)	(986,738)	(4,048,626)	(3,146,091)
Cash payments to employees	(1,150,289)	(476,664)	(1,626,953)	(574,607)
Net cash provided by operating activities	3,860,093	307,495	4,167,588	1,454,150
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	29,700	-	29,700	-
Transfers to other funds	(2,450,246)	(260,000)	(2,710,246)	(29,700)
Intergovernmental	54,672	19,873	74,545	33,731
Net cash used for noncapital financing activities	(2,365,874)	(240,127)	(2,606,001)	4,031
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(296,251)	-	(296,251)	(396,653)
Proceeds from sale of capital assets	-	-	-	2,975
Net cash used for capital and related financing activities	(296,251)	-	(296,251)	(393,678)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments, net	(809,412)	(93,600)	(903,012)	(1,156,658)
Earnings on investments	30,732	9,638	40,370	101,516
Net cash provided by investing activities	(778,680)	(83,962)	(862,642)	(1,055,142)
Net increase in cash and cash equivalents	419,288	(16,594)	402,694	9,361
Cash and cash equivalents, beginning balance	1,020,054	314,739	1,334,793	3,243,521
CASH AND CASH EQUIVALENTS, ENDING BALANCE	$ 1,439,342	$ 298,145	$ 1,737,487	$ 3,252,882
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 1,845,687	$ 288,934	$ 2,134,621	$ 1,410,275
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation and amortization	1,700,205	-	1,700,205	284,763
Changes in assets, liabilities and related deferrals:				
(Increase) decrease in assets and deferred outflows:				
Receivables, net of allowances	215,294	26,768	242,062	33,109
Due from other funds	-	-	-	(74,906)
Prepaids	-	-	-	(131,519)
Deferred outflows - net pension liability	225,661	68,911	294,572	69,332
Deferred outflows - other postemployment benefits	(15,439)	(6,264)	(21,703)	(7,986)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	120,908	(13,978)	106,930	(111,734)
Due to other funds	9,245	3,421	12,666	3,709
Unearned revenue	(57,328)	(19,311)	(76,639)	(32,125)
Compensated absences	4,306	(9,286)	(4,980)	13,967
Net pension liability	(308,333)	(81,240)	(389,573)	(65,595)
Other postemployment benefits liability	25,420	10,312	35,732	13,150
Deferred inflows - net pension liability	94,467	39,228	133,695	49,710
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,860,093	$ 307,495	$ 4,167,588	$ 1,454,150

The Notes to Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of West University Place, Texas (the "City") was incorporated in 1924. The City has operated under a "Home Rule Charter" since 1940, which provides for a Council-Manager form of government. A Mayor and four Council members are elected by voters of the City at large for two year terms.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police and fire services, municipal court, leisure services, streets, drainage, water and sewer services, solid waste collection and disposal, community development, and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component unit listed below, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

Friends of West University Parks Fund
Friends of West University Parks Fund (the "Corporation") has been included in the reporting entity as a blended component unit. The Corporation is a not-for-profit entity created to solicit private contributions for the beautification, improvement, and maintenance of the City's parkland. The Corporation's Board of Directors is appointed by, and serves at the discretion of, the City Council. City Council approval is required for any projects of the Corporation that exceed $1,000. In the event of dissolution, any assets of the Corporation will be transferred to the City. The operations of the Corporation are presented as a governmental fund type. Separate financial statements of the Corporation may be obtained from the Finance Department of the City.

B. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. Basis of Presentation – Government-wide Financial Statements

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

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and public service. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects funds are considered nonmajor funds for reporting purposes.

The City reports the following enterprise funds:

> The *enterprise funds* are used to account for and report the operations that provide water and wastewater collection, wastewater treatment operations, and solid waste collection and disposal. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer and solid waste funds are considered major funds for reporting purposes.

Additionally, the City reports the following fund type:

> *Internal service funds* account for services provided to other departments or agencies of the primary government, or to other governments, on a cost reimbursement basis. The vehicle replacement and equipment replacement funds are used to account for vehicle and equipment replacement and maintenance services. The employee benefits fund accounts for costs associated with retired or separated employees, as well as healthcare benefits. The technology management fund accounts for technology services.

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

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

E. Measurement Focus and Basis of Accounting

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

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

The 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Property taxes, municipal court, ambulance services and all other revenue items are considered to be measurable and available only when cash is received by the City.

F. Adoption of New Accounting Standards

In fiscal year 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The requirements of GASB 75 apply to the financial statements of all state and local government employers whose employees are provided postemployment benefits other than pensions ("other postemployment benefits" or "OPEB"). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources, and expenses related to the OPEB plan. Requirements for note disclosures and Required Supplementary Information are also addressed. The implementation of GASB 75 has no impact on the City's governmental fund financial statements, which continue to report expenditures in the actual contribution amount. However, the adoption of GASB 75 resulted in the retroactive restatement of the City's beginning net position in the fiscal year 2018 government-wide and proprietary fund financial statements, which are reported using the economic resources measurement focus, to reflect the beginning-of-year OPEB liability and related deferred inflows and deferred outflows of resources as measured under GASB 75. See Note 12 for information regarding the restatement of beginning net position.

