

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM  
and  
PRELIMINARY OFFICIAL STATEMENT**

**CITY OF CROWLEY, TEXAS**

**(A Political Subdivision of the State of Texas Located in Tarrant and Johnson Counties, Texas)**

**\$3,000,000\***

**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF  
OBLIGATION, SERIES 2020  
(THE "CERTIFICATES")**

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| <p><b>To be Designated by the City as<br/>"QUALIFIED TAX-EXEMPT OBLIGATIONS"</b></p> |
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**Bids due  
Thursday, March 19, 2020  
at  
12:00 P.M. Noon, Central Time**

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\*Preliminary, subject to change based on bid structures. See "THE CERTIFICATES - MATURITY SCHEDULE" and "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT" in the Official Notice of Sale relating to the Certificates.

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This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Certificates defined and described herein. The invitation for bids on the Certificates is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

**The Issuer will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.**

**OFFICIAL NOTICE OF SALE**

**\$3,000,000\***

**CITY OF CROWLEY, TEXAS**

**(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)  
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020**

**CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID:** The City Council (the “City Council”) of the City of Crowley, Texas (the “City” or the “Issuer”) is offering for sale at competitive bid its \$3,000,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the “Certificates”).

**BIDS BY INTERNET:** Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 12:00 P.M. Noon, Central Time, on Thursday, March 19, 2020. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System (“PARITY”) and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Thursday, March 19, 2020 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

**OPENING OF BIDS:** Bids will be opened and publicly read at 12:00 P.M. Noon, Central Time, on Thursday, March 19, 2020, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the “Financial Advisor”) and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Certificates as described in the section entitled “AWARD AND SALE OF THE CERTIFICATES” below.

**AWARD AND SALE OF THE CERTIFICATES:** By 1:00 P.M. Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall award the Certificates to the **low qualified bidder (the “Winning Bidder”)**, as described in the section entitled “CONDITIONS OF SALE – Basis of Award” herein subject to final approval of the City Council which will take action to adopt an ordinance (the “Ordinance”) authorizing the issuance and awarding sale of the Certificates or will reject all bids promptly at a scheduled meeting to commence at 7:00 P.M. Central Time on Thursday, March 19, 2020. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

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\*Preliminary, subject to change based on bid structures. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES” herein.

## THE CERTIFICATES

**DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES:** The Certificates will be dated April 1, 2020 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on August 1, 2020, and semiannually on each February 1 and August 1 thereafter until the earlier of stated maturity or prior redemption. The Certificates will be issued as fully registered Certificates in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.) The Certificates will be stated to mature on February 1 in each of the following years in the following amounts:

### MATURITY SCHEDULE (Due February 1)

| Stated Maturity | Principal Amount* | Stated Maturity | Principal Amount* |
|-----------------|-------------------|-----------------|-------------------|
| 2021            | \$105,000         | 2031            | \$150,000         |
| 2022            | 110,000           | 2032            | 155,000           |
| 2023            | 115,000           | 2033            | 160,000           |
| 2024            | 115,000           | 2034            | 165,000           |
| 2025            | 120,000           | 2035            | 170,000           |
| 2026            | 125,000           | 2036            | 180,000           |
| 2027            | 130,000           | 2037            | 185,000           |
| 2028            | 135,000           | 2038            | 190,000           |
| 2029            | 140,000           | 2039            | 200,000           |
| 2030            | 145,000           | 2040            | 205,000           |

**ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES:** The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$3,000,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

**SERIAL CERTIFICATES AND/OR TERM CERTIFICATES:** Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, not to exceed five term certificates (the “Term Certificates”).

**MANDATORY SINKING FUND REDEMPTION:** If the Winning Bidder designates principal amounts to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Certificate and continuing on February 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

**OPTIONAL REDEMPTION:** The City reserves the right, at its option, to redeem the Certificates maturing on or after February 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described in the Preliminary Official Statement.

\*Preliminary, subject to change. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES”.

**SECURITY FOR PAYMENT:** The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council on March 19, 2020, and the City's Home Rule Charter and are payable primarily from an annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and are further secured by a lien on and pledge of the Pledged Revenues being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that may be pledged to the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance the City retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

**OTHER TERMS AND COVENANTS:** Other terms of the Ordinance and the various covenants of the City contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

**SUCCESSOR PAYING AGENT/REGISTRAR:** The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

#### CONDITIONS OF SALE

**TYPES OF BIDS AND INTEREST RATES:** The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 102.5% nor greater than 107% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

**BASIS OF AWARD:** The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") to the date of initial delivery of the Certificates, relating to the excludability of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of initial delivery of the Certificates) a certification as to their initial offering prices of the Certificates (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale (see "ESTABLISHMENT OF ISSUE PRICE" herein).

#### **ESTABLISHMENT OF ISSUE PRICE:**

- (a) The Winning Bidder shall assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City by the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the City, and Norton Rose Fulbright US LLP, the City's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Certificates under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the City's Financial Advisor and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the “competitive sale requirements”) because:

- (1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the Winning Bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Certificates as the issue price of that maturity (the “hold-the-offering-price rule”). The City shall promptly advise the Winning Bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.** In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the City promptly after the close of the fifth (5<sup>th</sup>) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(e) The City acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Certificates, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Certificates.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling

group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Certificates to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Certificates to the public),
- (3) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Certificates are awarded by the City to the Winning Bidder.

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities.

**GOOD FAITH DEPOSIT:** A bank cashier's check payable to the order of "City of Crowley, Texas" in the amount of \$60,000, which is 2% of the par value of the Certificates (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail or refuse to take up and pay for the Certificates, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

**ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:**

It is the obligation of the City to receive information from Winning Bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Crowley, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Crowley CO2020 – Bid Form) and description of the goods or services (Purchase of the City of Crowley, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The executed Disclosure Form must be sent by email to the City's financial advisor at [mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com), as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original

signatures must be submitted by mail to Jeff Kuhn, c/o Norton Rose Fulbright US LLP, 111 W. Houston Street, Suite 1800 San Antonio, Texas 78205, along with a PDF executed version sent to [w.jeffrey.kuhn@nortonrosefulbright.com](mailto:w.jeffrey.kuhn@nortonrosefulbright.com).

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at [https://www.ethics.state.tx.us/whatsnew/elf\\_info\\_form1295.htm](https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm).

**ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE:** Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law. As used in the foregoing verification, ‘boycott Israel’ means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>; <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

**IMPACT OF BIDDING SYNDICATE ON AWARD:** For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

#### OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the “Rule”), of the United States Securities and Exchange Commission (“SEC”), the City and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

**COMPLIANCE WITH RULE:** The City has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the City of the initial offering yields of the Certificates.

The City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a “designated electronic format” (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board (“MSRB”). The City consents to the distribution of such documents in a “designated electronic format.” Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The City will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the City intends the same to be final as of such date, within the



meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the City makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

**FINAL OFFICIAL STATEMENT:** In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Certificates, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the City and the Certificates to subsequent purchasers of the Certificates, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Certificates to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Certificates have been sold to ultimate customers.

**CHANGES TO OFFICIAL STATEMENT:** If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Certificates, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the City to do so will terminate when the City delivers the Certificates to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Certificates have been sold to ultimate customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Certificates) until all of the Certificates have been sold to ultimate customers.

**CERTIFICATION OF THE OFFICIAL STATEMENT:** At the time of payment for and delivery of the hereinafter defined Initial Certificate (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last financial statements of the City appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the City.

**CONTINUING DISCLOSURE AGREEMENT:** The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

**COMPLIANCE WITH PRIOR UNDERTAKINGS:** During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

#### **DELIVERY AND ACCOMPANYING DOCUMENTS**

**INITIAL DELIVERY OF INITIAL CERTIFICATES:** The initial delivery of the Certificates to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of \$3,000,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Certificate"), signed by manual or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and

registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate, they shall be immediately canceled and one Certificate for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Certificate must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Certificates. It is anticipated that Initial Delivery of the Initial Certificate can be made on or about April 15, 2020, but if for any reason the City is unable to make delivery by April 15, 2020, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Certificates. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

**EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES:** Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate is to be canceled by the Paying Agent/Registrar and registered definitive Certificates delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Certificates shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Certificate, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Certificate and delivery of registered definitive Certificates may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

**CUSIP NUMBERS:** It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid by the City; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

**CONDITIONS TO DELIVERY:** The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Certificate, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE", all as described below. In addition, if the City fails to comply with its obligations described under "OFFICIAL STATEMENT- FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the City within five (5) days thereafter.

**NO MATERIAL ADVERSE CHANGE:** The obligation of the Purchaser to take up and pay for the Certificates, and of the City to deliver the Initial Certificate, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificate, there shall have been no material adverse change in the affairs of the City subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

**LEGAL OPINIONS:** The Certificates are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

**CHANGE IN TAX-EXEMPT STATUS:** At any time before the Certificates are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Certificates shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

**QUALIFIED TAX-EXEMPT OBLIGATIONS:** The City will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Preliminary Official Statement).

#### GENERAL CONSIDERATIONS

**FUTURE REGISTRATION:** The Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New

Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Certificates surrendered for exchange or transfer.

**RECORD DATE:** The record date ("Record Date") for determining the party to whom the semiannual interest on the Certificates is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

**RATING:** A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

**SALE OF ADDITIONAL OBLIGATIONS:** The City currently has no plans to issue additional ad valorem tax supported debt in 2020, except potentially issuing refunding bonds for debt service savings.

**REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE:** No registration statement relating to the Certificates has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Certificates have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Certificates, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Certificates are offered for sale.

**ADDITIONAL COPIES:** Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from [www.samccapital.com](http://www.samccapital.com).

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Certificates, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

/s/ Billy P. Davis  
Mayor,  
City of Crowley, Texas

ATTEST:

/s/ Carol Konhauser  
City Secretary,  
City of Crowley, Texas

March 12, 2020

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# CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.  
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

**OFFICE USE ONLY  
CERTIFICATION OF FILING**

**1 Name of business entity filing form, and the city, state and country of the business entity's place of business.**

**2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.**

City of Crowley, Texas

**3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.**

Crowley CO2020 - Bid Form

Purchase of the City of Crowley, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020

| 4 | Name of Interested Party | City, State, Country (place of business) | Nature of interest (check applicable) |              |
|---|--------------------------|--|---------------------------------------|--------------|
|   |                          |  | Controlling                           | Intermediary |
|   |                          |  |                                       |              |
|   |                          |  |                                       |              |
|   |                          |  |                                       |              |
|   |                          |  |                                       |              |
|   |                          |  |                                       |              |
|   |                          |  |                                       |              |
|   |                          |  |                                       |              |
|   |                          |  |                                       |              |
|   |                          |  |                                       |              |
|   |                          |  |                                       |              |

SAMPLE

**5 Check only if there is NO Interested Party.**

**6 UNSWORN DECLARATION**

My name is \_\_\_\_\_, and my date of birth is \_\_\_\_\_.

My address is \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.  
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in \_\_\_\_\_ County, State of \_\_\_\_\_, on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.  
(month) (year)

\_\_\_\_\_  
Signature of authorized agent of contracting business entity  
(Declarant)

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**OFFICIAL BID FORM**

Honorable Mayor and City Council  
 City of Crowley  
 201 E Main Street  
 Crowley, Texas 76036

March 19, 2020

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated March 12, 2020, which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for \$3,000,000 (preliminary, subject to change) CITY OF CROWLEY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020, dated April 1, 2020 (the "Certificates").

For said legally issued Certificates, we will pay you \$\_\_\_\_\_ (being a price of no less than 102.5% and no more than 107% of par value) plus accrued interest from their date to the date of delivery to us for Certificates maturing February 1 and bearing interest per annum as follows:

| Year of Stated Maturity | Principal Amount at Stated Maturity | Coupon % | Year of Stated Maturity | Principal Amount at Stated Maturity | Coupon % |
|-------------------------|-------------------------------------|----------|-------------------------|-------------------------------------|----------|
| 2021                    | \$105,000                           |          | 2031*                   | \$150,000                           |          |
| 2022                    | 110,000                             |          | 2032*                   | 155,000                             |          |
| 2023                    | 115,000                             |          | 2033*                   | 160,000                             |          |
| 2024                    | 115,000                             |          | 2034*                   | 165,000                             |          |
| 2025                    | 120,000                             |          | 2035*                   | 170,000                             |          |
| 2026                    | 125,000                             |          | 2036*                   | 180,000                             |          |
| 2027                    | 130,000                             |          | 2037*                   | 185,000                             |          |
| 2028                    | 135,000                             |          | 2038*                   | 190,000                             |          |
| 2029                    | 140,000                             |          | 2039*                   | 200,000                             |          |
| 2030*                   | 145,000                             |          | 2040*                   | 205,000                             |          |

*\*Maturities available for Term Certificates.*

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: \_\_\_\_\_%

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$3,000,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table (which may include no more than five Term Certificates. For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year. The Term Certificates created are as follows:

| Term Certificate<br>Maturity Date<br>February 1 | Year of<br>First Mandatory<br>Redemption | Principal<br>Amount of<br>Term Certificate | Interest<br>Rate |
|---|--|--|------------------|
| _____   | _____                                    | _____                                      | _____            |
| _____   | _____                                    | _____                                      | _____            |
| _____   | _____                                    | _____                                      | _____            |
| _____   | _____                                    | _____                                      | _____            |
| _____   | _____                                    | _____                                      | _____            |

The Initial Certificate shall be registered in the name of \_\_\_\_\_, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the \_\_\_\_\_ Bank, \_\_\_\_\_, Texas, in the amount of \$60,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds at the Corporate Trust Division, UMB Bank, N.A., Austin Texas, not later than 10:00 A.M., Central Time, on Wednesday, April 15, 2020, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Certificates to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Certificates in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it does not and will not "boycott Israel" and is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE".

For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the City's financial advisor at mmcliney@samcocapital.com and Bond Counsel at w.jeffrey.kuhn@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

By: \_\_\_\_\_  
 Authorized Representative  
 \_\_\_\_\_  
 Telephone Number  
 \_\_\_\_\_  
 E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Crowley, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 19<sup>th</sup> day of March 2020.

/s/ Billy P. Davis \_\_\_\_\_  
 Mayor,  
 City of Crowley, Texas

ATTEST:

/s/ Carol Konhauser \_\_\_\_\_  
 City Secretary,  
 City of Crowley, Texas



**\$3,000,000\***  
**CITY OF CROWLEY, TEXAS**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,**  
**SERIES 2020**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Obligations") of the City of Crowley, Texas (the "Issuer").

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by \_\_\_\_\_ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Obligations used by the "Purchaser" in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by the "Purchaser" to purchase the Obligations.

(b) \_\_\_\_\_ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by \_\_\_\_\_ constituted a firm offer to purchase the Obligations.

**2. Defined Terms.**

(a) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is March 19, 2020.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated: April 15, 2020

\_\_\_\_\_  
\*Preliminary, subject to change.

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**SCHEDULE A**

**EXPECTED OFFERING PRICES**

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**SCHEDULE B**  
**COPY OF UNDERWRITER'S BID**

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "Applied For"  
(See: "OTHER PERTINENT INFORMATION-Rating")

**PRELIMINARY OFFICIAL STATEMENT**  
**March 12, 2020**

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

**The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.**

**\$3,000,000\***  
**CITY OF CROWLEY, TEXAS**  
**(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020**

**Dated Date: April 1, 2020**

**Due: February 1, as shown on inside cover**

The \$3,000,000\* City of Crowley, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City of Crowley, Texas (the "City" or the "Issuer") on March 19, 2020, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

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

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

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

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*The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about April 15, 2020.*

\* Preliminary, subject to change

**BIDS DUE THURSDAY, MARCH 19, 2020, BY 12:00 P.M. NOON, CENTRAL TIME**

**\$3,000,000\***  
**CITY OF CROWLEY, TEXAS**  
**(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020**

**MATURITY SCHEDULE\***  
**(Due February 1)**

**CUSIP Prefix No. 228111<sup>(1)</sup>**

| Stated<br>Maturity<br>February 1 | Principal<br>Amount* | Interest<br>Rate (%) | Initial<br>Yield (%) | CUSIP<br>Suffix <sup>(a)</sup> |
|----------------------------------|----------------------|----------------------|----------------------|--------------------------------|
| 2021                             | \$ 105,000           |                      |                      |                                |
| 2022                             | 110,000              |                      |                      |                                |
| 2023                             | 115,000              |                      |                      |                                |
| 2024                             | 115,000              |                      |                      |                                |
| 2025                             | 120,000              |                      |                      |                                |
| 2026                             | 125,000              |                      |                      |                                |
| 2027                             | 130,000              |                      |                      |                                |
| 2028                             | 135,000              |                      |                      |                                |
| 2029                             | 140,000              |                      |                      |                                |
| 2030                             | 145,000              |                      |                      |                                |
| 2031                             | 150,000              |                      |                      |                                |
| 2032                             | 155,000              |                      |                      |                                |
| 2033                             | 160,000              |                      |                      |                                |
| 2034                             | 165,000              |                      |                      |                                |
| 2035                             | 170,000              |                      |                      |                                |
| 2036                             | 180,000              |                      |                      |                                |
| 2037                             | 185,000              |                      |                      |                                |
| 2038                             | 190,000              |                      |                      |                                |
| 2039                             | 200,000              |                      |                      |                                |
| 2040                             | 205,000              |                      |                      |                                |

**(Interest to accrue from Dated Date)**

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

\* Preliminary, subject to change.