In June of 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89). GASB 89 removes the previous requirement that interest cost incurred before the end of a construction period be capitalized and included in the historical cost of a capital asset in financial statements prepared using the economic resources measurement focus. Under GASB 89, such interest cost is expensed in the period in which the cost is incurred. The City adopted GASB 89 during fiscal year 2018 and the implementation of this new standard did not have a material effect on the financial statements.

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in local government investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains pooled cash and investment accounts. Each fund whose monies are deposited in the pooled cash and investment accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end.

2. Investments

Investments, with certain exceptions, are reported at fair value. The exceptions are investments in external investment pools and nonparticipating interest earning contracts, such as certificates of deposit, which are reported at amortized cost and a cost-based measure, respectively.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

Direct obligations of the U.S. government, its agencies and instrumentalities
Certificates of deposit that meet certain criteria
Money market mutual funds that meet certain criteria
Local government investment pools

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, machinery and equipment, infrastructure (e.g. roads, bridges, sidewalks, and similar items), and water and sewer systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital 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 one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Land and improvements and construction in progress are not depreciated. Buildings and improvements, machinery and equipment, infrastructure, and water and sewer systems of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Buildings	10 to 50 years
Improvements	5 to 50 years
Machinery and equipment	3 to 30 years
Water and sewer system	5 to 60 years
Infrastructure	50 years

5. 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. The City has the following items that qualify for reporting in this category:

In the government-wide and proprietary fund statements of net position:

- A deferred charge on refunding bonds results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows related to net pension and other postemployment benefit liabilities result from differences in projected and actual earnings on plan investments, expected and actual economic experience, changes in actuarial assumptions and other inputs, and contributions made subsequent to the measurement date of each plan. These activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension and OPEB plan, except for projected and actual earnings differences on investments, which are amortized on a closed basis over a 5-year period, and contributions made subsequent to the measurement date of each plan, which are recognized in the subsequent fiscal year.

In addition to liabilities, the statement of financial position (or balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position (or fund balance) that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

In the governmental funds balance sheet:

- Unavailable revenues from property taxes, warrants, ambulance services, and grants are deferred and recognized as an inflow of resources in the period that the amounts become available.

In the government-wide and proprietary fund statements of net position:

- A deferred inflow of resources results from property taxes that were levied and/or collected in the current period for use in the subsequent period.
- Deferred inflows related to net pension liability results from differences in projected and actual earnings on plan investments, expected and actual economic experience, changes in actuarial assumptions and other inputs. These activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments, which are amortized on a closed basis over a 5-year period.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The maximum amount of hours that can be carried from one year to the next is dependent on the number of years of service that the employee has with the City.

	Maximum Vacation Leave Accrual		
Length of Sevice (Months)	Full Time Employees	Shift Fire Department Personnel	3/4 time employees
1 - 48	160 hours	240 hours	120 hours
49 - 144	240 hours	360 hours	180 hours
145 - 240	320 hours	480 hours	240 hours
More than 240	400 hours	600 hours	225 hours

The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

7. Long-Term Obligations

The government-wide financial statements and proprietary fund type fund financial statements report long-term debt and other long-term liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premiums or discounts.

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

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be paid from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be paid from proprietary fund operations are accounted for in those funds.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund and a transfer of resources from the water and sewer fund for revenue bonds refunded through general obligation debt in a prior year. The debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

8. Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position 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.

9. Other Postemployment Benefits (OPEB)
The City offers two OPEB plans, a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF") administered by TMRS and a single-employer defined benefit other postemployment benefits (OPEB) plan known as the Retiree Health Care Plan (the "Plan") administered by the City. Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to total OPEB liability, and total OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms.

10. 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.

11. 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 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.

12. Fund Balance Policies
Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The City reports the following classifications of fund balance:

Nonspendable fund balance – includes amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – includes amounts that have external constraints imposed upon the use of the resources by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by approval of a resolution prior to the end of the fiscal year, commit fund balance. Once approved, the limitation imposed by the resolution remains in place until a similar action is taken (the approval of another resolution) to remove or revise the limitation.

Assigned fund balance – includes amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City's Finance Director to assign fund balance to a specific purpose as approved by the City's fund balance policy. 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. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

It is the City's policy to achieve and maintain an unassigned fund balance in the general fund equal to 20 percent of estimated revenue for the current annual budget. The general fund is the only fund that reports a positive unassigned fund balance. All other operating fund reserves will be maintained at ten percent of the estimated revenue for the current annual budget and will be reported as restricted, committed, or assigned. Balances of less than the prescribed levels shall only be allowed with specific approval of City Council.

13. Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and deferred outflows and inflows of resources, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Revenues and Expenditures/Expenses

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

2. Property Taxes
Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

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

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt project length budgets. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control, as defined by the charter, in the approved budget is the department level in the general fund and all others are the fund level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended December 31, 2018. An annual budget is not adopted for the blended component unit, Friends of West University Parks Fund, or the emergency grant fund. The parks fund, tree replacement fund, court technology/security fund, and METRO fund are all special revenue funds that have adopted budgets.

B. Encumbrances
Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. Encumbrances represent the estimated amount of expenditures ultimately to result when these outstanding items are completed. The encumbrances do not constitute expenditures or liabilities in the current period because the commitments will be reappropriated and honored during the subsequent year.

As of December 31, 2018, significant encumbrances included in the governmental funds include fund balance assignments of $118,377 in the general fund for purchase orders.

Note 3. Deposits and Investments

As of December 31, 2018, the City had the following deposits and investments:

	Value	Weighted Average Maturity (Years)
Deposits		
Cash	$ 3,810,700	
Cash equivalents:		
TexPool external investment pool	12,008,130	0.06
Other	7,575	
Total	$ 15,826,405	
Investments		
U.S. government agency bonds/notes	12,974,152	0.44
U.S. Treasury notes	2,988,165	0.49
Corporation's certificates of deposit	456,882	0.44
Total	$ 16,419,199	
Portfolio weighted average maturity		0.28

A. Deposits

Custodial credit risk – deposits
In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities, to the extent the deposits exceed FDIC coverage. As of December 31, 2018, the combined values of pledged securities and FDIC coverage exceeded bank balances for the City, excluding the bank balances of the Corporation, to which the City’s investment policy collateralization requirements have not been extended. The Corporation’s bank balances exceeded FDIC coverage by $390,863 at December 31, 2018.

TexPool
TexPool is a local government investment pool, duly chartered and overseen by the State Comptroller’s Office, and administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. TexPool’s investment portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA-rated money market mutual funds. The pool’s investments are highly rated by nationally recognized statistical rating organizations, have no more than five percent concentrated in one issuer (excluding U.S. government securities), and are sufficiently liquid to meet reasonably foreseeable redemptions.

TexPool transacts at a net asset value of $1.00 per share, and maintains a weighted average maturity of 60 days or less and a weighted average life of 120 days or less. TexPool has a redemption notice period of one day and investors may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

B. Investments

The City's investments are stated at fair value, with certain exceptions described below. The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*, which provides a framework for measuring fair value and establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Certain of the City's investments are not required to be measured at fair value; these include its investment in the TexPool external investment pool, which is measured at amortized cost and is included in cash equivalents, and its investments (through the Corporation) in certificates of deposit, which are measured based on cost. These instruments are exempt from categorization within the fair value hierarchy.

As of December 31, 2018, the City had the following recurring fair value measurements:

		Fair Value Measurements Using	
Investments by Fair Value Level	Ending Balance	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
U.S. Government agency bonds/notes:			
Federal Home Loan Bank	$ 4,965,559	$ -	$ 4,965,559
Federal Farm Credit Bank	2,998,601	-	2,998,601
Federal National Mortgage Association Notes	5,009,992	-	5,009,992
U.S. Treasury notes	2,988,165	2,988,165	-
Total	$ 15,962,317	$ 2,988,165	$ 12,974,152

The U.S. government agency bonds and notes included in Level 2 of the fair value hierarchy are valued using a market approach based on a matrix pricing technique, whereby valuation is determined in reference to benchmark prices and interest rates.

Interest rate risk
Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The City structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations, and monitors interest rate risk using weighted average maturity analysis. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 365 days. The maximum allowable stated maturity of any individual investment owed by the City shall not exceed three years from the date of purchase, unless matched to a specific cash flow.

Credit risk
The City's policy requires that investments are limited to only certain instruments that are authorized by the Public Funds Investment Act. Further specifications are that external investment pools must be rated no lower than "AAA" or an equivalent rating by at least one nationally recognized rating service, United States Treasury and agency investments are guaranteed (either express or implied) and backed by the full faith and credit of the United States or its respective agencies, and certificates of deposit are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized under an approved pledge agreement.

As of December 31, 2018, the City's investment in TexPool was rated "AAAm" by Standard & Poor's. The City's investments in U.S. agency bonds and notes were rated "AA+" by Standard & Poor's and its investment in U.S Treasury notes was rated "Aaa" by Moody's. The certificates of deposit are unrated.

Concentration of credit risk
The risk is the risk of loss attributed to the magnitude of a City's investment in a single issuer. The City's investment policy limits investments by security type and institution. With the exception of U.S. Treasury securities, government-sponsored enterprises (GSE's), interest-bearing checking accounts that are fully collateralized, and authorized local government pools, the City will diversify the entire portfolio to comply with the investment strategy. In no case shall any single investment transaction be more than twenty five-percent of the entire portfolio at the time of purchase of the security.