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

*[The remainder of this page intentionally left blank]*



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

**ELECTED OFFICIALS**

| Name   | Years Served | Term Expires (May) | Occupation                         |
|--|--------------|--------------------|------------------------------------|
| Billy P. Davis<br>Mayor                          | 21           | 2022               | Arborist                           |
| Jerry Beck, Jr.<br>Mayor Pro-Tem, Place 2        | 15           | 2022               | Security Officer                   |
| Johnny Shotwell<br>Councilmember, Place 1        | 16           | 2021               | Operations Consultant – SSA Global |
| Jesse D. Johnson<br>Councilmember, Place 3       | 17           | 2022               | Funeral Plan Sales                 |
| Carl T. Weber III<br>Councilmember, Place 4      | 1            | 2021               | Business Consultant                |
| Tina Pace<br>Councilmember, Place 5              | 12           | 2020               | Real Estate Agent                  |
| Christine M. Gilbreath<br>Councilmember, Place 6 | 6            | 2020               | Retired Military                   |

**ADMINISTRATION**

| Name            | Position                                   | Length of Service With the City (Years) |
|-----------------|--|---|
| Robert Loftin   | City Manager                               | 29                                      |
| Lori Watson     | Assistant City Manager/Director of Finance | 16                                      |
| Jack Thompson   | ACM/EDC Director                           | 3                                       |
| Carol Konhauser | City Secretary                             | 2                                       |

**CONSULTANTS AND ADVISORS**

**Bond Counsel** .....Norton Rose Fulbright US LLP  
San Antonio, Texas

**Certified Public Accountants** .....George, Morgan & Sneed, P.C.  
Weatherford, Texas

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

***For Additional Information Please Contact:***

Ms. Lori Watson  
Assistant City Manager/Director of Finance  
City of Crowley  
201 East Main Street  
Crowley, Texas 76036  
Telephone: (817) 297-2201  
Lwatson@ci.crowley.tx.us

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

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “Rule”), and in effect on the date of this Preliminary Official Statement, this document constitutes an “official statement” of the Issuer with respect to the Certificates that has been “deemed final” by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

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

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

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

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

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

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

## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

### **The Issuer**

The City of Crowley, Texas (the "City" or "Issuer"), a municipal corporation and political subdivision of the State of Texas, was originally incorporated in 1951 and adopted a Home Rule Charter on May 1, 1999, as amended on November 5, 2013. The City operates under a Council/Manager form of government with a Mayor and six Council Members. The City is directly south of Fort Worth, approximately 30 miles southwest of the Dallas-Fort Worth International Airport and two miles west of Interstate Highway 35. Farm-to-market roads 1187 and 731 provide ready access to Interstate Highways 20 and 35. The 2020 estimated population is 15,540. (See "APPENDIX B – General Information Regarding the City of Crowley and Tarrant and Johnson Counties" herein.)

### **The Certificates**

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City, on March 19, 2020 and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

### **Paying Agent/Registrar**

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

### **Security**

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

### **Redemption Provisions of the Certificates**

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

### **Tax Matters**

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

### **Qualified Tax-Exempt Obligations**

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

**Use of Certificate Proceeds**

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

**Rating**

A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" herein.)

**Payment Record**

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

**Future Debt Issues**

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2020, except potentially issuing refunding bonds for debt service savings.

**Delivery**

When issued, anticipated on or about April 15, 2020.

**Legality**

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

*(The remainder of this page intentionally left blank.)*

**PRELIMINARY OFFICIAL STATEMENT  
relating to**

**\$3,000,000\***

**CITY OF CROWLEY, TEXAS**

**(A political subdivision of the State of Texas located in Tarrant and Johnson Counties, Texas)  
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020**

**INTRODUCTORY STATEMENT**

This Official Statement provides certain information in connection with the issuance by the City of Crowley, Texas (the "City" or the "Issuer") of its \$3,000,000\* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates") identified on the cover page.

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

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

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

**THE CERTIFICATES**

**General Description of the Certificates**

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

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

**Authority for Issuance**

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on March 19, 2020, and the City's Home Rule Charter.

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\*Preliminary, subject to change.

## **Security for Payment**

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

*Limited Revenue Pledge Benefiting the Certificates.* Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

## **Redemption Provisions of the Certificates**

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Two or more consecutive maturities of the Certificates may be grouped together as a "Term Certificate" by the Purchaser, and such "Term Certificates" would also be subject to mandatory sinking fund redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

## **Notice of Redemption**

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

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

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

## **Selection of Certificates to be Redeemed**

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular

Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice or such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**Use of Certificate Proceeds**

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

**Sources and Uses**

|                                      |          |
|--------------------------------------|----------|
| Sources                              |          |
| Par Amount of the Certificates       | \$ _____ |
| Accrued Interest on the Certificates | _____    |
| [Net] Reoffering Premium             | _____    |
| Total Sources of Funds               | =====    |
| Uses                                 |          |
| Project Fund Deposit                 | \$ _____ |
| Purchaser's Discount                 | _____    |
| Certificate Fund Deposit             | _____    |
| Costs of Issuance                    | _____    |
| Total Uses                           | =====    |

**Payment Record**

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

**Amendments**

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

**Defeasance**

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State

law as eligible for use to accomplish the discharge of obligations such as the Certificates. City officials are authorized to restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

### **Default and Remedies**

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

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

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

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

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of



mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

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

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

### **Record Date**

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

### **Special Record Date for Interest Payment**

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

### **Future Registration**

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the

corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

#### **Limitation on Transfer of Certificates**

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

#### **Replacement Certificates**

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

#### **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

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

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

periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

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

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

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

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

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

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

#### **Use of Certain Terms in Other Sections of this Official Statement**

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

## Effect of Termination of Book-Entry-Only System

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

## INVESTMENT POLICIES

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

### Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAAm”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund’s total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

### Current Investments <sup>(1)</sup>

TABLE 1

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

| <u>Type of Security</u> | <u>Market Value</u> | <u>Percentage of Total</u> |
|-------------------------|---------------------|----------------------------|
| TexPool                 | \$ 43,946,501       | 100.00%                    |
| Total                   | \$ 43,946,501       | 100.00%                    |

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

<sup>(1)</sup> Unaudited.

## AD VALOREM PROPERTY TAXATION

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

### Valuation of 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 (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Tarrant Appraisal District and Central Appraisal District of Johnson County (each, an “Appraisal District”). Except as generally described below, the Appraisal District is required to appraise

all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

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

### **State Mandated Homestead Exemptions**

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

### **Local Option Homestead Exemptions**

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. The City has elected to grant \$40,000 for persons 65 years of age or older and the disabled.

### **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. The City has implemented this "tax freeze".

### **Personal Property**

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

### **Freeport and Goods-In-Transit Exemptions**

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. The City has taken action to tax Goods-in-Transit.

### **Other Exempt Property**

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

### **Tax Increment Reinvestment Zones**

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

The City participates in one TIRZ, the Tax Increment Reinvestment Zone #1, which was established in 2013 for a period of 25 years (until 2038) and consists of 957 acres of land. The City contributes 100% of tax increment within this TIRZ for the purposes of public buildings and facilities, roadwork, water and sewer projects, drainage, parks, façade renovation, and economic development.

### **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.

### **City and Taxpayer Remedies**

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

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

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

### **Levy and Collection of Taxes**

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each

additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The City does not allow split payments but does allow discounts for early payment.

### **City's Rights in the Event of Tax Delinquencies**

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

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

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

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

### **Public Hearing and Maintenance and Operations Tax Rate Limitations**

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

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

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

"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.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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

#### **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.

### **TAX MATTERS**

#### **Tax Exemption**

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



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

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

### **Tax Changes**

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

### **Ancillary Tax Consequences**

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations” herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

### **Tax Accounting Treatment of Discount Certificates**

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

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

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Certificates and with respect to the state and local tax consequences of owning

Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

### **Tax Accounting Treatment of Premium Certificates**

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

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

### **Qualified Tax-Exempt Obligations**

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

The City will designate the Certificates as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

### **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

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

The Issuer will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in Table 1 of the Official Statement and in Tables 1-14 of APPENDIX A to this Official Statement and in APPENDIX D. The Issuer will update and provide this information within six months after the end of each fiscal year in or after 2020. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the

financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the change.

#### **Notice of Certain Events**

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

#### **Availability of Information**

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

#### **Limitations and Amendments**

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

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

#### **Compliance with Prior Agreements**

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

### **LEGAL MATTERS**

#### **Legal Opinions and No-Litigation Certificate**

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

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

#### **Litigation**

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

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

## **Legal Investments and Eligibility to Secure Public Funds in Texas**

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

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

### **FORWARD LOOKING STATEMENTS**

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

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

### **OTHER PERTINENT INFORMATION**

#### **Registration and Qualification of Certificates for Sale**

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

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

#### **Rating**

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

### **Authenticity of Financial Information**

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

### **Financial Advisor**

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

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

### **Winning Bidder**

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

### **Certification of the Official Statement**

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2018, the date of the last financial statements of the City appearing in the Official Statement.

### **Information from External Sources**

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

**Concluding Statement**

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

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

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

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

**CITY OF CROWLEY, TEXAS**

/s/  
\_\_\_\_\_  
Mayor  
City of Crowley, Texas

ATTEST:

/s/  
\_\_\_\_\_  
City Secretary  
City of Crowley, Texas

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**APPENDIX A**

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

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

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

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

**GENERAL OBLIGATION BONDED DEBT**

(as of March 1, 2020)

**General Obligation Debt Principal Outstanding**

|  |                        |
|--|------------------------|
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011                                 | \$ 1,485,000           |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012                                 | 3,275,000              |
| General Obligation Refunding Bonds, Series 2012  | 190,000                |
| General Obligation Refunding Bonds, Series 2012A   | 860,000                |
| General Obligation Refunding Bonds, Series 2013  | 2,185,000              |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016                                 | 5,145,000              |
| General Obligation Refunding Bonds, Series 2017  | 5,940,000              |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018                                 | 10,900,000             |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019                                 | 7,500,000              |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates")            | <u>3,000,000</u> *     |
| Total Gross General Obligation Debt  | <u>\$ 37,480,000</u> * |
| Less: Self Supporting Debt   |                        |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 (100% Water & Sewer)            | \$ 1,485,000           |
| General Obligation Refunding Bonds, Series 2012A (76.74% Water & Sewer)  | 660,000                |
| General Obligation Refunding Bonds, Series 2013 (52.86% Crime Control and Prevention District)                     | 1,155,000              |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 (50.53% Water and Sewer)        | 2,600,000              |
| General Obligation Refunding Bonds, Series 2017 (27.44% Water & Sewer)   | 1,630,000              |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (35.14% EDC)                    | 3,830,000              |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (100% Water and Sewer)          | 7,500,000              |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (100% EDC) (the "Certificates") | <u>3,000,000</u> *     |
| Total Self-Supporting Debt   | <u>\$ 18,860,000</u> * |
| Total Net General Obligation Debt Outstanding  | <u>\$ 18,620,000</u> * |

|  |                  |
|--|------------------|
| 2019 Net Assessed Valuation  | \$ 1,158,624,296 |
| Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation | 3.23% *          |
| Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation                   | 1.61% *          |
| Population: 1990 - 6,974; 2000 - 7,467; 2010 - 12,838; est. 2020 - 15,540                          |                  |
| Per Capita Certified Net 2019 Taxable Assessed Valuation - \$69,291.57                             |                  |
| Per Capita Gross General Obligation Debt Principal - \$2,241.49*                                   |                  |
| Per Capita Net General Obligation Debt Principal - \$1,113.57 *                                    |                  |

\* Preliminary, subject to change.

**CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE**

**TABLE 2**

(As of September 30, 2019)

None

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2019.

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

| Fiscal Year<br>Ending<br>Sept. 30 | Current Total<br>Outstanding<br>Debt <sup>(a)</sup> | The Certificates*   |                     |                     | Combined<br>Debt<br>Service <sup>(a)</sup> | Less: Self-<br>Supporting<br>Debt | Total Net<br>Debt<br>Service |
|-----------------------------------|---|---------------------|---------------------|---------------------|--|-----------------------------------|------------------------------|
|                                   |   | Principal           | Interest            | Total               |  |                                   |                              |
| 2020                              | \$ 4,127,327  |                     | \$ 35,000           | \$ 35,000           | \$ 4,162,327                               | \$ 2,133,198                      | \$ 2,029,129                 |
| 2021                              | 4,180,741   | \$ 105,000          | 103,163             | 208,163             | 4,388,904                                  | 2,306,432                         | 2,082,472                    |
| 2022                              | 4,079,115   | 110,000             | 99,400              | 209,400             | 4,288,515                                  | 2,301,112                         | 1,987,404                    |
| 2023                              | 3,997,603   | 115,000             | 95,463              | 210,463             | 4,208,066                                  | 2,307,144                         | 1,900,921                    |
| 2024                              | 3,658,117   | 115,000             | 91,438              | 206,438             | 3,864,555                                  | 2,035,025                         | 1,829,529                    |
| 2025                              | 3,416,997   | 120,000             | 87,325              | 207,325             | 3,624,322                                  | 1,911,128                         | 1,713,194                    |
| 2026                              | 3,154,770   | 125,000             | 83,038              | 208,038             | 3,362,808                                  | 1,774,895                         | 1,587,913                    |
| 2027                              | 3,155,749   | 130,000             | 78,575              | 208,575             | 3,364,324                                  | 1,780,606                         | 1,583,718                    |
| 2028                              | 3,152,355   | 135,000             | 73,938              | 208,938             | 3,361,293                                  | 1,772,804                         | 1,588,489                    |
| 2029                              | 3,144,096   | 140,000             | 69,125              | 209,125             | 3,353,221                                  | 1,766,638                         | 1,586,584                    |
| 2030                              | 2,392,023   | 145,000             | 64,138              | 209,138             | 2,601,161                                  | 1,565,008                         | 1,036,153                    |
| 2031                              | 2,405,245   | 150,000             | 58,975              | 208,975             | 2,614,220                                  | 1,568,989                         | 1,045,231                    |
| 2032                              | 2,014,301   | 155,000             | 53,638              | 208,638             | 2,222,939                                  | 1,189,980                         | 1,032,959                    |
| 2033                              | 1,686,823   | 160,000             | 48,125              | 208,125             | 1,894,948                                  | 1,189,025                         | 705,922                      |
| 2034                              | 1,683,306   | 165,000             | 42,438              | 207,438             | 1,890,744                                  | 1,187,273                         | 703,471                      |
| 2035                              | 1,683,813   | 170,000             | 36,575              | 206,575             | 1,890,388                                  | 1,189,744                         | 700,644                      |
| 2036                              | 1,682,015   | 180,000             | 30,450              | 210,450             | 1,892,465                                  | 1,190,750                         | 701,715                      |
| 2037                              | 1,307,773   | 185,000             | 24,063              | 209,063             | 1,516,835                                  | 1,002,710                         | 514,125                      |
| 2038                              | 1,305,065   | 190,000             | 17,500              | 207,500             | 1,512,565                                  | 1,000,240                         | 512,325                      |
| 2039                              | 496,003   | 200,000             | 10,675              | 210,675             | 706,678                                    | 210,675                           | 496,003                      |
| 2040                              | -   | 205,000             | 3,588               | 208,588             | 208,588                                    | 208,588                           | -                            |
| Total                             | <u>\$ 52,723,236</u>                                | <u>\$ 3,000,000</u> | <u>\$ 1,206,625</u> | <u>\$ 4,206,625</u> | <u>\$ 56,929,861</u>                       | <u>\$ 31,591,961</u>              | <u>\$ 25,337,899</u>         |

<sup>(a)</sup> Includes self-supporting debt.

\* Preliminary, subject to change. Interest calculations based on an assumed rate.

**TAX ADEQUACY (Includes Self-Supporting Debt)**

|  |                 |
|--|-----------------|
| 2019 Certified Assessed Value of Taxable Property  | \$1,158,624,296 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)                              | 4,388,903.50 *  |
| Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | \$ 0.3865 *     |

\*Includes the Certificates. Preliminary, subject to change.

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

**TAX ADEQUACY (Excludes Self-Supporting Debt)**

|  |                 |
|--|-----------------|
| 2019 Certified Assessed Value of Taxable Property  | \$1,158,624,296 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)                              | 2,082,471.75 *  |
| Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | \$ 0.18340 *    |

\*Includes the Certificates. Preliminary, subject to change.

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

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

(as of March 1, 2020)

| Fiscal Year<br>Ending 9-30 | Principal Repayment Schedule            |                      |               | Principal<br>Unpaid at<br>End of Year | Percent of<br>Principal<br>Retired (%) |
|----------------------------|---|----------------------|---------------|---------------------------------------|--|
|                            | Currently<br>Outstanding <sup>(a)</sup> | The<br>Certificates* | Total*        |                                       |  |
| 2020                       | \$ 285,000                              | \$ -                 | \$ 285,000    | \$ 40,195,000                         | 0.70%                                  |
| 2021                       | 2,805,000                               | 105,000              | 2,910,000     | 37,285,000                            | 7.89%                                  |
| 2022                       | 2,800,000                               | 110,000              | 2,910,000     | 34,375,000                            | 15.08%                                 |
| 2023                       | 2,815,000                               | 115,000              | 2,930,000     | 31,445,000                            | 22.32%                                 |
| 2024                       | 2,570,000                               | 115,000              | 2,685,000     | 28,760,000                            | 28.95%                                 |
| 2025                       | 2,415,000                               | 120,000              | 2,535,000     | 26,225,000                            | 35.21%                                 |
| 2026                       | 2,235,000                               | 125,000              | 2,360,000     | 23,865,000                            | 41.04%                                 |
| 2027                       | 2,315,000                               | 130,000              | 2,445,000     | 21,420,000                            | 47.08%                                 |
| 2028                       | 2,400,000                               | 135,000              | 2,535,000     | 18,885,000                            | 53.35%                                 |
| 2029                       | 2,475,000                               | 140,000              | 2,615,000     | 16,270,000                            | 59.81%                                 |
| 2030                       | 1,795,000                               | 145,000              | 1,940,000     | 14,330,000                            | 64.60%                                 |
| 2031                       | 1,860,000                               | 150,000              | 2,010,000     | 12,320,000                            | 69.57%                                 |
| 2032                       | 1,730,000                               | 155,000              | 1,885,000     | 10,435,000                            | 74.22%                                 |
| 2033                       | 1,445,000                               | 160,000              | 1,605,000     | 8,830,000                             | 78.19%                                 |
| 2034                       | 1,480,000                               | 165,000              | 1,645,000     | 7,185,000                             | 82.25%                                 |
| 2035                       | 1,520,000                               | 170,000              | 1,690,000     | 5,495,000                             | 86.43%                                 |
| 2036                       | 1,560,000                               | 180,000              | 1,740,000     | 3,755,000                             | 90.72%                                 |
| 2037                       | 1,225,000                               | 185,000              | 1,410,000     | 2,345,000                             | 94.21%                                 |
| 2038                       | 1,260,000                               | 190,000              | 1,450,000     | 895,000                               | 97.79%                                 |
| 2039                       | 490,000                                 | 200,000              | 690,000       | 205,000                               | 99.49%                                 |
| 2040                       | -                                       | 205,000              | 205,000       | -                                     | 100.00%                                |
| Total                      | \$ 37,480,000                           | \$ 3,000,000         | \$ 40,480,000 |                                       |  |

\*Preliminary, subject to change.