Custodial credit risk – investments
For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that custody of securities is maintained at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

Note 4. Receivables

Amounts are aggregated into a single accounts receivable (net of allowances for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the debt service fund, the nonmajor governmental funds in the aggregate, the internal service funds in the aggregate, the enterprise funds, including the applicable allowances for uncollectible accounts:

	General	Debt Service	Nonmajor Governmental	Internal Service	Water and Sewer	Solid Waste	Total
Ad valorem taxes	$ 6,081,861	$ 3,956,721	$ -	$ -	$ -	$ -	$ 10,038,582
Other taxes	351,168	-	-	-	-	-	351,168
Accounts	1,824,982	-	-	-	1,265,648	341,526	3,432,156
Intergovernmental	14,401	-	223,257	1,606	2,603	562	242,429
Other	5,930	-	-	-	4,968	-	10,898
Less: Allowance	(1,458,508)	-	-	-	(179,877)	(35,354)	(1,673,739)
Totals	$ 6,819,834	$ 3,956,721	$ 223,257	$ 1,606	$ 1,093,342	$ 306,734	$ 12,401,494

Note 5. Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year ended December 31, 2018:

	Beginning Balance	Increases	Reclassifications / (Decreases)	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 7,798,042	$ -	$ -	$ 7,798,042
Construction in progress	266,751	281,069	(65,028)	482,792
Total capital assets, not being depreciated	8,064,793	281,069	(65,028)	8,280,834
Depreciable assets:				
Buildings and improvements	58,053,955	588,753	(34,972)	58,607,736
Machinery and equipment	8,274,391	800,316	(507,831)	8,566,876
Infrastructure	66,633,784	-	-	66,633,784
Total depreciable assets	132,962,130	1,389,069	(542,803)	133,808,396
Less accumulated depreciation for:				
Buildings and improvements	(18,096,796)	(1,746,321)	100,000	(19,743,117)
Machinery and equipment	(7,112,556)	(347,812)	507,831	(6,952,537)
Infrastructure	(22,307,235)	(1,332,676)	-	(23,639,911)
Total accumulated depreciation	(47,516,587)	(3,426,809)	607,831	(50,335,565)
Total depreciable assets, net	85,445,543	(2,037,740)	65,028	83,472,831
Governmental activities capital assets, net	$ 93,510,336	$ (1,756,671)	$ -	$ 91,753,665
Less: Long-term debt outstanding				(38,815,481)
Plus: Deferred charge on refunding				1,210,858
Net Investment in Capital Assets				$ 54,149,042

All capital assets constructed or paid for with funds of the component unit are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation expense was charged to governmental functions as follows:

Governmental activities:		
General government	$	404,575
Public safety		5,331
Public works		1,907,750
Public service		824,390
Capital assets held by the City's internal service fund		284,763
Total governmental activities depreciation expense	$	3,426,809

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2018:

	Beginning Balance	Increases	Reclassifications / (Decreases)	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 193,875	$ -	$ -	$ 193,875
Construction in progress	41,914	10,667	(27,420)	25,161
Total capital assets, not being depreciated	235,789	10,667	(27,420)	219,036
Depreciable assets:				
Buildings and improvements	459,625	-	-	459,625
Water and sewer systems	56,437,682	238,113	27,420	56,703,215
Machinery and equipment	2,278,208	47,472	-	2,325,680
Total depreciable assets	59,175,515	285,585	27,420	59,488,520
Less accumulated depreciation for:				
Buildings and improvements	(455,560)	(4,065)	-	(459,625)
Water and sewer systems	(37,783,274)	(1,587,675)	-	(39,370,949)
Machinery and equipment	(1,121,999)	(108,466)	-	(1,230,465)
Total accumulated depreciation	(39,360,833)	(1,700,206)	-	(41,061,039)
Total depreciable assets, net	19,814,682	(1,414,621)	27,420	18,427,481
Business-type activities capital assets, net	$ 20,050,471	$ (1,403,954)	$ -	$ 18,646,517

Depreciation expense was charged to business-type functions as follows:

Water and sewer	$	1,700,206
Total business-type activities depreciation expense	$	1,700,206

Remaining commitments under related construction contracts for general government construction projects at year end were as follows:

Projects	Approved Construction Budget	Stored and Completed To Date	Remaining Commitment
Virtual gate project	$ 599,180	$ 155,606	$ 443,574
Buffalo speedway	1,946,675	284,686	1,661,989
Animal shelter	38,000	33,326	4,674
Construction at PARD admin	8,460	6,768	1,692
PW parking lot	175,000	-	175,000
Total	$ 2,767,315	$ 480,386	$ 2,286,929

The remaining commitments above will be primarily financed through completion of construction with the resources of the capital projects funds, supplemented by the general fund and issuance of debt, as needed.

Note 6. Long-term Liabilities

The following is a summary of changes in the City's total long-term liabilities for the year ended December 31, 2018. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance		Due Within One Year
Governmental activities:						
Bonds, notes and other payables:						
General obligation bonds	$40,095,000	$ -	$ 7,500,000	$32,595,000	*	$ 7,655,000
Certificates of obligation	6,045,000	-	270,000	5,775,000	*	255,000
Unamortized premiums and/or discounts	563,928	-	118,447	445,481	*	118,447
Total bonds, notes and other payables, net	46,703,928	-	7,888,447	38,815,481		8,028,447
Other liabilities:						
Compensated absences	1,205,438	572,806	461,961	1,316,283		638,562
Net pension liability	6,434,335	4,409,983	6,595,180	4,249,138		-
Other postemployment benefit liability	3,828,634	433,328	175,634	4,086,328		-
Total governmental activities	$58,172,335	$ 5,416,117	$15,121,222	$48,467,230		$ 8,667,009
Long-term debt due in more than one year				$31,464,755		
*Debt associated with governmental activities capital assets				$38,815,481		