<sup>(a)</sup> Includes self-supporting debt.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2009-2019**

**TABLE 3**

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

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

**PRINCIPAL TAXPAYERS 2019**

**TABLE 4**

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

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

As shown in the table above, the top ten taxpayers in the City account for in excess of 14% of the City's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the City, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Certificates may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "THE CERTIFICATES - Default and Remedies" and "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies" in this Official Statement.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 5**

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

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

**TAX DATA**

**TABLE 6**

| Tax Year | Net Taxable Assessed Valuation | Tax Rate    | Tax Levy     | % of Collections |        | Year Ended  |
|----------|--------------------------------|-------------|--------------|------------------|--------|-------------|
|          |                                |             |              | Current          | Total  |             |
| 2009     | \$ 781,918,131                 | \$ 0.575500 | \$ 4,042,979 | 98.93            | 101.98 | 9/30/2010   |
| 2010     | 748,510,664                    | 0.640000    | 4,790,468    | 97.80            | 99.91  | 9/30/2011   |
| 2011     | 728,094,678                    | 0.640000    | 4,659,806    | 97.62            | 98.83  | 9/30/2012   |
| 2012     | 707,516,015                    | 0.669019    | 4,733,417    | 98.12            | 101.92 | 9/30/2013   |
| 2013     | 723,646,623                    | 0.696829    | 5,042,580    | 98.96            | 102.90 | 9/30/2014   |
| 2014     | 779,002,956                    | 0.696829    | 5,428,319    | 98.38            | 101.64 | 9/30/2015   |
| 2015     | 746,060,271                    | 0.739270    | 5,515,400    | 96.68            | 97.75  | 9/30/2016   |
| 2016     | 778,957,906                    | 0.739270    | 5,758,602    | 98.92            | 101.09 | 9/30/2017   |
| 2017     | 851,918,491                    | 0.719000    | 6,125,294    | 99.41            | 100.60 | 9/30/2018   |
| 2018     | 966,374,232                    | 0.709000    | 6,851,593    | 99.75            | 99.90  | 9/30/2019   |
| 2019     | 1,158,624,296                  | 0.681992    | 7,901,725    | 73.07            | 73.07  | 9/30/2020 * |

\* Collections as of December 31, 2019.

**TAX RATE DISTRIBUTION**

**TABLE 7**

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

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

**MUNICIPAL SALES TAX COLLECTIONS**

**TABLE 8**

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

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

| Calendar Year | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Crowley Crime Control and Prevention District |
|---------------|-----------------|--------------------------|-----------------------------------|---|
| 2010          | \$ 1,428,874    | 29.83%                   | \$ 0.191                          | \$ 361,232                                    |
| 2011          | 1,333,610       | 28.62%                   | 0.183                             | 373,552                                       |
| 2012          | 1,736,107       | 36.68%                   | 0.245                             | 499,202                                       |
| 2013          | 1,929,287       | 38.26%                   | 0.267                             | 572,641                                       |
| 2014          | 1,982,611       | 36.52%                   | 0.255                             | 585,752                                       |
| 2015          | 2,080,250       | 37.72%                   | 0.279                             | 621,598                                       |
| 2016          | 2,240,620       | 38.91%                   | 0.288                             | 650,858                                       |
| 2017          | 2,443,066       | 39.88%                   | 0.287                             | 747,226                                       |
| 2018          | 2,507,238       | 36.59%                   | 0.259                             | 764,176                                       |
| 2019          | 2,913,172       | 36.87%                   | 0.251                             | 883,718                                       |

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

**CITY OF CROWLEY ECONOMIC DEVELOPMENT CORPORATION**

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

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

**OVERLAPPING DEBT INFORMATION**

(As of January 31, 2020)

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

| Taxing Body   | Gross Debt<br>(As of 1/31/20) | %<br>Overlapping | Amount<br>Overlapping |
|---|-------------------------------|------------------|-----------------------|
| Burleson Independent School District                                      | \$ 332,790,852                | 0.90%            | \$ 2,995,118          |
| Crowley Independent School District                                       | 535,492,491                   | 16.53%           | 88,516,909            |
| Johnson County  | 24,175,000                    | 0.02%            | 4,835                 |
| Tarrant County  | 266,375,000                   | 0.54%            | 1,438,425             |
| Tarrant County Hospital District  | 17,735,000                    | 0.54%            | 95,769                |
| Total Gross Overlapping Debt  |                               |                  | <u>\$ 93,051,055</u>  |
| City of Crowley   |                               |                  | \$ 37,480,000 *       |
| Total Gross Direct and Overlapping Debt                                   |                               |                  | <u>\$ 130,531,055</u> |
| Ratio of Gross Direct and Overlapping Debt to 2019 Net Assessed Valuation |                               |                  | 11.27%                |
| Per Capita Gross Direct and Overlapping Debt                              |                               |                  | \$ 7,806.41           |

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is \$18,620,000 (preliminary, subject to change). Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

\* Includes the Certificates. Preliminary; subject to change.

|   |                |
|---|----------------|
| Total Direct and Overlapping Debt                                   | \$ 111,671,055 |
| Ratio of Direct and Overlapping Debt to 2019 Net Assessed Valuation | 9.64%          |
| Per Capita Net Direct and Overlapping Debt                          | \$6,678.49     |

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

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

| Governmental Subdivision             | 2019 Assessed Valuation | % of Actual | 2019 Tax Rate |
|--------------------------------------|-------------------------|-------------|---------------|
| Burleson Independent School District | \$ 5,150,991,791        | 100%        | 1.568350      |
| Crowley Independent School District  | 7,623,250,336           | 100%        | 1.568400      |
| Johnson County                       | 13,254,280,795          | 100%        | 0.384700      |
| Tarrant County                       | 211,499,174,386         | 100%        | 0.234620      |
| Tarrant County Hospital District     | 211,985,667,192         | 100%        | 0.224000      |

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

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

| Issuer                               | Date of Authorization | Purpose                | Amount Authorized | Issued To-Date | Unissued   |
|--------------------------------------|-----------------------|------------------------|-------------------|----------------|------------|
| Burleson Independent School District | None                  |                        |                   |                |            |
| Crowley Independent School District  | None                  |                        |                   |                |            |
| Johnson County                       | None                  |                        |                   |                |            |
| Tarrant County*                      | 4/4/1987              | Courthouse             | \$ 47,000,000     | \$ 46,500,000  | \$ 500,000 |
|                                      | 8/8/1998              | Law Enforcement Center | 70,600,000        | 63,100,000     | 7,500,000  |
|                                      | 8/8/1998              | Healthcare Facility    | 9,100,000         | 1,000,000      | 8,100,000  |
|                                      | 5/13/2006             | County Buildings       | 62,300,000        | 47,300,000     | 15,000,000 |
| Tarrant County Hospital District     | None                  |                        |                   |                |            |
| Crowley, City of                     | None                  |                        |                   |                |            |

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

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



**Plan Description**

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

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

**Benefits Provided**

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

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

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

|  | Plan Year 2018            |
|--|---------------------------|
| Employee Deposit Rate  | 6%                        |
| Matching Ratio (city to employee)                                  | 2 to 1                    |
| Years Required for Vesting   | 5 years                   |
| Service Retirement Eligibility (expressed as age/years of service) | 60/5, 0/20                |
| Updated Service Credit   | 100% repeating, Transfers |
| Annuity Increase (to retirees)                                     | 70% of CPI Repeating      |

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Active employee  | 115        |
| Inactive employees or beneficiaries currently receiving benefits | 53         |
| Inactive employees entitled to but not yet receiving benefits    | 86         |
|  | <u>254</u> |

**Contributions**

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.63% and 10.77% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019, were \$692,597, and were equal to the required contributions.

**Net Pension Liability**

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

**Actuarial Assumptions**

The Total pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class fiscal year 2019 are summarized in the following table:

| Asset Class           | Target Allocation | Long-Term Expected Rate of Return (Arithmetic) |
|-----------------------|-------------------|--|
| Domestic Equity       | 17.50%            | 4.30%  |
| International Equity  | 17.50%            | 6.10%  |
| Core Fixed income     | 10.00%            | 1.00%  |
| Non-Core Fixed Income | 20.00%            | 3.39%  |
| Real Return           | 10.00%            | 3.78%  |
| Real Estate           | 10.00%            | 4.44%  |
| Absolute Return       | 10.00%            | 3.56%  |
| Private Equity        | 5.00%             | 7.75%  |
| Total                 | <u>100.00%</u>    |  |

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

**TABLE 9**

*Discount Rate*

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

*Changes in the Net Pension Liability:*

|   | Increase (Decrease)        |                               |                          |
|---|----------------------------|-------------------------------|--------------------------|
|   | Total Pension<br>Liability | Plan Fiduciary<br>Net Pension | Net Pension<br>Liability |
|   | (a)                        | (b)                           | (a) - (b)                |
| Balance at 12/31/17   | \$ 18,560,621              | \$ 16,862,841                 | \$ 1,697,780             |
| Changes for the year:   |                            |                               |                          |
| Service cost  | 885,458                    | -                             | 885,458                  |
| Interest  | 1,262,609                  | -                             | 1,262,609                |
| Changes in net benefit terms                                  | -                          | -                             | -                        |
| Difference between expected and actuarial experience          | 234,189                    | -                             | 234,189                  |
| Change of assumptions   | -                          | -                             | -                        |
| Contributions - employer                                      | -                          | 658,211                       | (658,211)                |
| Contributions - employee                                      | -                          | 371,521                       | (371,521)                |
| Net investment income   | -                          | (504,971)                     | 504,971                  |
| Benefit payments, including refunds of employee contributions | (596,064)                  | (596,064)                     | -                        |
| Administrative expense  | -                          | (9,762)                       | 9,762                    |
| Other changes   | -                          | (510)                         | 510                      |
| Net changes   | <u>1,786,192</u>           | <u>(81,575)</u>               | <u>1,867,767</u>         |
| Balance at 12/31/18   | <u>\$ 20,346,813</u>       | <u>\$ 16,781,266</u>          | <u>\$ 3,565,547</u>      |

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

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

|                              | 1% Decrease in<br>Discount Rate<br>(5.75%) | Discount<br>Rate<br>(6.75%) | 1% Increase in<br>Discount Rate<br>(7.75%) |
|------------------------------|--|-----------------------------|--|
| City's Net Pension Liability | \$ 6,995,575                               | \$ 3,565,547                | \$ 812,352                                 |

*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](http://www.tmrs.com).

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

For the year ended September 30, 2019, the City recognized pension expense of \$1,011,116.

At September 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience  | \$ 294,357                           | \$ 78,439                           |
| Changes in actuarial assumptions                             | 3,698                                | -                                   |
| Differences between projected and actual investment earnings | 1,493,146                            | 627,205                             |
| Contributions subsequent to the measurement date             | 503,994                              | -                                   |
| Total  | <u>\$ 2,295,195</u>                  | <u>\$ 705,644</u>                   |

\$503,994 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended September 30: |                     |
|--------------------------|---------------------|
| 2019                     | \$ 364,347          |
| 2020                     | 178,663             |
| 2021                     | 187,425             |
| 2022                     | 355,122             |
| 2023 and thereafter      | -                   |
|                          | <u>\$ 1,085,557</u> |

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

**TABLE 10**

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

|   | Fiscal Year Ended   |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 9/30/2019           | 9/30/2018           | 9/30/2017           | 9/30/2016           | 9/30/2015           |
| Fund Balance - Beginning of Year                  | \$ 7,504,640        | \$ 7,004,582        | \$ 6,369,021        | \$ 5,848,011        | \$ 5,283,317        |
| Revenues  | 12,341,013          | 11,309,786          | 10,648,139          | 9,611,843           | 9,052,881           |
| Expenditures                                      | <u>11,327,792</u>   | <u>11,390,194</u>   | <u>10,447,187</u>   | <u>9,648,967</u>    | <u>9,068,653</u>    |
| Excess (Deficit) of Revenues<br>Over Expenditures | \$ 1,013,221        | \$ (80,408)         | \$ 200,952          | \$ (37,124)         | \$ (15,772)         |
| Other Financing Sources (Uses):                   |                     |                     |                     |                     |                     |
| Operating Transfers In                            | \$ 580,466          | \$ 580,466          | \$ 580,466          | \$ 580,466          | \$ 580,466          |
| Issuance of Long-Term Debt                        | -                   | -                   | -                   | -                   | -                   |
| Operating Transfers Out                           | (79,887)            | -                   | (145,857)           | (22,332)            | -                   |
| Interest Income                                   | -                   | -                   | -                   | -                   | -                   |
| Proceeds Bonds                                    | -                   | -                   | -                   | -                   | -                   |
| Proceeds from Sale of Bonds                       | -                   | -                   | -                   | -                   | -                   |
| Total Financing Sources (Uses)                    | 500,579             | 580,466             | 434,609             | 558,134             | 580,466             |
| Fund Balance - End of Year                        | <u>\$ 9,018,440</u> | <u>\$ 7,504,640</u> | <u>\$ 7,004,582</u> | <u>\$ 6,369,021</u> | <u>\$ 5,848,011</u> |

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

**UTILITY SYSTEM PLANT IN OPERATION****TABLE 11**

|                                | <u>FYE 9/30/2019</u> |
|--------------------------------|----------------------|
| Land                           | \$ 34,751            |
| Construction in Progress       | 342,248              |
| Buildings and Improvements     | 2,232,132            |
| Infrastructure/utility system  | 18,352,230           |
| Equipment and furniture        | <u>2,740,882</u>     |
| Total Capital Assets           | \$ 23,702,243        |
| Less: Accumulated Depreciation | <u>(11,632,000)</u>  |
| Net Capital Assets             | <u>\$ 12,070,243</u> |

Source: The Issuer's Annual Financial Report for fiscal year ended September 30, 2019 and information provided by the Issuer.

**WATERWORKS SYSTEM OPERATING STATEMENT****TABLE 12**

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

| <b>Fiscal Year Ended:</b>              | <b>9/30/2019</b> | <b>9/30/2018</b> | <b>9/30/2017</b> | <b>9/30/2016</b> | <b>9/30/2015</b> |
|--|------------------|------------------|------------------|------------------|------------------|
| Revenues                               | \$ 7,387,990     | \$ 6,977,724     | \$ 5,937,507     | \$ 5,164,797     | \$ 5,014,795     |
| Expenses                               | <u>5,119,260</u> | <u>4,279,751</u> | <u>3,754,581</u> | <u>4,184,705</u> | <u>3,818,548</u> |
| Net Revenue Available for Debt Service | \$ 2,268,730     | \$ 2,697,973     | \$ 2,182,926     | \$ 980,092       | \$ 1,196,247     |
| Customer Count:                        |                  |                  |                  |                  |                  |
| Water                                  | 6,432            | 5,774            | 5,595            | 5,479            | 5,221            |
| Sewer                                  | 6,162            | 5,556            | 5,399            | 5,292            | 5,402            |

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

**WATER RATES****TABLE 13**

(Based on monthly billing)

**New Rates**

(Effective July 18, 2019)

|  |    |       |
|--|----|-------|
| Minimum Base Rate 3/4 inch meter           | \$ | 17.99 |
| Minimum Base Rate 1 inch meter             | \$ | 18.99 |
| Minimum Base Rate 1 1/2 inch meter         | \$ | 36.99 |
| Minimum Base Rate 2 inch meter             | \$ | 54.99 |
| Minimum Base Rate 3 inch meter             | \$ | 69.99 |
| Minimum Base Rate 4 inch meter             | \$ | 99.99 |
| First 2,000 Gallons                        |    | 2.50  |
| up to 10,000 Gallons, per 1,000 Gallons    |    | 4.92  |
| 11,000-25,000 Gallons, per 1,000 Gallons   |    | 5.46  |
| 26,000-75,000 Gallons, per 1,000 Gallons   |    | 5.99  |
| All over 76,000 Gallons, per 1,000 Gallons |    | 6.26  |

**Outside City Limits**

|  |    |        |
|--|----|--------|
| Minimum Base Rate (Includes \$4.00 administrative fee) | \$ | 21.99  |
| Minimum Base Rate 1 inch meter                         | \$ | 22.99  |
| Minimum Base Rate 1 1/2 inch meter                     | \$ | 40.99  |
| Minimum Base Rate 2 inch meter                         | \$ | 58.99  |
| Minimum Base Rate 3 inch meter                         | \$ | 143.99 |
| Minimum Base Rate 4 inch meter                         | \$ | 323.99 |
| First 2,000 Gallons                                    |    | 2.50   |
| Up to 10,000 Gallons, per 1,000 Gallons                |    | 4.92   |
| 11,000-25,000 Gallons, per 1,000 Gallons               |    | 5.46   |
| 26,000-75,000 Gallons, per 1,000 Gallons               |    | 5.99   |
| All over 76,000 Gallons, per 1,000 Gallons             |    | 6.26   |

**Old Rates**

(Effective August 16, 2018)

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

**Outside City Limits**

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

**SEWER RATES****TABLE 14**

(Based on monthly billing)

**New Rates**

(Effective July 18, 2019)

|  |    |       |
|--|----|-------|
| Minimum Base Rate  | \$ | 17.99 |
| Minimum Base Rate 1 inch meter                           | \$ | 18.99 |
| Minimum Base Rate 1 1/2 inch meter                       | \$ | 36.99 |
| Minimum Base Rate 2 inch meter                           | \$ | 54.99 |
| Minimum Base Rate 3 inch meter                           | \$ | 69.99 |
| Minimum Base Rate 4 inch meter                           | \$ | 99.99 |
| First 2,000 Gallons per 1,000 Gallons                    |    | 2.5   |
| 3,000-10,000 Gallons, per 1,000 Gallons (12,000 maximum) |    | 3.75  |

**Old Rates**

(Effective August 16, 2018)

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

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**APPENDIX B**

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

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

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

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

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

**TARRANT COUNTY, TEXAS**

Tarrant County, Texas (the “County”) is an urban county located in the north central part of Texas with an estimated 2020 population of 12,127,850. The City of Fort Worth, Texas which began as an army post in 1849 serves as the county seat. The County is one of the fastest growing urban counties in the United States today. Twenty-five other incorporated cities are located wholly within the County, and seven other incorporated county-line cities are located largely within the County’s boundaries. The twelve county Dallas-Fort Worth Metroplex has a total population of almost 6.9 million people, making it the largest metropolitan area in the South and the fourth-largest in the United States.

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

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

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

**Principal Employers**

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

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

## Principal Taxpayers

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

\*Amounts in thousands.

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

## Museums

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

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

## Parks and Lakes

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

|                      | Labor Force Statistics <sup>(1)</sup> |                            |                            |                            |
|----------------------|---------------------------------------|----------------------------|----------------------------|----------------------------|
|                      | <u>2019 <sup>(2)</sup></u>            | <u>2018 <sup>(3)</sup></u> | <u>2017 <sup>(3)</sup></u> | <u>2016 <sup>(3)</sup></u> |
| Civilian Labor Force | 1,092,836                             | 1062733                    | 1037441                    | 1011580                    |
| Total Employed       | 1,060,662                             | 1025619                    | 998810                     | 971375                     |
| Total Unemployed     | 32,174                                | 37114                      | 38631                      | 40205                      |
| <br>                 |                                       |                            |                            |                            |
| % Unemployment       | 2.9%                                  | 3.5%                       | 3.7%                       | 4.0%                       |
| Texas Unemployment   | 3.3%                                  | 3.9%                       | 4.3%                       | 4.6%                       |

(1) Source: Texas Workforce Commission.