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type activities:					
Compensated absences	$ 149,368	$ 63,487	$ 68,467	$ 144,388	$ 85,982
Net pension liability	978,810	524,994	914,567	589,237	-
Total other postemployment benefit liability	530,925	60,090	24,355	566,660	-
Total business-type activities	$ 1,659,103	$ 648,571	$ 1,007,389	$ 1,300,285	$ 85,982
Long-term debt due in more than one year				$ 58,406	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences, OPEB liability, and net pension liability are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
Governmental activities:		
General obligation bonds		
Permanent improvement		
Series 2010	2.00 - 4.00 %	$ 2,235,000
Permanent improvement and refunding		
Series 2009	2.50 - 4.50 %	4,055,000
Series 2010	2.00 - 4.00 %	3,700,000
Series 2011	2.00 - 3.00 %	800,000
Series 2012	2.00%	4,835,000
Series 2013	0.34 - 1.75 %	5,575,000
General obligation refunding		
Series 2016	1.45 %	1,545,000
Series 2017	2.01 %	9,850,000
Total general obligation bonds		32,595,000
Certificates of obligation		
Series 2009	2.50 - 4.50 %	970,000
Series 2010	2.00 - 4.00 %	3,005,000
Series 2010A	1.00 - 4.00 %	1,030,000
Series 2011	2.00 - 2.25 %	770,000
Total certificates of obligation		5,775,000
Total governmental activities long-term debt		$ 38,370,000

The annual requirements to amortize general obligation bonds and certificates of obligation outstanding at year end were as follows:

Year Ending December 31,	Governmental Activities Principal	Interest	Total
2019	$ 7,910,000	$ 920,492	$ 8,830,492
2020	8,060,000	750,016	8,810,016
2021	3,475,000	604,956	4,079,956
2022	3,445,000	488,966	3,933,966
2023	2,605,000	383,291	2,988,291
2024-2028	12,875,000	806,579	13,681,579
Totals	$ 38,370,000	$ 3,954,300	$ 42,324,300

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities (streets, drainage, public safety, water, and wastewater) and equipment for general government and enterprise fund activities. As of December 31, 2018, outstanding instruments include general obligation bonds and certificates of obligation. These obligations are secured by the proceeds of future ad valorem tax revenues levied on all taxable property located within the City and a limited subordinate lien on, and pledge of, net water and sewer system revenues. The City is not obligated in any manner for special assessment debt.

Defeased Bonds
In prior years, the City defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the defeased liabilities are not included in the City's financial statements. At December 31, 2018, the following outstanding bonds were considered defeased (with a call date of February 1, 2020):

- $3,595,000 - Series 2009 permanent improvement and refunding bonds
- $2,375,000 – Series 2010 permanent improvement bonds
- $3,275,000 – Series 2010 certificates of obligation

Federal Arbitrage
The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, a substantial liability to the City could result. The City has estimated that it does not have any arbitrage liability as of December 31, 2018.

Note 7. Interfund Balances and Activity

1. Interfund Receivables and Payables
Interfund receivables and payables of the various funds at December 31, 2018 were as follows:

	Interfund Receivables	Interfund Payables
General	$ 34,769	$ 58,531
Water and sewer	-	9,245
Solid waste	-	3,421
Nonmajor	79,644	43,216
Totals	$ 114,413	$ 114,413

Interfund balances consist of short-term lending/borrowing arrangements that have resulted primarily from expenditures that are paid by one fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more governmental funds due to earned revenues not being received from outside agencies until the subsequent year.

2. Interfund Transfers

Transfers between funds during the year were as follows:

Transfers Out	Transfers In	Amounts
General	Nonmajor	$ 200,000
Water and sewer	Debt service	1,200,246
Water and sewer	General	1,250,000
Solid waste	General	260,000
Nonmajor	General	20,048
Nonmajor	Water and sewer	29,700
Nonmajor	Nonmajor	1,027,290
Totals		$ 3,987,284

Transfers to the general fund were subsidies for administrative expenditures. Other amounts transferred between funds related to amounts collected by the nonmajor governmental funds for various governmental expenditures. Transfers to the debt service fund are used to provide resources from the water and sewer fund to assist with debt service principal and interest payments when they become due.

Note 8. Leases

The City is the lessor of approximately 1.0874 acres of its land to Goode Cook, Inc. (the "Company"). This lease agreement (the "Lease") is an operating lease with fixed minimum rental payments with annually adjusted rates. The Lease expires July 31, 2022; however, at any time after July 31, 2016, the City may terminate the Lease by giving the Company a minimum of nine months' written notice. Rental income is earned from leasing this parcel of land to the Company.

The City is the lessor of a building to Cyclone Cycles (the "Company"). This lease agreement (the "Lease") is an operating lease with monthly rental payments of $4,467. The Lease expires November 30, 2019.

Minimum guaranteed income on all City noncancelable operating leases is as follows:

Year Ending December 31,	Annual Base Rent
2019	$ 82,051
2020	84,517
2021	87,055
2022	51,660
Total	$ 305,283

Note 9. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,827 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

Note 10. Defined Benefit Pension Plan

Plan Description

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

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

Benefits Provided

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

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

The plan provisions are adopted by City were as follows:

	2018	2017
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility		
(expresed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	96
Active employees	118
Total	322

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.55% and 13.56% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended December 31, 2018, were $1,280,642, and were equal to the required contributions.

Net Pension Liability
The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the NPL 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 males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the TMRS system adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.90%
Real return	10.0%	3.80%
Real estate	10.0%	4.50%
Absolute return	10.0%	3.75%
Private equity	5.0%	7.50%
Total	100%	

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	$ 47,807,725	$ 40,394,580	$ 7,413,145
Changes for the year:			
Service cost	1,517,363	-	1,517,363
Interest	3,188,261	-	3,188,261
Change of benefit terms	-	-	-
Difference between expected and actual experience	198,868	-	198,868
Changes of assumptions	-	-	-
Contributions - employer	-	1,261,304	(1,261,304)
Contributions - employee	-	651,628	(651,628)
Net investment income	-	5,596,814	(5,596,814)
Benefit payments, including refunds of employee contributions	(2,665,812)	(2,665,812)	-
Administrative expense	-	(29,014)	29,014
Other changes	-	(1,470)	1,470
Net changes	2,238,680	4,813,450	(2,574,770)
Balance at December 31, 2017	$ 50,046,405	$ 45,208,030	$ 4,838,375

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	$ 11,637,721	$ 4,838,375	$ (775,167)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended December 31, 2018, the City recognized pension expense of $1,918,594.

At December 31, 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	$ 233,871	$ 75,376
Changes in actuarial assumptions	170,757	-
Difference between projected and actual investment earnings	-	1,144,019
Contributions subsequent to the measurement date	1,280,642	-
Totals	$ 1,685,270	$ 1,219,395

$1,280,642 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 December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2019	$ 321,182
2020	(28,904)
2021	(533,008)
2022	(574,037)
Totals	$ (814,767)

Note 11. Other Postemployment Benefits Plans

In addition to the pension plan discussed in Note 10, the City offers other postemployment benefits (OPEBs) through two plans: Texas Municipal Retirement System's Supplemental Death Benefits Fund, and the City's single-employer Retiree Health Care Plan.

Plan Descriptions

Supplemental Death Benefits Fund
Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Retiree Health Care Plan
The City administers a single-employer defined benefit other postemployment benefits (OPEB) plan, known as the Retiree Health Care Plan (the RHCP). The RHCP offers medical benefits to eligible retirees and their spouses. The RHCP has no plan assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Total OPEB Liability
The City's total OPEB liability (TOL) for each of its OPEB plans was measured as of December 31, 2017 and was determined by actuarial valuations as of that date.

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

	SDBP	RHCP
Inactive employees currently receiving benefits	70	16
Inactive employees entitled to but not yet receiving benefits	34	-
Active employees	118	50
Total	222	66

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

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of contribution rates to the SDBF for the City was 0.05% in both calendar years 2017 and 2018. The City's contributions to the SDBF for the year ended December 31, 2018 were $4,719, and were equal to the required contributions.

Retiree Health Care Plan

Employees Hired January 1, 2009 and Thereafter:
A retiree and his or her covered dependent(s) may be eligible for continued coverage through COBRA according to regulatory requirements. Retirees may not add dependents after retiring. Retirees are responsible for all costs, including premiums and administrative fees, associated with COBRA benefits. Retiree/Dependent COBRA benefits will be terminated if the City (or the City's Third Party Administrator) does not receive the required contributions by the date due.

Employees Hired Prior to January 1, 2009:
Non-exempt Employees – If you retire through TMRS and have been employed full-time for the City for at least ten years immediately preceding the date of the retirement, you may continue coverage with the City's health plan.

Exempt Employees – If you retire through TMRS and have minimum of ten years of service credit with TMRS of which five years immediately preceding the date of retirement were with the City, you may continue to be covered through the City's health plan. The benefit includes basic medical coverage, excluding accidental death, life, disability and dental.

The City provides a subsidy to the retiree that varies based on the medical plan elected. Spouse and dependents are eligible for continued coverage. Retirees are responsible for all costs associated with spouse and dependent benefits, including premiums. Surviving spouses of deceased retirees are eligible for continued coverage though COBRA according to regulatory requirements. All benefits terminate when retiree becomes eligible for Medicare or other federal or state health insurance plans or if retiree becomes employed, including self-employment.

Employees who retire under a disability retirement are eligible for retiree health benefits if they have met the eligibility for a regular retirement upon their disability. TMRS retirement requirement: 5 years of service at age 60; or 20 years of service regardless of age.

Actuarial Assumptions
In the December 31, 2017 actuarial valuations, the total liabilities for the SDBF and RHCP OPEBs were determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.31%

The retiree's share of benefit-related costs for the SDBF OPEB is assumed to be $0, and the healthcare trend cost rate for the RHCP actuarial valuation is assumed at an initial rate of 7.50%, declining to an ultimate rate of 5.25% after 11 years. The ultimate trend rate includes a 1.00% adjustment for the excise tax.