(2) As of December 2019.

(3) Average Annual Statistics.

## JOHNSON COUNTY, TEXAS

Johnson County (the "County") is located north central Texas on the southwestern edge of the Dallas-Fort Worth area and is included in the Dallas-Fort Worth-Arlington Metropolitan Statistical Area. The County had a 2019 population of 169,159. The county seat is the City of Cleburne, which is fifty-five miles southwest of downtown Dallas.

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

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

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

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

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

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

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

|                      | <b>Labor Force Statistics <sup>(1)</sup></b> |                            |                            |                            |
|----------------------|--|----------------------------|----------------------------|----------------------------|
|                      | <u>2019 <sup>(2)</sup></u>                   | <u>2018 <sup>(3)</sup></u> | <u>2017 <sup>(3)</sup></u> | <u>2016 <sup>(3)</sup></u> |
| Civilian Labor Force | 82,265                                       | 79,949                     | 78,170                     | 78,076                     |
| Total Employed       | 79,807                                       | 77,200                     | 75,204                     | 72,766                     |
| Total Unemployed     | 2,458  | 2,749                      | 2,966                      | 3,310                      |
| <br>                 |  |                            |                            |                            |
| % Unemployment       | 3.0%   | 3.4%                       | 3.8%                       | 4.4%                       |
| Texas Unemployment   | 3.3%   | 3.9%                       | 4.3%                       | 4.6%                       |

(1) Source: Texas Workforce Commission.

(2) As of December 2019.

(3) Average Annual Statistics.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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**DRAFT 2/16/2020**

IN REGARD to the authorization and issuance of the “City of Crowley, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020” (the *Certificates*), dated April 1, 2020 in the aggregate principal amount of \$\_\_\_\_\_ we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Crowley, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2021 through 2040, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

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

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

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at [nortonrosefulbright.com](http://nortonrosefulbright.com).

**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF CROWLEY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020”**

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

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

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



**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF CROWLEY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020”**

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

Norton Rose Fulbright US LLP

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**APPENDIX D**

**FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

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

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**CITY OF CROWLEY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended September 30, 2019**

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**CITY OF CROWLEY, TEXAS**  
**Annual Financial Report**  
For the year ended September 30, 2019

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## **INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Crowley, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crowley, Texas, (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2020, on our consideration of the City of Crowley, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crowley, Texas' internal control over financial reporting and compliance.

*George Morgan Sneed, P.C.*

Weatherford, Texas  
February 12, 2020

## **FINANCIAL SECTION**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Crowley, Texas, we offer readers of The City of Crowley's financial statements this narrative overview and analysis of the financial activities of The City of Crowley for the fiscal year ended September 30, 2019.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Crowley exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$41,424,784 (*net position*) compared to \$37,772,295 for the prior year. Of this amount, \$12,534,161 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,652,489. The City's governmental activities net position increased by \$2,413,429 and the business-type activities net position increased by \$1,239,060.
- As of the close of the current year, the City of Crowley's governmental funds reported combined ending fund balances of \$27,337,130 compared to \$25,919,719 for the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$9,007,334, or 80% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide financial statements.

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

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

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

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

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

### **Fund financial statements.**

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

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

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

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

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

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

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

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

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

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

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,424,784 as of September 30, 2019. Below is a summary of the City's Statement of Net Position.

#### Condensed Statement of Net Position

|                                  | Governmental Activities |                      | Business-type Activities |                      | Total                |                      |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                  | 2019                    | 2018                 | 2019                     | 2018                 | 2019                 | 2018                 |
| Current and other assets         | \$ 30,236,332           | \$ 28,390,931        | \$ 10,134,549            | \$ 9,485,014         | \$ 40,370,881        | \$ 37,875,945        |
| Capital assets                   | 30,518,699              | 30,852,663           | 12,093,008               | 12,070,243           | 42,611,707           | 42,922,906           |
| Total Assets                     | <u>60,755,031</u>       | <u>59,243,594</u>    | <u>22,227,557</u>        | <u>21,555,257</u>    | <u>82,982,588</u>    | <u>80,798,851</u>    |
| Deferred outflows of resources   | 2,323,212               | 1,191,787            | 222,846                  | 158,323              | 2,546,058            | 1,350,110            |
| Current liabilities              | 2,146,117               | 1,637,226            | 1,488,512                | 1,454,453            | 3,634,629            | 3,091,679            |
| Noncurrent liabilities           | 32,179,454              | 32,207,003           | 7,560,562                | 8,067,026            | 39,740,016           | 40,274,029           |
| Total liabilities                | <u>34,325,571</u>       | <u>33,844,229</u>    | <u>9,049,074</u>         | <u>9,521,479</u>     | <u>43,374,645</u>    | <u>43,365,708</u>    |
| Deferred inflows resources       | 678,172                 | 930,081              | 51,045                   | 80,877               | 729,217              | 1,010,958            |
| Net position                     |                         |                      |                          |                      |                      |                      |
| Net investment in capital assets | 13,249,609              | 12,427,405           | 7,284,775                | 8,185,825            | 20,534,384           | 20,613,230           |
| Restricted                       | 7,493,962               | 6,852,350            | 862,277                  | 440,131              | 8,356,239            | 7,292,481            |
| Unrestricted                     | 7,330,929               | 6,381,316            | 5,203,232                | 3,485,268            | 12,534,161           | 9,866,584            |
| Total net position               | <u>\$ 28,074,500</u>    | <u>\$ 25,661,071</u> | <u>\$ 13,350,284</u>     | <u>\$ 12,111,224</u> | <u>\$ 41,424,784</u> | <u>\$ 37,772,295</u> |

The largest portion of the City's net position (50%) reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure/utility systems and equipment and furniture); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (20%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$12,534,161 may be used to meet the government's ongoing obligations to citizens and creditors.

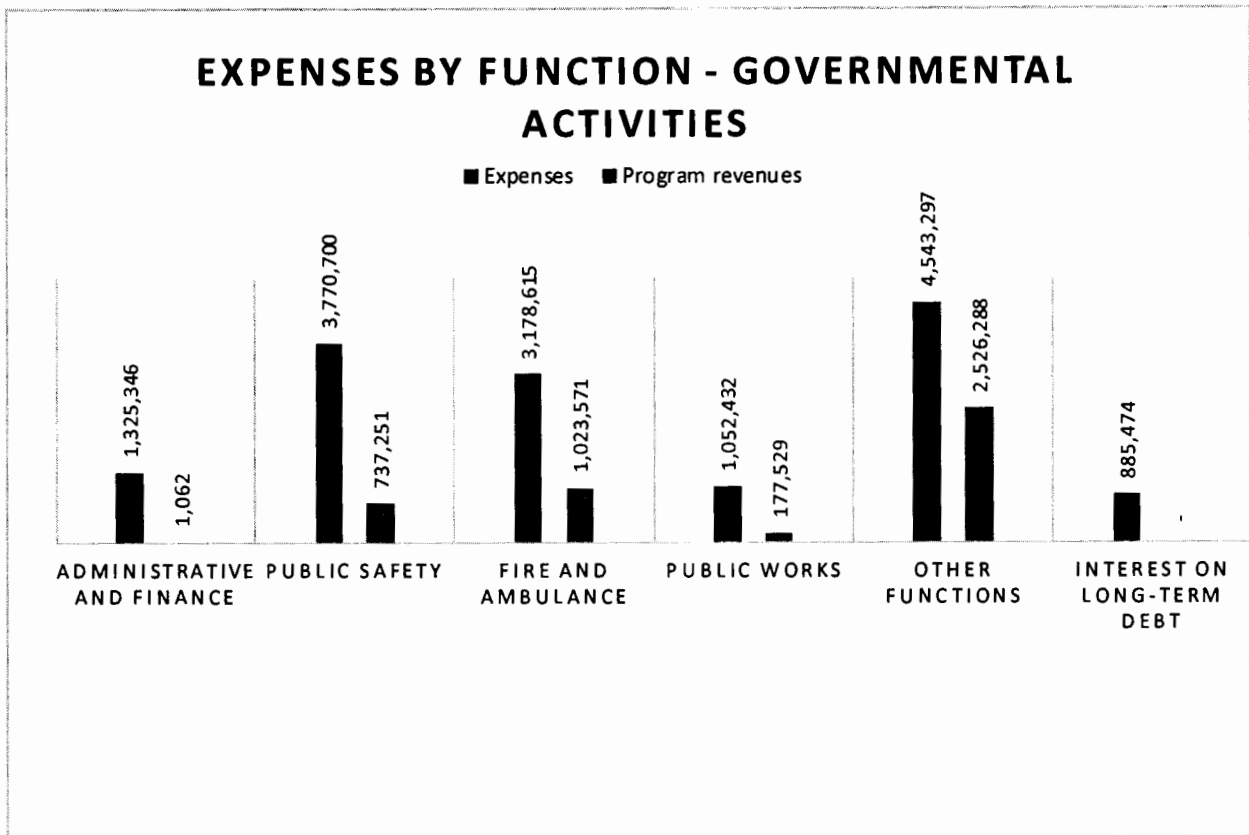
At the end of the current year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

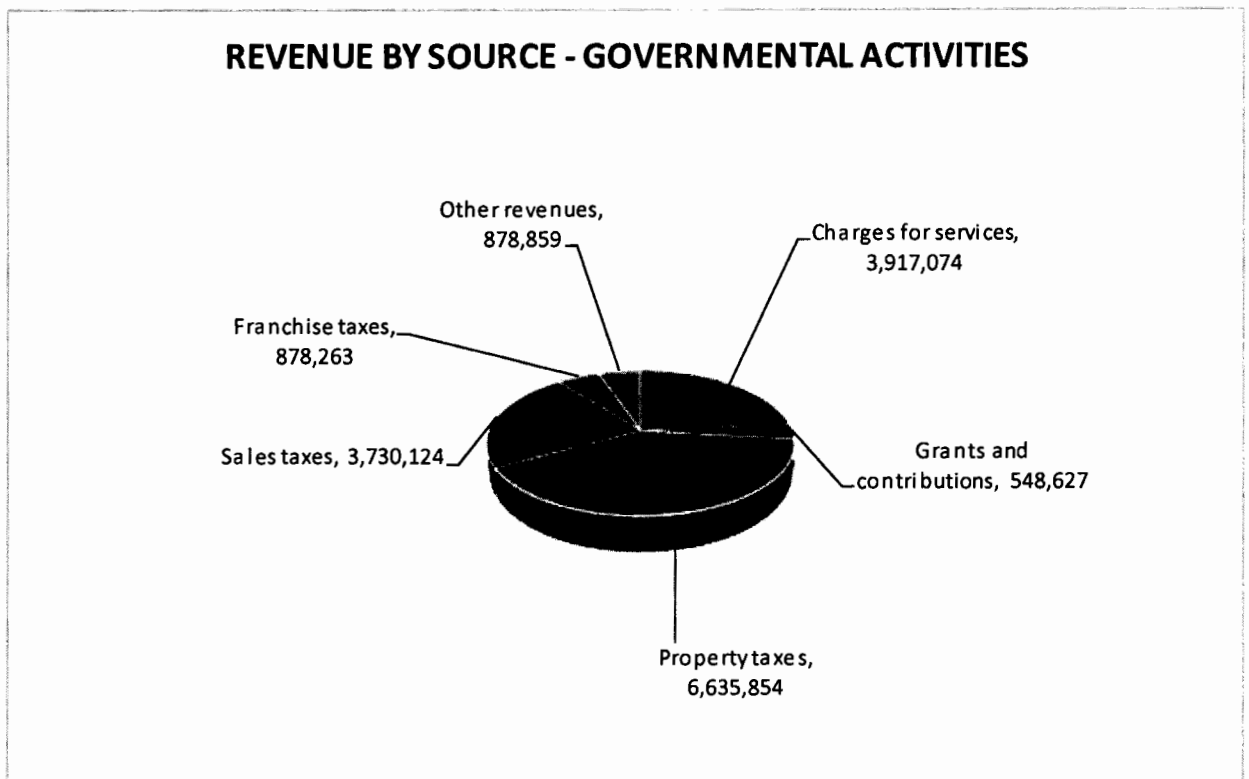
**Changes in Net Position**

|  | <u>Governmental Activities</u> |                      | <u>Business-type Activities</u> |                      | <u>Total</u>         |                      |
|--|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|  | <u>2019</u>                    | <u>2018</u>          | <u>2019</u>                     | <u>2018</u>          | <u>2019</u>          | <u>2018</u>          |
| <b>Revenues:</b>                                     |                                |                      |                                 |                      |                      |                      |
| <b>Program revenues:</b>                             |                                |                      |                                 |                      |                      |                      |
| Charges for services                                 | \$ 3,917,074                   | \$ 3,679,261         | \$ 7,798,225                    | \$ 7,353,719         | \$ 11,715,299        | \$ 11,032,980        |
| Operating grants and contributions                   | 371,098                        | 360,439              | -                               | -                    | 371,098              | 360,439              |
| Capital grants and contributions                     | 177,529                        | -                    | 47,000                          | 33,369               | 224,529              | 33,369               |
| <b>General revenues:</b>                             |                                |                      |                                 |                      |                      |                      |
| Property taxes                                       | 6,635,854                      | 6,422,281            | -                               | -                    | 6,635,854            | 6,422,281            |
| Sales taxes  | 3,730,124                      | 3,253,481            | -                               | -                    | 3,730,124            | 3,253,481            |
| Franchise taxes                                      | 878,263                        | 732,203              | -                               | -                    | 878,263              | 732,203              |
| Oil & gas royalties                                  | 112,458                        | 175,705              | -                               | -                    | 112,458              | 175,705              |
| Investment earnings                                  | 715,288                        | 295,900              | 68,067                          | 49,369               | 783,355              | 345,269              |
| Other revenue  | 46,868                         | 51,180               | -                               | -                    | 46,868               | 51,180               |
| Insurance recoveries                                 | 4,245                          | 26,515               | -                               | -                    | 4,245                | 26,515               |
| Total revenues                                       | <u>16,588,801</u>              | <u>14,996,965</u>    | <u>7,913,292</u>                | <u>7,436,457</u>     | <u>24,502,093</u>    | <u>22,433,422</u>    |
| <b>Expenses</b>                                      |                                |                      |                                 |                      |                      |                      |
| Administration and finance                           | 1,325,346                      | 1,203,941            |                                 |                      | 1,325,346            | 1,203,941            |
| Municipal court                                      | 256,117                        | 230,149              |                                 |                      | 256,117              | 230,149              |
| Library  | 596,896                        | 542,595              |                                 |                      | 596,896              | 542,595              |
| Senior citizens                                      | 39,663                         | 30,132               |                                 |                      | 39,663               | 30,132               |
| Public safety  | 3,770,700                      | 3,499,148            |                                 |                      | 3,770,700            | 3,499,148            |
| Fire and ambulance                                   | 3,178,615                      | 3,123,446            |                                 |                      | 3,178,615            | 3,123,446            |
| Public works   | 1,052,432                      | 938,378              |                                 |                      | 1,052,432            | 938,378              |
| Parks  | 558,221                        | 467,024              |                                 |                      | 558,221              | 467,024              |
| Recreation center                                    | 804,249                        | 773,823              |                                 |                      | 804,249              | 773,823              |
| Animal control                                       | 313,895                        | 288,769              |                                 |                      | 313,895              | 288,769              |
| Code enforcement                                     | 65,768                         | 52,501               |                                 |                      | 65,768               | 52,501               |
| Community development                                | 508,391                        | 396,153              |                                 |                      | 508,391              | 396,153              |
| Sanitation   | 798,908                        | 737,996              |                                 |                      | 798,908              | 737,996              |
| Economic development                                 | 69,115                         | 91,607               |                                 |                      | 69,115               | 91,607               |
| Nondepartmental                                      | 532,074                        | 477,057              |                                 |                      | 532,074              | 477,057              |
| Interest and fiscal charges                          | 885,474                        | 711,339              |                                 |                      | 885,474              | 711,339              |
| Stormwater utility                                   |                                |                      | 34,345                          | 22,344               | 34,345               | 22,344               |
| Water and Sewer                                      |                                |                      | 6,059,395                       | 5,255,756            | 6,059,395            | 5,255,756            |
| Total expenses                                       | <u>14,755,864</u>              | <u>13,564,058</u>    | <u>6,093,740</u>                | <u>5,278,100</u>     | <u>20,849,604</u>    | <u>18,842,158</u>    |
| Increase (decrease) in net position before transfers | 1,832,937                      | 1,432,907            | 1,819,552                       | 2,158,357            | 3,652,489            | 3,591,264            |
| Transfers  | 580,492                        | 580,466              | (580,492)                       | (580,466)            | -                    | -                    |
| Increase (decrease) in net position                  | 2,413,429                      | 2,013,373            | 1,239,060                       | 1,577,891            | 3,652,489            | 3,591,264            |
| Net position-beginning                               | 25,661,071                     | 23,816,329           | 12,111,224                      | 10,552,070           | 37,772,295           | 34,368,399           |
| Prior period adjustment                              | -                              | (168,631)            |                                 | (18,737)             | -                    | (187,368)            |
| Net position-ending                                  | <u>\$ 28,074,500</u>           | <u>\$ 25,661,071</u> | <u>\$ 13,350,284</u>            | <u>\$ 12,111,224</u> | <u>\$ 41,424,784</u> | <u>\$ 37,772,295</u> |

Below are two graphs summarizing governmental revenues and expenses:

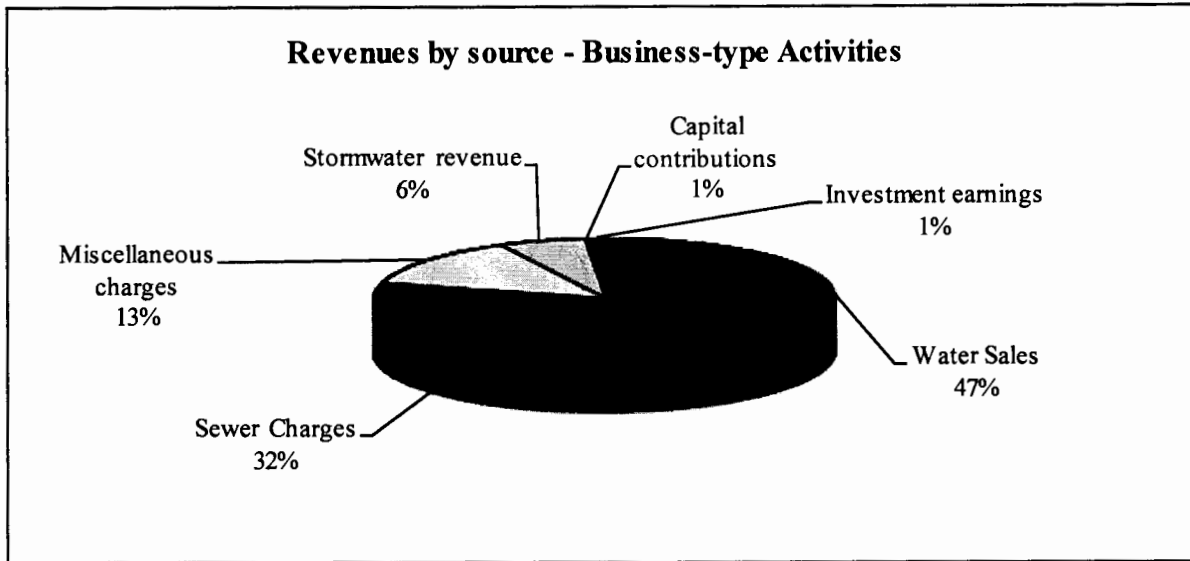


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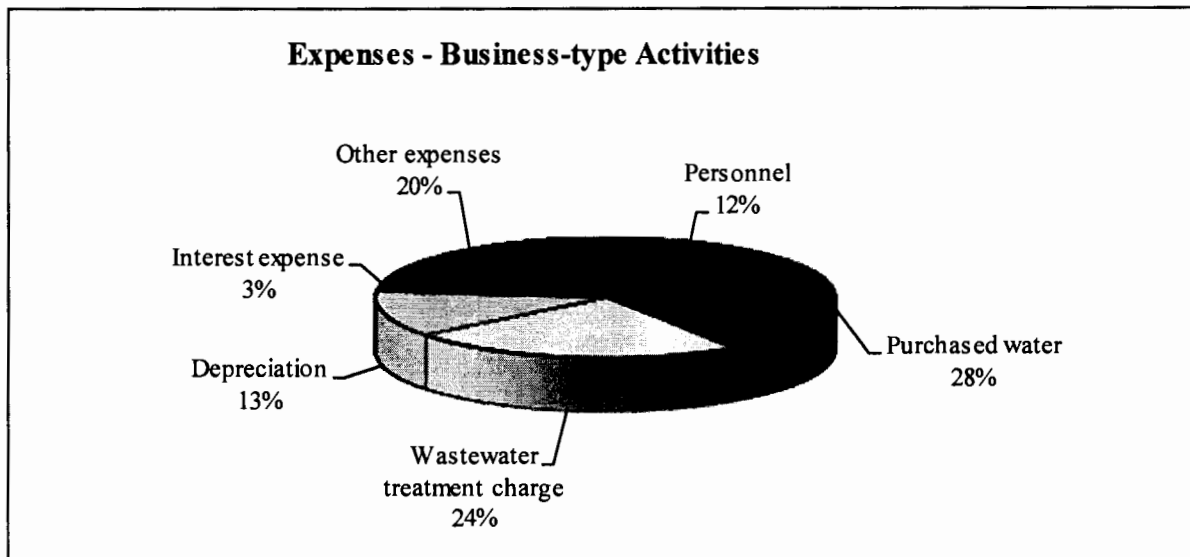




Below are two graphs summarizing business-type activities revenues and expenses:



\*\*\*\*\*



### Financial Analysis of the Government's Funds

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

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

At year end, the City's governmental funds reported combined ending fund balances of \$27,337,130. \$9,007,334 (33%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and nonspendable.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,007,334. The fund balance of the general fund increased \$1,513,800. Revenues increased \$1,031,227 (9%) to \$12,341,013 and expenditures decreased \$62,403 (1%). Key factors in these changes are as follows:

- Property taxes revenue increased \$264,860 primarily due to increase in property tax values approximately \$79 million. Property tax rate however decreased by \$.01.
- Sales tax revenue increased \$245,985 due to an improved economy.
- Charges for services increased \$184,976 primarily due to increase in EMS revenues (\$112,000), refuse collection (\$62,884) and police officer resource revenue (\$24,558). Facility rentals decreased (\$11,982) and recreation center dues decreased (\$4,746).
- Licenses and permits increased \$232,456 primarily due to increase in subdivision development.
- Investment earnings increased \$314,240 primarily due to increase in interest rates.
- Fees and fines decreased \$165,531 primarily due to decrease in development fees (\$182,743). Municipal court fines increased \$20,868.
- See schedule below for increase (decrease) in general fund departmental/functional expenditures.

Below is a comparison of the general fund's net change in fund balance for 2019 and 2018.

|                                       | 9/30/2019           | 9/30/2018         | Increase<br>(Decrease) | Percent<br>Increase<br>(Decrease) |
|---------------------------------------|---------------------|-------------------|------------------------|-----------------------------------|
| <b>REVENUES</b>                       |                     |                   |                        |                                   |
| Taxes:                                |                     |                   |                        |                                   |
| Property                              | \$ 4,758,016        | \$ 4,493,156      | \$ 264,860             | 6%                                |
| Sales                                 | 1,911,651           | 1,665,666         | 245,985                | 15%                               |
| Franchise                             | 793,131             | 753,342           | 39,789                 | 5%                                |
| Charges for service                   | 2,096,010           | 1,911,034         | 184,976                | 10%                               |
| Fees and Fines                        | 461,043             | 626,574           | (165,531)              | -26%                              |
| Licenses and permits                  | 1,264,566           | 1,032,110         | 232,456                | 23%                               |
| Grants and contributions              | 319,312             | 314,963           | 4,349                  | 1%                                |
| Oil & Gas Revenue                     | 112,458             | 175,705           | (63,247)               | -36%                              |
| Investment Earnings                   | 573,782             | 259,542           | 314,240                | 121%                              |
| Other revenue                         | 51,044              | 77,694            | (26,650)               | -34%                              |
| Total revenues                        | <u>12,341,013</u>   | <u>11,309,786</u> | <u>1,031,227</u>       | <u>9%</u>                         |
| <b>EXPENDITURES</b>                   |                     |                   |                        |                                   |
| Administrative and finance            | 867,029             | 828,253           | 38,776                 | 5%                                |
| Municipal court                       | 225,763             | 206,057           | 19,706                 | 10%                               |
| Library                               | 530,863             | 480,255           | 50,608                 | 11%                               |
| Senior citizens                       | 39,663              | 30,132            | 9,531                  | 32%                               |
| Public safety                         | 2,967,646           | 2,848,188         | 119,458                | 4%                                |
| Fire and ambulance                    | 2,966,046           | 2,846,520         | 119,526                | 4%                                |
| Public works                          | 610,378             | 411,935           | 198,443                | 48%                               |
| Parks                                 | 371,825             | 370,375           | 1,450                  | 0%                                |
| Recreation Center                     | 542,330             | 543,698           | (1,368)                | 0%                                |
| Animal Control                        | 249,591             | 264,355           | (14,764)               | -6%                               |
| Code enforcement                      | 62,607              | 52,230            | 10,377                 | 0%                                |
| Community development                 | 498,908             | 395,611           | 103,297                | 26%                               |
| Sanitation                            | 798,908             | 737,996           | 60,912                 | 8%                                |
| Nondepartmental                       | 532,074             | 1,374,589         | (842,515)              | -61%                              |
| Capital outlay                        | 64,160              | -                 | 64,160                 | 0%                                |
| Total expenditures                    | <u>11,327,791</u>   | <u>11,390,194</u> | <u>(62,403)</u>        | <u>-1%</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b> |                     |                   |                        |                                   |
| Transfers in                          | 580,466             | 580,466           | -                      |                                   |
| Transfers out                         | (79,887)            | -                 | (79,887)               |                                   |
| <b>NET CHANGE IN FUND BALANCE</b>     | <u>\$ 1,513,801</u> | <u>\$ 500,058</u> | <u>\$ 1,013,743</u>    |                                   |

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$5,203,232. Total net position increased \$1,239,060. Total revenues increased \$476,835 (6%) and total expenses increased \$815,640 (15%). Key factors of these changes are as follows:

- Charges for services increased \$444,506. Water revenues increased \$121,148 due to increase in number of customers and increase in base and tier 1 rates. Water consumption however decreased by 22 million gallons. Sewer revenues increased \$100,262 because of increase in water rates and miscellaneous water revenues increased \$170,157 primarily due to increase in water and sewer impact fees revenue. Stormwater revenues increased \$52,938 because of increase in stormwater rates.
- Purchased water decreased \$254,383 primarily due to decrease in purchased gallons by 143 million gallons.
- Wastewater treatment charge increased \$336,440 primarily due to increase wastewater treatment rate by \$.2265 per 1,000 gallons and increase in volume by 156 million gallons.
- Administrative expenses increased \$541,426 primarily due to settlement of a lawsuit.

### **General Fund Budgetary Highlights**

The City made amendments to the general fund original appropriations approved by the City Council. Overall these changes resulted in an increase in expenditures from the original budget of 6% or \$673,311.

Overall, general fund actual expenditures were under budget by \$797,817.

### **Capital Assets**

The City's investment in capital assets for its governmental and business type activities as of September 30, 2019, amounts to \$42,611,707 (net of accumulated depreciation).

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

#### **Governmental Activities:**

- \$500,071 was spent on the new community center during the year.
- \$281,978 was spent on six (6) vehicles for police and public works.
- \$183,886 was spent on firefighter equipment.
- \$58,879 was spent on police equipment.
- \$73,087 was spent on bobcat loader and accessories and yard mixing trailer.

#### **Business-type activities:**

- \$446,877 was spent on W. Maini water tower during the year.
- \$57,516 was spent on SCADA software updates and badger beacon system.
- \$83,510 was spent on water lane road reconstruction..

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

|                               | Governmental Activities |                   | Business-type Activities |                   | Total             |                   |
|-------------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|                               | 2019                    | 2018              | 2019                     | 2018              | 2019              | 2018              |
| Land                          | \$ 4,060,595            | 4,762,002         | 121,751                  | 34,751            | 4,182,346         | 4,796,753         |
| Construction in progress      | 1,376,390               | 1,335,254         | 45,598                   | 342,248           | 1,421,988         | 1,677,502         |
| Buildings and improvements    | 15,701,676              | 15,125,216        | 1,545,565                | 1,600,352         | 17,247,241        | 16,725,568        |
| Infrastructure/utility system | 7,478,153               | 7,785,001         | 10,004,068               | 9,610,115         | 17,482,221        | 17,395,116        |
| Equipment and furniture       | 1,901,885               | 1,845,190         | 376,026                  | 482,777           | 2,277,911         | 2,327,967         |
| <b>Total</b>                  | <b>30,518,699</b>       | <b>30,852,663</b> | <b>12,093,008</b>        | <b>12,070,243</b> | <b>42,611,707</b> | <b>42,922,906</b> |

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

**Debt Administration**

At the end of the year, the City had a total bonded debt of \$35,366,905. Of this amount, \$11,154,924 are bonded debt backed by the full faith and credit of the government, \$22,205,309 are certificates of obligation secured by ad valorem taxes and surplus revenues and \$2,006,672 are revenue bonds secured by sale tax revenue. Outstanding at year-end are as follows:

|                            | Governmental Activities |                      | Business-type Activities |                     | Total                |                      |
|----------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|                            | 2019                    | 2018                 | 2019                     | 2018                | 2019                 | 2018                 |
| General Obligation Bonds   | \$ 8,362,000            | \$ 9,166,452         | \$ 2,792,924             | \$ 3,031,212        | \$ 11,154,924        | \$ 12,197,664        |
| Certificates of Obligation | 17,746,479              | 18,679,724           | 4,458,830                | 4,859,287           | 22,205,309           | 23,539,011           |
| Revenue Bonds              | 2,006,672               | 2,141,811            | -                        | -                   | 2,006,672            | 2,141,811            |
| <b>Total</b>               | <b>\$ 28,115,151</b>    | <b>\$ 29,987,987</b> | <b>\$ 7,251,754</b>      | <b>\$ 7,890,499</b> | <b>\$ 35,366,905</b> | <b>\$ 37,878,486</b> |

The City's bond ratings are listed below:

|                                 |                      |
|---------------------------------|----------------------|
|                                 | Standard<br>& Poor's |
| General obligation bonds        | AA-                  |
| Certificate of obligation bonds | AA-                  |

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

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

**Economic factors and the Next Year's Budgets and Rates**

General fund revenues are budgeted to increase 5% (\$567,472) in fiscal year 2019-2020 when compared to the 2018-2019 amended budget to \$12,542,481. The adopted tax rate is \$.681992 per \$100 assessed value. The largest increases in the revenue budget are on property tax revenue (\$437,544), franchise tax revenue (\$48,062) and charges for services (\$139,040). The largest decrease is on permit fees (\$61,285).

General fund expenditures are budgeted to increase 3% (\$398,797) when compared to the prior year amended appropriations to \$12,524,407. The largest increases are \$402,039 in police appropriations, \$81,095 in community development appropriations, \$62,348 in animal control appropriations, \$68,513 in administration and finance appropriations, \$40,247 in nondepartmental appropriations, \$22,311 in library appropriations and \$20,596 in public works appropriations. The largest decreases are \$157,236 in fire and ambulance appropriations, and \$147,509 in parks appropriations.

### **Request for Information**

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

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF CROWLEY, TEXAS**  
**Statement of Net Position**  
**September 30, 2019**

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>ASSETS</b>                                     |                            |                             |                      |
| Cash and cash equivalents                         | \$ 886,016                 | \$ 3,198,589                | \$ 4,084,605         |
| Investments                                       | 27,568,584                 | 3,062,002                   | 30,630,586           |
| Receivables (net of allowance for uncollectibles) |                            |                             |                      |
| Property taxes                                    | 76,189                     | -                           | 76,189               |
| Other taxes                                       | 951,809                    | -                           | 951,809              |
| Accounts  | 542,260                    | 1,023,636                   | 1,565,896            |
| Miscellaneous                                     | 200,368                    | 31,549                      | 231,917              |
| Inventory   | 11,106                     | 5,776                       | 16,882               |
| Restricted assets                                 |                            |                             |                      |
| Investments                                       | -                          | 2,812,997                   | 2,812,997            |
| Capital assets                                    |                            |                             |                      |
| Nondepreciable                                    | 5,436,985                  | 167,349                     | 5,604,334            |
| Depreciable, net of accumulated depreciation      | 25,081,714                 | 11,925,659                  | 37,007,373           |
| <b>Total Assets</b>                               | <b>60,755,031</b>          | <b>22,227,557</b>           | <b>82,982,588</b>    |
| <b>Deferred Outflows of Resources</b>             |                            |                             |                      |
| Deferred outflow related to pension               | 2,134,531                  | 160,664                     | 2,295,195            |
| Deferred outflow related to OPEB                  | 13,143                     | 989                         | 14,132               |
| Deferred charges on refunding                     | 175,538                    | 61,193                      | 236,731              |
| <b>Total Deferred Outflows of Resources</b>       | <b>2,323,212</b>           | <b>222,846</b>              | <b>2,546,058</b>     |
| <b>LIABILITIES</b>                                |                            |                             |                      |
| Accounts payable                                  | 1,077,014                  | 846,067                     | 1,923,081            |
| Accrued payroll liabilities                       | 374,838                    | 33,945                      | 408,783              |
| Due to other governments                          | 31,218                     | -                           | 31,218               |
| Unearned revenue                                  | 515,858                    | -                           | 515,858              |
| Interest payable                                  | 147,189                    | 21,429                      | 168,618              |
| Customer deposits payable                         | -                          | 587,071                     | 587,071              |
| Noncurrent liabilities:                           |                            |                             |                      |
| Due within one year                               | 2,411,657                  | 675,811                     | 3,087,468            |
| Due in more than one year                         | 29,767,797                 | 6,884,751                   | 36,652,548           |
| <b>Total liabilities</b>                          | <b>34,325,571</b>          | <b>9,049,074</b>            | <b>43,374,645</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                            |                             |                      |
| Deferred inflow related to TMRS pension           | 656,249                    | 49,395                      | 705,644              |
| Deferred inflow related to OPEB                   | 21,923                     | 1,650                       | 23,573               |
| <b>Total deferred inflows of resources</b>        | <b>678,172</b>             | <b>51,045</b>               | <b>729,217</b>       |
| <b>NET POSITION</b>                               |                            |                             |                      |
| Net investment in capital assets                  | 13,249,609                 | 7,284,775                   | 20,534,384           |
| Restricted for:                                   |                            |                             |                      |
| Capital improvements                              | -                          | 862,277                     | 862,277              |
| Debt service                                      | 303,255                    | -                           | 303,255              |
| Public safety                                     | 918,639                    | -                           | 918,639              |
| Economic development                              | 5,996,243                  | -                           | 5,996,243            |
| Grant program                                     | 54,243                     | -                           | 54,243               |
| Community program                                 | 221,582                    | -                           | 221,582              |
| Unrestricted                                      | 7,330,929                  | 5,203,232                   | 12,534,161           |
| <b>Total net position</b>                         | <b>\$ 28,074,500</b>       | <b>\$ 13,350,284</b>        | <b>\$ 41,424,784</b> |