Salary increases were based on a service-related table. 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. Mortality rates for disabled 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% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017, valuations were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. For the SDBF OPEB, the post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. The Entry Age Normal Actuarial Cost Method is used for the SDBF actuarial valuation and the Individual Entry-Age Method is used for the RHCP actuarial valuation.

The discount rate (3.31%) was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Changes in Total OPEB Liability

	Total OPEB Liability	
	SDBF	RHCP
Balance at December 31, 2016	$ 406,267	$3,933,765
Changes for the year:		
Service cost	13,963	97,428
Interest on Total OPEB Liability	15,533	148,390
Change of benefit terms	-	-
Difference between expected and actual experience	-	-
Changes of assumptions or other inputs	37,637	180,101
Benefit payments	(4,654)	(175,442)
Net changes	62,479	250,477
Balance at December 31, 2017	$ 468,746	$4,184,242

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

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

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability			
SDBF	$ 565,806	$ 468,746	$ 393,744
RHCP	4,565,769	4,184,242	3,831,384

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

In addition, the following disclosure is applicable to the RHCP only. The following presents the total OPEB liability, calculated using the current healthcare rates, as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current trend rate:

	1% Decrease Healthcare Cost Trend Rate (6.2 % Decreasing to 4.25 %)	Healthcare Cost Trend Rate (7.2 % Decreasing to 5.25 %)	1% Increase Healthcare Cost Trend Rate (8.2 % Decreasing to 6.25 %)
Total OPEB liability			
RHCP	$ 3,724,673	$ 4,184,242	$ 4,719,912

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended December 31, 2018, the City recognized OPEB expense of $36,584 for SDBF and $271,444 for RHCP.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SDBF		RHCP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions and other inputs	$ 30,549	$ -	$ 154,476	$ -
Contributions made subsequent to the measurement date	4,719	-	188,446	-
Totals	$ 35,268	$ -	$ 342,922	$ -

The $4,719 and $188,466 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date for the SDBF and RHCP, respectively, will reduce the Total OPEB liability during the year ending December 31, 2019. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	SDBF	RHCP
2019	$ 7,088	$ 25,626
2020	7,088	25,626
2021	7,088	25,626
2022	7,088	25,626
2023	2,197	25,626
Thereafter	-	26,346
Totals	$ 30,549	$ 154,476

Note 12. Restatements

The City's December 31, 2018 financial statements reflect restatements of beginning net position for the following items:

- *Implementation of GASB Statement No. 75*
  As described in Note 1.F, the City implemented GASB Statement No. 75 during the year ended December 31, 2018, resulting in a reduction of beginning net position by $3,092,960. The reduction represents the recognition of an increase in the January 1, 2018 (beginning-of-year) OPEB liability of $3,292,928, offset by January 1, 2018 deferred outflows of resources of $199,968. These amounts were allocated on the government-wide and proprietary fund financial statements as shown in the table below. Refer to Note 11 for more information regarding the City's OPEB plans.

- *Internal Service Fund Capital Assets – Correction of an Error*
  Net position of the internal service funds as of January 1, 2018 was increased by $114,548 to reflect the correction of an error related to capital assets. Certain capital assets of the internal service funds had been included in the governmental activities column on the government-wide statement of net position, but expensed in the fund financial statements. This difference represents an aggregate total asset cost of $397,403, offset by accumulated depreciation of $282,855 at December 31, 2017. The effect on the change in net position of the internal service funds for the year ended December 31, 2017 is an increase of $48,386.

The following table presents the effects of these restatements on the City's December 31, 2018 financial statements:

	Governmental Activities	Business-Type Activities	Water and Sewer	Solid Waste	Internal Service
Beginning net position, as previously reported	$ 60,264,162	$ 22,432,327	$ 21,889,699	$ 542,628	$ 6,219,163
Change in accounting principle	(2,760,904)	(332,056)	(238,234)	(93,822)	(151,501)
Correction of error	-	-	-	-	114,548
Beginning net position, restated	$ 57,503,258	$ 22,100,271	$ 21,651,465	$ 448,806	$ 6,182,210

Note 13. Subsequent Event

Certificates of Obligation, Series 2019

On June 1, 2019, the City issued $4,040,000 in Certificates of Obligation, Series 2019 which was approved by City Council on May 20, 2019 with Ordinance Number 2072. The proceeds from the sale of the certificates will be used to fund all or a portion of the City's contractual obligations incurred for the design, purchase, construction, installation and equipment of a traffic surveillance and security system (the Virtual Gate project).

APPENDIX C

FORM OF BOND COUNSEL OPINION

January 7, 2020

Ladies and Gentlemen:

WE HAVE ACTED as Bond Counsel for the City of West University Place, Texas (the "City"), in connection with the issuance of the following described bonds (the "Bonds"):

> "City of West University Place, Texas General Obligation Refunding Bonds, Series 2020, dated January 1, 2020, in the aggregate principal amount of $10,780,000.