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

**CITY OF CROWLEY, TEXAS**  
**Statement of Activities**  
**For the Year Ended September 30, 2019**

| Functions/Programs                    | Expenses             | Program Revenues     |                                    |                                  |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                       |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>             |                      |                      |                                    |                                  |
| Governmental activities:              |                      |                      |                                    |                                  |
| Administration and finance            | \$ 1,325,346         | \$ 1,062             | \$ -                               | \$ -                             |
| Municipal court                       | 256,117              | 17,112               | -                                  | -                                |
| Library                               | 596,896              | 11,935               | 10,007                             | -                                |
| Senior citizens                       | 39,663               | -                    | -                                  | -                                |
| Public safety                         | 3,770,700            | 714,140              | 23,111                             | -                                |
| Fire and ambulance                    | 3,178,615            | 705,488              | 318,083                            | -                                |
| Public works                          | 1,052,432            | -                    | -                                  | 177,529                          |
| Parks                                 | 558,221              | 87,468               | 800                                | -                                |
| Recreation Center                     | 804,249              | 135,209              | -                                  | -                                |
| Animal control                        | 313,895              | 19,370               | 12,147                             | -                                |
| Code enforcement                      | 65,768               | -                    | -                                  | -                                |
| Community development                 | 508,391              | 1,330,815            | -                                  | -                                |
| Sanitation                            | 798,908              | 856,814              | -                                  | -                                |
| Economic development                  | 69,115               | 37,661               | -                                  | -                                |
| Nondepartmental                       | 532,074              | -                    | 6,950                              | -                                |
| Interest and fiscal charges           | 885,474              | -                    | -                                  | -                                |
| <b>Total governmental activities</b>  | <b>14,755,864</b>    | <b>3,917,074</b>     | <b>371,098</b>                     | <b>177,529</b>                   |
| Business-type activities:             |                      |                      |                                    |                                  |
| Water and sewer                       | 6,059,395            | 7,319,923            | -                                  | 47,000                           |
| Stormwater utility                    | 34,345               | 478,302              | -                                  | -                                |
| <b>Total business-type activities</b> | <b>6,093,740</b>     | <b>7,798,225</b>     | <b>-</b>                           | <b>47,000</b>                    |
| <b>Total primary government</b>       | <b>\$ 20,849,604</b> | <b>\$ 11,715,299</b> | <b>\$ 371,098</b>                  | <b>\$ 224,529</b>                |

|   |
|---|
| General Revenues:                           |
| Taxes:                                      |
| Property taxes, levied for general purposes |
| Property taxes, levied for debt service     |
| Property taxes, levied for TIRZ #1          |
| Sales taxes                                 |
| Franchise                                   |
| Oil and gas royalties                       |
| Investment earnings                         |
| Other revenue                               |
| Transfers                                   |
| Insurance recoveries                        |
| Total general revenues and transfers        |
| Change in net position                      |
| Net position - beginning                    |
| Net position - ending                       |

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

**Exhibit B-1**

| Net (Expense) Revenue and Changes in Net Position |                             |                       |
|---|-----------------------------|-----------------------|
| Primary Government                                |                             |                       |
| Governmental<br>Activities                        | Business-type<br>Acitvities | Total                 |
| \$ (1,324,284)                                    | \$ -                        | \$ (1,324,284)        |
| (239,005)   | -                           | (239,005)             |
| (574,954)   | -                           | (574,954)             |
| (39,663)  | -                           | (39,663)              |
| (3,033,449)                                       | -                           | (3,033,449)           |
| (2,155,044)                                       | -                           | (2,155,044)           |
| (874,903)   | -                           | (874,903)             |
| (469,953)   | -                           | (469,953)             |
| (669,040)   | -                           | (669,040)             |
| (282,378)   | -                           | (282,378)             |
| (65,768)  | -                           | (65,768)              |
| 822,424   | -                           | 822,424               |
| 57,906  | -                           | 57,906                |
| (31,454)  | -                           | (31,454)              |
| (525,124)   | -                           | (525,124)             |
| (885,474)   | -                           | (885,474)             |
| <u>(10,290,163)</u>                               | <u>-</u>                    | <u>(10,290,163)</u>   |
| -   | 1,307,528                   | 1,307,528             |
| -   | 443,957                     | 443,957               |
| -   | 1,751,485                   | 1,751,485             |
| <u>\$ (10,290,163)</u>                            | <u>\$ 1,751,485</u>         | <u>\$ (8,538,678)</u> |
| <br>  |                             |                       |
| \$ 4,657,182                                      | -                           | 4,657,182             |
| 1,807,944   | -                           | 1,807,944             |
| 170,728   | -                           | 170,728               |
| 3,730,124   | -                           | 3,730,124             |
| 878,263   | -                           | 878,263               |
| 112,458   | -                           | 112,458               |
| 715,288   | 68,067                      | 783,355               |
| 46,868  | -                           | 46,868                |
| 580,492   | (580,492)                   | -                     |
| 4,245   | -                           | 4,245                 |
| <u>12,703,592</u>                                 | <u>(512,425)</u>            | <u>12,191,167</u>     |
| 2,413,429   | 1,239,060                   | 3,652,489             |
| <u>25,661,071</u>                                 | <u>12,111,224</u>           | <u>37,772,295</u>     |
| <u>\$ 28,074,500</u>                              | <u>\$ 13,350,284</u>        | <u>\$ 41,424,784</u>  |

**CITY OF CROWLEY, TEXAS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

|   | General             | Debt Service      | Capital<br>Projects | Economic<br>Development<br>Corporation | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|-------------------|---------------------|--|-----------------------------------|--------------------------------|
| <b>ASSETS</b>   |                     |                   |                     |  |                                   |                                |
| Cash and cash equivalents   | \$ 430,295          | \$ 687            | \$ 4,889            | \$ -                                   | \$ 450,145                        | \$ 886,016                     |
| Investments   | 9,621,952           | 281,235           | 11,218,885          | 5,400,851                              | 1,045,661                         | 27,568,584                     |
| Receivables (Net of allowances<br>for uncollectibles)                         |                     |                   |                     |  |                                   |                                |
| Property taxes  | 54,856              | 21,333            | -                   | -                                      | -                                 | 76,189                         |
| Other taxes   | 625,907             | -                 | -                   | 169,334                                | 156,568                           | 951,809                        |
| Accounts  | 542,260             | -                 | -                   | -                                      | -                                 | 542,260                        |
| Miscellaneous   | 200,324             | -                 | -                   | -                                      | 44                                | 200,368                        |
| Inventory   | 11,106              | -                 | -                   | -                                      | -                                 | 11,106                         |
| <b>Total assets</b>   | <b>11,486,700</b>   | <b>303,255</b>    | <b>11,223,774</b>   | <b>5,570,185</b>                       | <b>1,652,418</b>                  | <b>30,236,332</b>              |
| <b>LIABILITIES</b>  |                     |                   |                     |  |                                   |                                |
| Accounts payable  | 669,440             | -                 | 377,713             | 4,619                                  | 25,242                            | 1,077,014                      |
| Accrued payroll liabilities   | 374,838             | -                 | -                   | -                                      | -                                 | 374,838                        |
| Interest payable  | -                   | -                 | -                   | -                                      | -                                 | -                              |
| Unearned revenue  | 513,823             | -                 | -                   | -                                      | 2,035                             | 515,858                        |
| Due to other governments  | 31,218              | -                 | -                   | -                                      | -                                 | 31,218                         |
| <b>Total liabilities</b>  | <b>1,589,319</b>    | <b>-</b>          | <b>377,713</b>      | <b>4,619</b>                           | <b>27,277</b>                     | <b>1,998,928</b>               |
| <b>DEFERRED INFLOWS OF<br/>RESOURCES</b>                                      |                     |                   |                     |  |                                   |                                |
| Unavailable revenue   | 878,941             | 21,333            | -                   | -                                      | -                                 | 900,274                        |
| <b>Total deferred inflows of resources</b>                                    | <b>878,941</b>      | <b>21,333</b>     | <b>-</b>            | <b>-</b>                               | <b>-</b>                          | <b>900,274</b>                 |
| <b>FUND BALANCES</b>  |                     |                   |                     |  |                                   |                                |
| Nonspendable  |                     |                   |                     |  |                                   |                                |
| Inventory   | 11,106              | -                 | -                   | -                                      | -                                 | 11,106                         |
| Restricted  | -                   | 281,922           | 10,846,061          | 5,565,566                              | 1,625,141                         | 18,318,690                     |
| Unassigned  | 9,007,334           | -                 | -                   | -                                      | -                                 | 9,007,334                      |
| <b>Total fund balances</b>  | <b>9,018,440</b>    | <b>281,922</b>    | <b>10,846,061</b>   | <b>5,565,566</b>                       | <b>1,625,141</b>                  | <b>27,337,130</b>              |
| <b>Total liabilities, deferred inflows of<br/>resources and fund balances</b> | <b>\$11,486,700</b> | <b>\$ 303,255</b> | <b>\$11,223,774</b> | <b>\$ 5,570,185</b>                    | <b>\$ 1,652,418</b>               | <b>\$ 30,236,332</b>           |

**CITY OF CROWLEY, TEXAS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**September 30, 2019**

|   |    |              |
|---|----|--------------|
| Total fund balances - governmental funds  | \$ | 27,337,130   |
| Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$59,975,171 and the accumulated depreciation was \$29,456,472. The net effect of including the ending balances of capital assets (net of depreciation) in the governmental activities is to increase net position. |    | 30,518,699   |
| Deferred charges on refunding related to governmental activity debt are not financial resources and, therefore, are not reported in the governmental funds.   |    | 175,538      |
| Long-term liabilities, including \$28,115,151 bonds and \$562,687 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.  |    | (28,677,838) |
| Net pension liability and related deferred outflows and inflows of resources are reported in the Statement of Net Position of the governmental activities but are not reported in the governmental funds.   |    |              |
| Net pension liability   | \$ | (3,298,981)  |
| Deferred outflow related to pension   |    | 2,134,531    |
| Deferred inflow related to pension  |    | (656,249)    |
|   |    | (1,820,699)  |
| Net OPEB liability and related deferred outflows of resources are reported in the Statement of Net Position of the governmental activities but are not reported in the governmental funds.  |    |              |
| Total OPEB liability  | \$ | (202,635)    |
| Deferred inflow related to OPEB   |    | (21,923)     |
| Deferred outflow related to OPEB  |    | 13,143       |
|   |    | (211,415)    |
| Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.   |    | (147,189)    |
| Property taxes, franchise taxes, ems charges and municipal court fines and fees are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.   |    | 900,274      |
| Net position of governmental activities   | \$ | 28,074,500   |

**CITY OF CROWLEY, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

|  | General             | Debt Service      | Capital<br>Projects | Economic<br>Development<br>Corporation | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------|---------------------|--|-----------------------------------|--------------------------------|
| <b>REVENUES</b>                                      |                     |                   |                     |  |                                   |                                |
| Taxes  |                     |                   |                     |  |                                   |                                |
| Property   | \$ 4,758,016        | \$ 1,847,087      | \$ -                | \$ -                                   | \$ 170,728                        | \$ 6,775,831                   |
| Sales  | 1,911,651           | -                 | -                   | 952,787                                | 865,686                           | 3,730,124                      |
| Franchise taxes                                      | 793,131             | -                 | -                   | -                                      | 21,674                            | 814,805                        |
| Charges for service                                  | 2,096,010           | -                 | -                   | -                                      | -                                 | 2,096,010                      |
| Fees and fines                                       | 461,043             | -                 | -                   | -                                      | 13,943                            | 474,986                        |
| Licenses and permits                                 | 1,264,566           | -                 | -                   | -                                      | -                                 | 1,264,566                      |
| Grants and contributions                             | 319,312             | -                 | -                   | -                                      | 51,785                            | 371,097                        |
| Oil and gas revenue                                  | 112,458             | -                 | -                   | -                                      | -                                 | 112,458                        |
| Investment earnings                                  | 573,782             | -                 | -                   | 123,839                                | 17,667                            | 715,288                        |
| Other revenue  | 51,044              | -                 | -                   | 37,661                                 | 3,719                             | 92,424                         |
| <b>Total revenues</b>                                | <b>12,341,013</b>   | <b>1,847,087</b>  | <b>-</b>            | <b>1,114,287</b>                       | <b>1,145,202</b>                  | <b>16,447,589</b>              |
| <b>EXPENDITURES</b>                                  |                     |                   |                     |  |                                   |                                |
| Current:   |                     |                   |                     |  |                                   |                                |
| Administrative and finance                           | 867,029             | -                 | -                   | 167,421                                | 12,516                            | 1,046,966                      |
| Municipal court                                      | 225,763             | -                 | -                   | -                                      | 22,901                            | 248,664                        |
| Library  | 530,863             | -                 | -                   | -                                      | -                                 | 530,863                        |
| Senior citizens center                               | 39,663              | -                 | -                   | -                                      | -                                 | 39,663                         |
| Public safety  | 2,967,647           | -                 | -                   | -                                      | 503,612                           | 3,471,259                      |
| Fire and ambulance                                   | 2,966,046           | -                 | -                   | -                                      | 32,763                            | 2,998,809                      |
| Public works   | 610,378             | -                 | -                   | -                                      | -                                 | 610,378                        |
| Parks  | 371,825             | -                 | -                   | -                                      | -                                 | 371,825                        |
| Recreation center                                    | 542,330             | -                 | -                   | -                                      | -                                 | 542,330                        |
| Animal control                                       | 249,591             | -                 | -                   | -                                      | -                                 | 249,591                        |
| Code enforcement                                     | 62,607              | -                 | -                   | -                                      | -                                 | 62,607                         |
| Community development                                | 498,908             | -                 | -                   | -                                      | -                                 | 498,908                        |
| Sanitation   | 798,908             | -                 | -                   | -                                      | -                                 | 798,908                        |
| Economic development                                 | -                   | -                 | -                   | 146,706                                | -                                 | 146,706                        |
| Nondepartmental                                      | 532,074             | -                 | -                   | -                                      | -                                 | 532,074                        |
| Capital outlay                                       | 64,160              | -                 | 716,668             | -                                      | -                                 | 780,828                        |
| Debt service:  |                     |                   |                     |  |                                   |                                |
| Principal  | -                   | 1,260,000         | -                   | 260,000                                | 235,000                           | 1,755,000                      |
| Interest and fiscal charges                          | -                   | 639,594           | -                   | 252,573                                | 33,124                            | 925,291                        |
| <b>Total expenditures</b>                            | <b>11,327,792</b>   | <b>1,899,594</b>  | <b>716,668</b>      | <b>826,700</b>                         | <b>839,916</b>                    | <b>15,610,670</b>              |
| Excess (deficiency) of revenues<br>over expenditures | 1,013,221           | (52,507)          | (716,668)           | 287,587                                | 305,286                           | 836,919                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                   |                     |  |                                   |                                |
| Transfers in   | 580,466             | -                 | -                   | 12,227                                 | 76,131                            | 668,824                        |
| Transfers out  | (79,887)            | -                 | -                   | -                                      | (8,445)                           | (88,332)                       |
| <b>Total other financing sources (uses)</b>          | <b>500,579</b>      | <b>-</b>          | <b>-</b>            | <b>12,227</b>                          | <b>67,686</b>                     | <b>580,492</b>                 |
| <b>Net change in fund balances</b>                   | <b>1,513,800</b>    | <b>(52,507)</b>   | <b>(716,668)</b>    | <b>299,814</b>                         | <b>372,972</b>                    | <b>1,417,411</b>               |
| <b>Fund balances - beginning</b>                     | <b>7,504,640</b>    | <b>334,429</b>    | <b>11,562,729</b>   | <b>5,265,752</b>                       | <b>1,252,169</b>                  | <b>25,919,719</b>              |
| <b>Fund balances - ending</b>                        | <b>\$ 9,018,440</b> | <b>\$ 281,922</b> | <b>\$10,846,061</b> | <b>\$ 5,565,566</b>                    | <b>\$ 1,625,141</b>               | <b>\$27,337,130</b>            |

**CITY OF CROWLEY, TEXAS**  
**Reconciliation of Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**The Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2019**

|  |                     |
|--|---------------------|
| Total net change in fund balances - governmental funds   | \$ 1,417,411        |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$1,433,047 of capital outlays and \$1,755,000 of debt principal payments is to increase net position. | 3,188,047           |
| The net effect of various miscellaneous transaction involving capital assets (i.e. donations and disposal) is to increase net position.  | 177,529             |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.  | (1,944,540)         |
| Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.   | (36,317)            |
| GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to pension, and deferred resource outflow related to pension. The changes in these balances decreased net position.   | (295,819)           |
| GASB 75 required the City to recognize their total OPEB liability and deferred resource inflow related to OPEB. The changes in these balances decreased net position.  | (20,259)            |
| Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period, and, therefore are not reported as liabilities or assets in the funds. The \$44,584 increase in interest payable and \$112,440 increase in compensated absences and \$84,401 (net) amortization of deferred charges and premiums decreased net position.       | (72,623)            |
| Change in net position of governmental activities  | <u>\$ 2,413,429</u> |

**CITY OF CROWLEY, TEXAS**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2019**

|  | Water and<br>Sewer Fund | Stormwater<br>Utility | Totals               |
|--|-------------------------|-----------------------|----------------------|
| <b>ASSETS</b>  |                         |                       |                      |
| Current Assets:  |                         |                       |                      |
| Cash and cash equivalents  | \$ 942,170              | \$ 2,256,419          | \$ 3,198,589         |
| Investments  | 3,062,002               | -                     | 3,062,002            |
| Receivables (Net of allowance for uncollectibles):               |                         |                       |                      |
| Accounts   | 965,692                 | 57,944                | 1,023,636            |
| Miscellaneous  | 31,549                  | -                     | 31,549               |
| Inventory  | 5,776                   | -                     | 5,776                |
| Restricted Assets  |                         |                       |                      |
| Investments  | 2,812,997               | -                     | 2,812,997            |
| Total current assets   | <u>7,820,186</u>        | <u>2,314,363</u>      | <u>10,134,549</u>    |
| Noncurrent Assets:   |                         |                       |                      |
| Capital assets, at cost  |                         |                       |                      |
| Non-depreciable assets   | 167,349                 | -                     | 167,349              |
| Depreciable assets, net of accumulated depreciation              | 11,834,632              | 91,027                | 11,925,659           |
| Total noncurrent assets  | <u>12,001,981</u>       | <u>91,027</u>         | <u>12,093,008</u>    |
| Total assets   | <u>19,822,167</u>       | <u>2,405,390</u>      | <u>22,227,557</u>    |
| <b>Deferred Outflows of Resources</b>                            |                         |                       |                      |
| Deferred outflows related to pension                             | 160,664                 | -                     | 160,664              |
| Deferred outflows related to OPEB                                | 989                     | -                     | 989                  |
| Deferred charges on refunding                                    | 61,193                  | -                     | 61,193               |
| <b>Total Deferred Outflows of Resources</b>                      | <u>\$ 222,846</u>       | <u>\$ -</u>           | <u>\$ 222,846</u>    |
| <b>LIABILITIES</b>   |                         |                       |                      |
| Current Liabilities  |                         |                       |                      |
| Accounts payable   | \$ 845,895              | \$ 172                | \$ 846,067           |
| Accrued payroll liabilities                                      | 33,945                  | -                     | 33,945               |
| Compensated absences   | 19,433                  | -                     | 19,433               |
| Current portion of long-term liabilities                         | 656,378                 | -                     | 656,378              |
| Interest payable   | 21,429                  | -                     | 21,429               |
| Current Liabilities Payable from Restricted Assets               |                         |                       |                      |
| Customer deposits payable  | 587,071                 | -                     | 587,071              |
| Total current liabilities  | <u>2,164,151</u>        | <u>172</u>            | <u>2,164,323</u>     |
| Noncurrent Liabilities   |                         |                       |                      |
| Compensated absences   | 7,557                   | -                     | 7,557                |
| Net pension liability  | 266,566                 | -                     | 266,566              |
| Total OPEB liability   | 15,252                  | -                     | 15,252               |
| Bonds payable  | 6,595,376               | -                     | 6,595,376            |
| Total noncurrent liabilities                                     | <u>6,884,751</u>        | <u>-</u>              | <u>6,884,751</u>     |
| Total liabilities  | <u>9,048,902</u>        | <u>172</u>            | <u>9,049,074</u>     |
| <b>Deferred Inflows of Resources</b>                             |                         |                       |                      |
| Deferred inflow related to pension                               | 49,395                  | -                     | 49,395               |
| Deferred inflow related to OPEB                                  | 1,650                   | -                     | 1,650                |
| <b>Total Deferred Inflows of Resources</b>                       | <u>51,045</u>           | <u>-</u>              | <u>51,045</u>        |
| <b>NET POSITION</b>  |                         |                       |                      |
| Net investment in capital assets                                 | 7,193,748               | 91,027                | 7,284,775            |
| Restricted for impact fees for capital improvements (Expendable) | 862,277                 | -                     | 862,277              |
| Unrestricted   | 2,889,041               | 2,314,191             | 5,203,232            |
| Total net position   | <u>\$ 10,945,066</u>    | <u>\$ 2,405,218</u>   | <u>\$ 13,350,284</u> |



**CITY OF CROWLEY, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

|  | Water and<br>Sewer Fund | Stormwater<br>Utility | Totals               |
|--|-------------------------|-----------------------|----------------------|
| Operating revenues                                       |                         |                       |                      |
| Charges for services:                                    |                         |                       |                      |
| Water Sales  | \$ 3,726,140            | \$ -                  | \$ 3,726,140         |
| Sewer charges  | 2,550,412               | -                     | 2,550,412            |
| Stormwater revenue                                       | -                       | 478,302               | 478,302              |
| Miscellaneous water charges                              | 1,043,371               | -                     | 1,043,371            |
| Total operating revenue                                  | <u>7,319,923</u>        | <u>478,302</u>        | <u>7,798,225</u>     |
| Operating expenses                                       |                         |                       |                      |
| Personnel services                                       | 754,696                 | -                     | 754,696              |
| Professional services                                    | 77,713                  | -                     | 77,713               |
| Purchased water  | 1,732,240               | -                     | 1,732,240            |
| Wastewater treatment charge                              | 1,432,717               | -                     | 1,432,717            |
| Contractual services                                     | 227,217                 | -                     | 227,217              |
| Insurance  | 52,258                  | -                     | 52,258               |
| Administrative   | 569,366                 | 14,116                | 583,482              |
| Repairs and maintenance                                  | 213,297                 | -                     | 213,297              |
| Utilities  | 59,756                  | -                     | 59,756               |
| Depreciation   | 742,725                 | 20,229                | 762,954              |
| Total operating expenses                                 | <u>5,861,985</u>        | <u>34,345</u>         | <u>5,896,330</u>     |
| Operating income (loss)                                  | <u>1,457,938</u>        | <u>443,957</u>        | <u>1,901,895</u>     |
| Nonoperating revenues (expenses):                        |                         |                       |                      |
| Investment earnings                                      | 68,067                  | -                     | 68,067               |
| Interest expense   | (197,410)               | -                     | (197,410)            |
| Total nonoperating revenues (expenses)                   | <u>(129,343)</u>        | <u>-</u>              | <u>(129,343)</u>     |
| Income (loss) before capital contributions and transfers | 1,328,595               | 443,957               | 1,772,552            |
| Capital contributions                                    | 47,000                  | -                     | 47,000               |
| Transfers out  | (580,492)               | -                     | (580,492)            |
| Change in net position                                   | 795,103                 | 443,957               | 1,239,060            |
| Net position - beginning                                 | 10,149,963              | 1,961,261             | 12,111,224           |
| Net position - ending                                    | <u>\$ 10,945,066</u>    | <u>\$ 2,405,218</u>   | <u>\$ 13,350,284</u> |

**CITY OF CROWLEY, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

|   | Water and<br>Sewer Fund | Stormwater<br>Utility | Totals              |
|---|-------------------------|-----------------------|---------------------|
| Cash flows from operating activities:   |                         |                       |                     |
| Cash received from customers  | \$ 7,163,409            | \$ 473,292            | \$ 7,636,701        |
| Cash paid to suppliers  | (4,330,765)             | (13,944)              | (4,344,709)         |
| Cash paid to employees  | (746,543)               | -                     | (746,543)           |
| Net cash provided by operating activities   | <u>2,086,101</u>        | <u>459,348</u>        | <u>2,545,449</u>    |
| Cash flow from noncapital financing activities:   |                         |                       |                     |
| Transfers to other funds  | (580,492)               | -                     | (580,492)           |
| Net cash provided (used) by noncapital financing activities                                       | <u>(580,492)</u>        | <u>-</u>              | <u>(580,492)</u>    |
| Cash flow from capital and related financing activities:  |                         |                       |                     |
| Principal payments on long-term debt  | (605,000)               | -                     | (605,000)           |
| Capital outlay  | (748,930)               | -                     | (748,930)           |
| Interest paid on capital debt   | (221,693)               | -                     | (221,693)           |
| Net cash used by capital and related financing activities   | <u>(1,575,623)</u>      | <u>-</u>              | <u>(1,575,623)</u>  |
| Cash flow from investing activities:  |                         |                       |                     |
| Purchase of investments   | (370,665)               | -                     | (370,665)           |
| Investment earnings   | 68,067                  | -                     | 68,067              |
| Net cash provided by investing activities   | <u>(302,598)</u>        | <u>-</u>              | <u>(302,598)</u>    |
| Net increase (decrease) in cash and cash equivalents  | (372,612)               | 459,348               | 86,736              |
| Cash and cash equivalents, beginning  | <u>1,314,782</u>        | <u>1,797,071</u>      | <u>3,111,853</u>    |
| Cash and cash equivalents, ending   | <u>\$ 942,170</u>       | <u>\$ 2,256,419</u>   | <u>\$ 3,198,589</u> |
| Reconciliation of Operating Income to<br>Net Cash Provided (Used) by Operating Activities         |                         |                       |                     |
| Operating income (loss)   | \$ <u>1,457,938</u>     | \$ <u>443,957</u>     | \$ <u>1,901,895</u> |
| Adjustments to reconcile operating income to<br>net cash provided (used) by operating activities: |                         |                       |                     |
| Depreciation expense  | 742,725                 | 20,229                | 762,954             |
| Disposal of capital asset   | 10,211                  | -                     | 10,211              |
| (Increase) decrease in accounts receivable  | (198,544)               | (5,010)               | (203,554)           |
| (Increase) decrease in miscellaneous receivables  | 4,949                   | -                     | 4,949               |
| (Increase) decrease in inventory  | 6,497                   | -                     | 6,497               |
| Increase (decrease) in accounts payable   | (9,847)                 | 172                   | (9,675)             |
| Increase (decrease) in accrued payroll liabilities  | 3,884                   | -                     | 3,884               |
| Increase (decrease) in customer meter deposits  | 42,030                  | -                     | 42,030              |
| Increase (decrease) in net pension balances   | 22,699                  | -                     | 22,699              |
| Increase (decrease) in total OPEB balances  | (710)                   | -                     | (710)               |
| Increase (decrease) in compensated absences payable   | 4,269                   | -                     | 4,269               |
| Total adjustments   | <u>628,163</u>          | <u>15,391</u>         | <u>643,554</u>      |
| Net cash provided by operating activities   | <u>\$ 2,086,101</u>     | <u>\$ 459,348</u>     | <u>\$ 2,545,449</u> |
| Contribution of capital asset   | <u>\$ 47,000</u>        | <u>\$ -</u>           | <u>\$ 47,000</u>    |

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

Blended Component Units

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

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements**

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

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

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

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

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

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

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise fund:

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

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

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

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**1. Cash and Investments**

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

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

**2. Interfund Receivables and Payables**

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

**3. Unbilled Service**

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

**4. Inventory**

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. *Capital Assets***

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer fund during the current fiscal year was \$221,693.

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

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

**6. *Compensated Absences***

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

**7. *Long-term Obligations***

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**8. *Fund Balance – Governmental Funds***

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

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



**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

|                        | General<br>Fund     | Debt<br>Service<br>Fund | Capital<br>Projects  | Economic<br>Development<br>Corporation | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------|---------------------|-------------------------|----------------------|--|-----------------------------------|--------------------------------|
| Nonspendable           |                     |                         |                      |  |                                   |                                |
| Inventory              | \$ 11,106           | \$ -                    | \$ -                 | \$ -                                   | \$ -                              | \$ 11,106                      |
| Restricted             |                     |                         |                      |  |                                   |                                |
| Debt Service           | -                   | 281,922                 | -                    | -                                      | -                                 | 281,922                        |
| Capital Projects       | -                   | -                       | 10,846,061           | -                                      | -                                 | 10,846,061                     |
| Public Safety - Police | -                   | -                       | -                    | -                                      | 935,743                           | 935,743                        |
| Public Safety - Court  | -                   | -                       | -                    | -                                      | 59,027                            | 59,027                         |
| Economic Development   | -                   | -                       | -                    | 5,565,566                              | 354,546                           | 5,920,112                      |
| Grant programs         | -                   | -                       | -                    | -                                      | 54,243                            | 54,243                         |
| Public Education Grant | -                   | -                       | -                    | -                                      | 221,582                           | 221,582                        |
| Unassigned             | 9,007,334           | -                       | -                    | -                                      | -                                 | 9,007,334                      |
|                        | <u>\$ 9,018,440</u> | <u>\$ 281,922</u>       | <u>\$ 10,846,061</u> | <u>\$ 5,565,566</u>                    | <u>\$ 1,625,141</u>               | <u>\$ 27,337,130</u>           |

**9. Net Position**

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

|  |                     |
|--|---------------------|
| Restricted Fund Balance (Exhibit C-1)  | \$ 18,318,690       |
| Adjustment:  |                     |
| Unspent proceeds from bonds reclassified to net investment in capital assets | (10,846,061)        |
| Deferred tax revenue restricted for debt service                             | 21,333              |
| Restricted net position (Exhibit A-1)  | <u>\$ 7,493,962</u> |

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

**10. Use of Estimates**

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**11. *Pensions***

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

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

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

**NOTE 2: DEPOSITS AND INVESTMENTS**

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

The City's investment policy authorizes the City to invest in U.S. Treasury obligations, U.S. government agency and instrumentality obligations, certificates of deposit, investment-grade obligations of state, provincial and local governments and public authorities, money market mutual funds regulated by the SEC and local government investment pools wither state-administered or developed through joint powers statutes and other intergovernmental agreement legislation. During the year ended September 30, 2019, the City did not own any types of securities other than those permitted by statute.

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 2: DEPOSITS AND INVESTMENTS (continued)**

The City's investments are as follows:

| <u>Investment</u>     | <u>Credit<br/>Rating (1)</u> | <u>Weighted Average<br/>Maturities</u> | <u>Percentage<br/>of Total<br/>Investments</u> | <u>Cost</u>          | <u>Fair<br/>Value</u> |
|-----------------------|------------------------------|--|--|----------------------|-----------------------|
| Investment in TexPool | AAAm                         | 36 days                                | 100.00%  | <u>\$ 33,443,583</u> | <u>\$ 33,443,583</u>  |

(1) Per Standard and Poor's

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2019, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

**Credit Risk– Investments**

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

**Interest Rate Risk – Investments**

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

The City's investments at September 30, 2019 included the following:

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

|                             | <u>Investments</u>  |
|-----------------------------|---------------------|
| Business-type Activities    |                     |
| Customer deposits           | \$ 395,948          |
| Bonds construction accounts | <u>2,417,049</u>    |
| Total                       | <u>\$ 2,812,997</u> |

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 3: PROPERTY TAX**

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

**NOTE 4: RECEIVABLES**

All receivables are shown net of an allowance for uncollectible accounts. The allowances for uncollectible accounts are based upon historical experience. Property tax, EMS and municipal court allowances for uncollectible accounts are equal to approximately 55%, 76% and 85% of the outstanding balances, respectively, at September 30. The allowance for water, and sewer trade accounts receivable is equal to the accounts receivable that are inactive (final billed) as of September 30. Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

|                       | General             | Debt<br>Service  | Economic<br>Development<br>Corporation | Nonmajor<br>Governmental | Water<br>and Sewer | Stormwater<br>Utility |
|-----------------------|---------------------|------------------|--|--------------------------|--------------------|-----------------------|
| Receivables:          |                     |                  |  |                          |                    |                       |
| Property taxes        | \$ 122,122          | \$ 47,492        | \$ -                                   | \$ -                     | \$ -               | \$ -                  |
| Other taxes           | 625,907             | -                | 169,334                                | 156,568                  | -                  | -                     |
| Accounts              | 2,041,808           | -                | -                                      | -                        | 1,220,908          | 57,944                |
| Miscellaneous         | 912,250             | -                | -                                      | 44                       | 31,549             | -                     |
| Gross receivables     | 3,702,087           | 47,492           | \$ 169,334                             | 156,612                  | 1,252,457          | 57,944                |
| Less: allowance       |                     |                  |  |                          |                    |                       |
| for uncollectibles    | (2,278,740)         | (26,159)         | 0                                      | -                        | (255,216)          | -                     |
| Net total receivables | <u>\$ 1,423,347</u> | <u>\$ 21,333</u> | <u>\$ 169,334</u>                      | <u>\$ 156,612</u>        | <u>\$ 997,241</u>  | <u>\$ 57,944</u>      |

**NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 5: DEFERRED INFLOWS OF RESOURCES (continued)**

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

|   | General           | Debt<br>Service  | Nonmajor<br>Governmental | Total<br>Governmental<br>Funds |
|---|-------------------|------------------|--------------------------|--------------------------------|
| Deferred property tax revenue           | \$ 54,856         | \$ 21,333        | \$ -                     | \$ 76,189                      |
| Deferred franchise tax revenue          | 241,954           |                  |                          | 241,954                        |
| Deferred EMS charges revenue            | 456,485           |                  |                          | 456,485                        |
| Deferred municipal court fees and fines | 125,646           |                  |                          | 125,646                        |
|   | <u>\$ 878,941</u> | <u>\$ 21,333</u> | <u>\$ -</u>              | <u>\$ 900,274</u>              |

**NOTE 6: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS**

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2019, is as follows:

| Transfer In                           | Transfer Out    | Amount            | Purpose  |
|---------------------------------------|-----------------|-------------------|--|
| General                               | Water and sewer | \$ 580,492        | Use unrestricted revenues collected in the water and sewer fund to finance various general fund programs in accordance with budgetary authorization. |
| Crime Control                         | General fund    | 76,131            | Transfer expenses  |
| Economic Development                  | General fund    | 12,227            | Transfer expenses  |
| Total governmental funds transfers in |                 | <u>\$ 668,850</u> |  |

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Transfers &amp;<br/>Adjustments</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|------------------|--|---------------------------|
| <b>Governmental activities:</b>             |                              |                     |                  |  |                           |
| Non - Depreciable Assets:                   |                              |                     |                  |  |                           |
| Land  | \$ 4,762,002                 | \$ 53,581           | \$ -             | \$ (754,988)                           | \$ 4,060,595              |
| Construction in progress                    | 1,335,254                    | 656,576             | -                | (615,440)                              | 1,376,390                 |
| Total non-depreciable assets                | <u>6,097,256</u>             | <u>710,157</u>      | <u>-</u>         | <u>(1,370,428)</u>                     | <u>5,436,985</u>          |
| Depreciable Assets:                         |                              |                     |                  |  |                           |
| Building and improvements                   | 23,181,820                   | 72,644              | -                | 1,370,428                              | 24,624,892                |
| Infrastructure/utility system               | 20,145,867                   | 233,357             | -                | -                                      | 20,379,224                |
| Equipment and furniture                     | 8,939,652                    | 594,418             | -                | -                                      | 9,534,070                 |
| Total capital assets being depreciated      | <u>52,267,339</u>            | <u>900,419</u>      | <u>-</u>         | <u>1,370,428</u>                       | <u>54,538,186</u>         |
| Accumulated Depreciation:                   |                              |                     |                  |  |                           |
| Building and improvements                   | (8,056,604)                  | (866,612)           | -                | -                                      | (8,923,216)               |
| Infrastructure/utility system               | (12,360,866)                 | (540,205)           | -                | -                                      | (12,901,071)              |
| Equipment and furniture                     | (7,094,462)                  | (537,723)           | -                | -                                      | (7,632,185)               |
| Total accumulated depreciation              | <u>(27,511,932)</u>          | <u>(1,944,540)</u>  | <u>-</u>         | <u>-</u>                               | <u>(29,456,472)</u>       |
| Governmental activities capital assets, net | <u>\$30,852,663</u>          | <u>\$ (333,964)</u> | <u>\$ -</u>      | <u>\$ -</u>                            | <u>\$30,518,699</u>       |

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

|  |                    |
|--|--------------------|
| Governmental activities:                             |                    |
| General government                                   | \$ 243,612         |
| Court  | 1,132              |
| Library  | 65,034             |
| Public safety  | 365,130            |
| Fire and ambulance                                   | 206,540            |
| Public works   | 560,010            |
| Parks  | 176,913            |
| Recreation center                                    | 268,186            |
| Animal control                                       | 57,983             |
| Total depreciation expense - governmental activities | <u>\$1,944,540</u> |

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 7: CAPITAL ASSETS (Continued)**

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u>   | <u>Transfers &amp;<br/>Adjustments</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|--------------------|--|---------------------------|
| <b>Business-type activities:</b>             |                              |                  |                    |  |                           |
| Non - Depreciable Assets:                    |                              |                  |                    |  |                           |
| Land   | \$ 34,751                    | \$ 87,000        | \$ -               | \$ -                                   | \$ 121,751                |
| Construction in progress                     | 342,248                      | 26,318           | -                  | (322,968)                              | 45,598                    |
| Total non-depreciable assets                 | <u>376,999</u>               | <u>113,318</u>   | <u>-</u>           | <u>(322,968)</u>                       | <u>167,349</u>            |
| Depreciable Assets:                          |                              |                  |                    |  |                           |
| Building and improvements                    | 2,232,132                    | 13,925           | -                  | -                                      | 2,246,057                 |
| Infrastructure/utility system                | 18,352,230                   | 668,687          | -                  | 322,968                                | 19,343,885                |
| Equipment and furniture                      | 2,740,882                    | -                | (40,847)           | -                                      | 2,700,035                 |
| Total capital assets being depreciated       | <u>23,325,244</u>            | <u>682,612</u>   | <u>(40,847)</u>    | <u>322,968</u>                         | <u>24,289,977</u>         |
| Accumulated Depreciation:                    |                              |                  |                    |  |                           |
| Building and improvements                    | (631,780)                    | (68,712)         | -                  | -                                      | (700,492)                 |
| Infrastructure/utility system                | (8,742,115)                  | (577,473)        | -                  | -                                      | (9,319,588)               |
| Equipment and furniture                      | (2,258,105)                  | (116,769)        | 30,636             | -                                      | (2,344,238)               |
| Total accumulated depreciation               | <u>(11,632,000)</u>          | <u>(762,954)</u> | <u>30,636</u>      | <u>-</u>                               | <u>(12,364,318)</u>       |
| Business-type activities capital assets, net | <u>\$12,070,243</u>          | <u>\$ 32,976</u> | <u>\$ (10,211)</u> | <u>\$ -</u>                            | <u>\$12,093,008</u>       |

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

|   |                   |
|---|-------------------|
| Business-type activities:                             |                   |
| Water and sewer                                       | \$ 742,725        |
| Stormwater utility                                    | 20,229            |
| Total depreciation expense - business-type activities | <u>\$ 762,954</u> |

**NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT**

The general obligation bonds and certificates of obligation bonds principal and interest are paid by the debt service fund, economic development corporation and crime control and prevention district while the sales tax revenue bonds are paid solely by the economic development corporation. Repayment of principal and interest maturities is principally made from property and sales tax revenues. Also, for governmental activities, compensated absences, pension liability and other postemployment benefit liability are generally liquidated by the general fund.