The Bonds mature, bear interest, and may be transferred and exchanged as set out in the Bonds and in the ordinance of the City Council of the City authorizing the Bonds, dated November 11, 2019 (the "Bond Ordinance"). The Bonds are fully registered and are issued in multiples of $5,000. The Bonds are not subject to redemption prior to their stated maturity.

WE HAVE EXAMINED the Constitution and laws of the State of Texas, the Charter of the City, a transcript of original and certified proceedings of the City of Council of the City, including, without limitation, the Bond Ordinance and customary certificates of officers, agents and representatives of the City and other certificates related to the authorization and issuance of the Bonds and the expected use and investment of proceeds of the Bonds and certain other funds of the City and to certain other facts within the knowledge and control of the City. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates. We have also examined a specimen bond of said series and find same to be in due form and properly executed.

WE ARE OF THE OPINION, based on the foregoing, that the proceedings authorizing the issuance of the Bonds show lawful authority for such issuance under the Constitution and laws of the State of Texas.

WE ARE OF THE OPINION that the Bonds constitute legal, valid and binding obligations of the City, except to the extent that the enforcement of the rights and remedies of any bondholder 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, that the Bonds are payable from the levy of a direct annual ad valorem tax, within the limit prescribed by law, as provided in the Bond Ordinance.

WE ARE OF THE OPINION, based upon the foregoing that, pursuant to the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance by the City after the date hereof with the provisions of the Bond Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds is excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes pursuant to section 103 of the Code, and will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or corporations, except as provided herein below, for federal income tax purposes.

WE ARE OF THE OPINION that the Bonds are not private activity bonds, as defined in the Code.

WE CALL TO YOUR ATTENTION TO THE FACT THAT the Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions as that term is defined by Section 265 of the Code.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

The Bond Ordinance provides that the City reserves the right to issue additional bonds, including additional parity bonds, and, when issued and sold, said additional parity bonds will be in all respects on a parity with the Bonds.

The Bonds are obligations solely of the City and are not obligations of the State of Texas, Harris County or any other entity.

WE ASSUME NO DUTY TO update or supplement our opinions to reflect any facts or circumstances that may come to our attention after the issuance of the Bonds or to reflect any changes in any law that may become effective after the issuance of the Bonds. The opinions expressed herein should not be construed as a guarantee or result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of the transcript of proceedings relating to the issuance of the Bonds, certain other materials, and existing law that we, in our sole discretion, deemed relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,

APPENDIX D

SCHEDULE OF BONDS TO BE REFUNDED

Series	Original Maturity	Principal Amount	Call Date/Price	Remaining Outstanding
Certificates of Obligation, Series 2009	02/01/2021	$ 95,000	02/01/2020 @ 100	-0-
	02/01/2022	95,000	02/01/2020 @ 100	-0-
	02/01/2023	100,000	02/01/2020 @ 100	-0-
	02/01/2024	105,000	02/01/2020 @ 100	-0-
	02/01/2025	110,000	02/01/2020 @ 100	-0-
	02/01/2026	115,000	02/01/2020 @ 100	-0-
	02/01/2027	120,000	02/01/2020 @ 100	-0-
	02/01/2028	125,000	02/01/2020 @ 100	-0-
Permanent Improvement and Refunding Bonds, Series 2009	02/01/2021	$ 755,000	02/01/2020 @ 100	-0-
	02/01/2022	790,000	02/01/2020 @ 100	-0-
	02/01/2023	820,000	02/01/2020 @ 100	-0-
	02/01/2024	230,000	02/01/2020 @ 100	-0-
	02/01/2025	205,000	02/01/2020 @ 100	-0-
	02/01/2026	210,000	02/01/2020 @ 100	-0-
	02/01/2027	220,000	02/01/2020 @ 100	-0-
	02/01/2028	230,000	02/01/2020 @ 100	-0-
Certificates of Obligation, Series 2010	02/01/2021	$ 665,000	02/01/2020 @ 100	-0-
	02/01/2022	690,000	02/01/2020 @ 100	-0-
	02/01/2023	710,000	02/01/2020 @ 100	-0-
	02/01/2024	740,000	02/01/2020 @ 100	-0-
Permanent Improvement Bonds, Series 2010	02/01/2021	$ 480,000	02/01/2020 @ 100	-0-
	02/01/2022	495,000	02/01/2020 @ 100	-0-
	02/01/2023	520,000	02/01/2020 @ 100	-0-
	02/01/2024	540,000	02/01/2020 @ 100	-0-
Permanent Improvement Refunding Bonds, Series 2010	02/01/2021	$ 670,000	02/01/2020 @ 100	-0-
	02/01/2022	575,000	02/01/2020 @ 100	-0-
Certificates of Obligation, Series 2010A	02/01/2022(a)	$ 185,000	02/01/2020 @ 100	-0-
	02/01/2024(a)	205,000	02/01/2020 @ 100	-0-
	02/01/2026(a)	225,000	02/01/2020 @ 100	-0-
	02/01/2028(a)	240,000	02/01/2020 @ 100	-0-
Totals		$11,265,000		

(a) Represents a Term Bond.