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

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

|  | <u>9/30/2018</u>    | <u>Additions</u> | <u>Retirements</u> | <u>9/30/2019</u>    | <u>Due Within<br/>One Year</u> |
|--|---------------------|------------------|--------------------|---------------------|--------------------------------|
| <b>General Obligation Bonds</b>  |                     |                  |                    |                     |                                |
| <b>Direct Placements</b>   |                     |                  |                    |                     |                                |
| \$2,880,000; General Obligation Refunding Bonds, Series 2005 due in semi-annual installments from 2/1/2005; 3.92% until 2/1/2020.          | \$ 225,000          | \$ -             | \$ 110,000         | \$ 115,000          | \$ 115,000                     |
| \$4,920,000; General Obligation Refunding Bonds, Series 2013, due in semi-annual installments from 2/1/2014; 2.19% until 2/1/2025.         | 3,080,000           | -                | 445,000            | 2,635,000           | 450,000                        |
| Total  | 3,305,000           | -                | 555,000            | 2,750,000           | 565,000                        |
| <b>Not Direct Placements</b>   |                     |                  |                    |                     |                                |
| \$1,855,000; General Obligation Refunding Bonds, Series 2012; due in semi-annual installments from 2/1/2013; 2.00% - 3.00% until 2/1/2022. | 390,000             | -                | 100,000            | 290,000             | 100,000                        |
| Series 2012 unamortized bond premium   | 154,083             | -                | 38,521             | 115,562             | 38,521                         |
| \$590,000; General Obligation Refunding Bonds, Series 2012A; due in semi-annual installments from 2/1/2014; 2.00% 3.00% until 2/1/2023.    | 320,000             | -                | 60,000             | 260,000             | 60,000                         |
| Series 2012A unamortized bond premium  | 24,956              | -                | 4,991              | 19,965              | 4,991                          |
| \$4,745,000; General Obligation Refunding Bonds, Series 2017, due in semi-annual installments from 2/1/2018; 3.00% until 2/1/2029.         | 4,745,000           | -                | 25,000             | 4,720,000           | 410,000                        |
| Series 2017 unamortized bond premium   | 227,413             | -                | 20,940             | 206,473             | 20,940                         |
| Total  | 5,861,452           | -                | 249,452            | 5,612,000           | 634,452                        |
| Total General Obligation Bonds   | <u>\$ 9,166,452</u> | <u>\$ -</u>      | <u>\$ 804,452</u>  | <u>\$ 8,362,000</u> | <u>\$ 1,199,452</u>            |



**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

|  | <u>9/30/2018</u>     | <u>Additions</u>    | <u>Retirements</u>  | <u>9/30/2019</u>     | <u>Due Within<br/>One Year</u> |
|--|----------------------|---------------------|---------------------|----------------------|--------------------------------|
| <b>Certificates of Obligation</b>  |                      |                     |                     |                      |                                |
| \$8,000,000; Certificates of Obligation, Series 2009<br>due in semi-annual installments from 2/1/2011;<br>3.00% - 5.25% until 2/1/2029.  | \$ 370,000           | \$ -                | \$ 370,000          | \$ -                 | \$ -                           |
| Series 2009 unamortized bond premium   | 6,313                | -                   | 6,313               | -                    | -                              |
| <br>   |                      |                     |                     |                      |                                |
| \$4,890,000; Certificates of Obligation, Series 2012<br>due in semi-annual installments from 2/1/2013;<br>2.00% - 3.50% until 2/1/2032.  | 3,710,000            | -                   | 215,000             | 3,495,000            | 220,000                        |
| Series 2012 unamortized premium  | 41,881               | -                   | 2,992               | 38,889               | 2,992                          |
| <br>   |                      |                     |                     |                      |                                |
| \$2,970,000; Combination Tax and Limited Pledge<br>Revenue Certificates of Obligation, Series 2016<br>due in annual installments from 2/1/17;<br>2.00% - 3.00% until 2/1/2025. | 2,800,000            | -                   | 125,000             | 2,675,000            | 130,000                        |
| Series 2016 unamortized premium  | 65,402               | -                   | 3,633               | 61,769               | 3,633                          |
| <br>   |                      |                     |                     |                      |                                |
| \$11,080,000; Combination and Limited Pledge<br>Revenue Certificates of Obligation, Series 2018<br>due in annual installments from 8/1/19;<br>3.50% - 5.00% until 8/1/2038.    | 11,080,000           | -                   | 180,000             | 10,900,000           | 285,000                        |
| Series 2018 unamortized premium  | 606,128              | -                   | 30,307              | 575,821              | 30,307                         |
| Total Certificates of Obligation   | <u>\$ 18,679,724</u> | <u>\$ -</u>         | <u>\$ 933,245</u>   | <u>\$ 17,746,479</u> | <u>\$ 671,932</u>              |
| <b>Revenue Bonds</b>   |                      |                     |                     |                      |                                |
| \$2,180,000; Sales Tax Revenue Bonds, Taxable<br>Series 2016 due in annual installments from<br>8/1/17; 3.00% - 5.00% until 8/1/2031.  | 2,010,000            | -                   | 125,000             | 1,885,000            | 125,000                        |
| Series 2016 unamortized premium  | 131,811              | -                   | 10,139              | 121,672              | 10,138                         |
| Total Revenue Bonds  | <u>\$ 2,141,811</u>  | <u>\$ -</u>         | <u>\$ 135,139</u>   | <u>\$ 2,006,672</u>  | <u>\$ 135,138</u>              |
| <br>   |                      |                     |                     |                      |                                |
| <b>Total OPEB liability</b>  | <u>\$ 206,811</u>    | <u>\$ -</u>         | <u>\$ 4,176</u>     | <u>\$ 202,635</u>    | <u>\$ -</u>                    |
| <br>   |                      |                     |                     |                      |                                |
| <b>Net pension liability</b>   | <u>\$ 1,561,958</u>  | <u>\$ 1,737,023</u> |                     | <u>\$ 3,298,981</u>  | <u>\$ -</u>                    |
| <br>   |                      |                     |                     |                      |                                |
| <b>Compensated absences</b>  | <u>\$ 450,247</u>    | <u>\$ 517,309</u>   | <u>\$ 404,869</u>   | <u>\$ 562,687</u>    | <u>\$ 405,135</u>              |
| <br>   |                      |                     |                     |                      |                                |
| Total Governmental Activities  | <u>\$ 32,207,003</u> | <u>\$ 2,254,332</u> | <u>\$ 2,281,881</u> | <u>\$ 32,179,454</u> | <u>\$ 2,411,657</u>            |

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

The aggregate debt service payments to maturity of the governmental activities general obligation bonds (not direct placement), certificates of obligation bonds and sales tax revenue bonds are as follows:

| Year Ending<br>September 30,    | <u>General Obligation</u> |                   | <u>Certificates of Obligation</u> |                     | <u>Sales Tax Revenue Bonds</u> |                   | Total                |
|---------------------------------|---------------------------|-------------------|-----------------------------------|---------------------|--------------------------------|-------------------|----------------------|
|                                 | Principal                 | Interest          | Principal                         | Interest            | Principal                      | Interest          |                      |
| 2020                            | \$ 570,000                | \$ 151,975        | \$ 635,000                        | \$ 614,669          | \$ 125,000                     | \$ 81,900         | \$ 2,178,544         |
| 2021                            | 585,000                   | 134,650           | 835,000                           | 590,494             | 130,000                        | 78,150            | 2,353,294            |
| 2022                            | 595,000                   | 116,950           | 775,000                           | 555,694             | 135,000                        | 74,250            | 2,251,894            |
| 2023                            | 520,000                   | 100,225           | 810,000                           | 523,419             | 140,000                        | 68,850            | 2,162,494            |
| 2024                            | 460,000                   | 85,525            | 850,000                           | 489,067             | 145,000                        | 63,250            | 2,092,842            |
| 2025 - 2029                     | 2,540,000                 | 197,750           | 4,785,000                         | 1,885,404           | 820,000                        | 219,650           | 10,447,804           |
| 2030 - 2034                     | -                         | -                 | 5,040,000                         | 960,163             | 390,000                        | 29,500            | 6,419,663            |
| 2035 - 2039                     | -                         | -                 | 3,340,000                         | 269,246             | -                              | -                 | 3,609,246            |
| Total debt service requirements | 5,270,000                 | 787,075           | 17,070,000                        | 5,888,156           | 1,885,000                      | 615,550           | 31,515,781           |
| Add: Unamortized premium        | 342,000                   | -                 | 676,479                           | -                   | 121,672                        | -                 | 1,140,151            |
|                                 | <u>\$ 5,612,000</u>       | <u>\$ 787,075</u> | <u>\$17,746,479</u>               | <u>\$ 5,888,156</u> | <u>\$ 2,006,672</u>            | <u>\$ 615,550</u> | <u>\$ 32,655,932</u> |

Governmental bonds from direct placements include a provision that in the event the City defaults in the payments or performance of covenants, conditions, or obligations, the holders of the bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City to observe and perform the covenant, condition and obligation prescribed by the bond ordinance..

Payments to maturity on the direct placement bonds include the following:

| Year Ending<br>September 30,    | <u>General Obligation</u> |                   | Total               |
|---------------------------------|---------------------------|-------------------|---------------------|
|                                 | Principal                 | Interest          |                     |
| 2020                            | \$ 565,000                | \$ 55,033         | \$ 620,033          |
| 2021                            | 460,000                   | 42,815            | 502,815             |
| 2022                            | 475,000                   | 32,576            | 507,576             |
| 2023                            | 485,000                   | 22,064            | 507,064             |
| 2024                            | 500,000                   | 11,279            | 511,279             |
| 2025                            | 265,000                   | 2,902             | 267,902             |
| Total debt service requirements | <u>\$ 2,750,000</u>       | <u>\$ 166,669</u> | <u>\$ 2,916,669</u> |

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 9: BUSINESS-TYPE LONG-TERM DEBT**

|  | <u>9/30/2018</u>    | <u>Additions</u>  | <u>Retirements</u> | <u>9/30/2019</u>    | <u>Due Within<br/>One Year</u> |
|--|---------------------|-------------------|--------------------|---------------------|--------------------------------|
| <b>General Obligation Bonds</b>  |                     |                   |                    |                     |                                |
| \$1,945,000; General Obligation Refunding Bonds,<br>Series 2012A; due in semi-annual installments<br>from 2/1/2014; 2.00% 3.00% until 2/1/2023.                                  | 1,065,000           | -                 | 200,000            | 865,000             | 205,000                        |
| Series 2012A unamortized bond premium  | 80,649              | -                 | 15,510             | 65,139              | 15,510                         |
| <br>   |                     |                   |                    |                     |                                |
| \$1,800,000; General Obligation Refunding Bonds,<br>Series 2017, due in semi-annual installments from<br>2/1/2018; 3.00% until 2/1/2029.   | 1,800,000           | -                 | 15,000             | 1,785,000           | 155,000                        |
| Series 2017 unamortized bond premium   | 85,563              | -                 | 7,778              | 77,785              | 7,778                          |
| Total General Obligation Bonds   | <u>\$ 3,031,212</u> | <u>\$ -</u>       | <u>\$ 238,288</u>  | <u>\$ 2,792,924</u> | <u>\$ 383,288</u>              |
| <br>   |                     |                   |                    |                     |                                |
| <b>Certificates of Obligation</b>  |                     |                   |                    |                     |                                |
| \$3,000,000; Certificates of Obligation, Series 2009<br>due in semi-annual installments from 2/1/2011;<br>3.00% - 5.25% until 2/1/2029.  | \$ 135,000          | \$ -              | \$ 135,000         | \$ -                | \$ -                           |
| Series 2009 unamortized bond premium   | 2,367               | -                 | 2,367              | -                   | -                              |
| <br>   |                     |                   |                    |                     |                                |
| \$2,500,000; Combination Tax and Limited Pledge<br>Revenue Certificates of Obligation, Series 2011<br>due in annual installments from 2/1/2012;<br>2.00% - 4.50% until 2/1/2029. | 1,690,000           | -                 | 100,000            | 1,590,000           | 105,000                        |
| Series 2011 unamortized premium  | 51,710              | -                 | 4,265              | 47,445              | 4,265                          |
| <br>   |                     |                   |                    |                     |                                |
| \$2,965,000; Combination Tax and Limited Pledge<br>Revenue Certificates of Obligation, Series 2016<br>due in annual installments from 2/1/17;<br>2.00% - 3.00% until 2/1/2025.   | 2,915,000           | -                 | 155,000            | 2,760,000           | 160,000                        |
| Series 2016 unamortized premium  | 65,210              | -                 | 3,825              | 61,385              | 3,825                          |
| Total Certificates of Obligation   | <u>\$ 4,859,287</u> | <u>\$ -</u>       | <u>\$ 400,457</u>  | <u>\$ 4,458,830</u> | <u>\$ 273,090</u>              |
| <br>   |                     |                   |                    |                     |                                |
| <b>Total OPEB liability</b>  | <u>\$ 17,984</u>    | <u>\$ -</u>       | <u>\$ 2,732</u>    | <u>\$ 15,252</u>    | <u>\$ -</u>                    |
| <br>   |                     |                   |                    |                     |                                |
| <b>Net pension liability</b>   | <u>\$ 135,822</u>   | <u>\$ 130,744</u> | <u>\$ -</u>        | <u>\$ 266,566</u>   | <u>\$ -</u>                    |
| <br>   |                     |                   |                    |                     |                                |
| <b>Compensated absences</b>  | <u>\$ 22,721</u>    | <u>\$ 21,421</u>  | <u>\$ 17,152</u>   | <u>\$ 26,990</u>    | <u>\$ 19,433</u>               |
| <br>   |                     |                   |                    |                     |                                |
| Total Business-Type Activities   | <u>\$ 8,067,026</u> | <u>\$ 152,165</u> | <u>\$ 658,629</u>  | <u>\$ 7,560,562</u> | <u>\$ 675,811</u>              |

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

The aggregate debt service requirements to maturity for business-type activities general obligation bonds and certificates of obligation outstanding as of September 30, 2019, are as follows:

| Year Ending<br>September 30,    | General Obligation  |                   | Certificates of Obligation |                   | Total               |
|---------------------------------|---------------------|-------------------|----------------------------|-------------------|---------------------|
|                                 | Principal           | Interest          | Principal                  | Interest          |                     |
| 2020                            | \$ 360,000          | \$ 75,025         | \$ 265,000                 | \$ 127,784        | \$ 827,809          |
| 2021                            | 370,000             | 64,075            | 270,000                    | 119,753           | 823,828             |
| 2022                            | 385,000             | 52,750            | 275,000                    | 110,590           | 823,340             |
| 2023                            | 400,000             | 40,975            | 285,000                    | 101,015           | 826,990             |
| 2024                            | 170,000             | 32,425            | 260,000                    | 91,640            | 554,065             |
| 2025 - 2029                     | 965,000             | 74,813            | 1,460,000                  | 318,339           | 2,818,152           |
| 2030 - 2034                     | -                   | -                 | 1,170,000                  | 96,276            | 1,266,276           |
| 2035 - 2039                     | -                   | -                 | 365,000                    | 3,793             | 368,793             |
| Total debt service requirements | 2,650,000           | 340,063           | 4,350,000                  | 969,190           | 8,309,253           |
| Add: Unamortized premium        | 142,924             | -                 | 108,830                    | -                 | 251,754             |
|                                 | <u>\$ 2,792,924</u> | <u>\$ 340,063</u> | <u>\$ 4,458,830</u>        | <u>\$ 969,190</u> | <u>\$ 8,561,007</u> |

The various bond ordinances contain a number of limitations and restrictions. Management believes the City is in compliance with all significant limitation and restrictions at September 30, 2019.

**NOTE 10: RISK MANAGEMENT**

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 11: DEFINED BENEFIT PENSION PLANS**

**Plan Description**

The City participates as one of 887 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](http://www.tmrs.com).

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

**Benefits Provided**

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

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

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

|  | <u>Plan Year 2018</u> |
|--|-----------------------|
| Employee deposit rate  | 6%                    |
| Matching ratio (city to employee)                                  | 2-1                   |
| Years required for vesting   | 5                     |
| Service retirement eligibility (expressed as age/years of service) | 60/5, 0/20            |
| Updated service credit   | 100%                  |
| Annuity increase (to retirees)                                     | 70% of CPI            |

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)**

**Employees Covered by Benefit Terms**

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

|  |     |
|--|-----|
| Active employees   | 115 |
| Inactive employees or beneficiaries currently receiving benefits | 53  |
| Inactive employees entitled to but not yet receiving benefits    | 86  |
|  | 254 |
|  | 254 |

**Contributions**

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.63% and 10.77% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019, were \$692,597, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2018 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 |

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)**

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)**

| <u>Assest Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return (Arithmetic)</u> |
|-----------------------|--------------------------|---|
| Domestic Equity       | 17.50%                   | 4.30%   |
| International Equity  | 17.50%                   | 6.10%   |
| Core Fixed Income     | 10.00%                   | 1.00%   |
| Non-Core Fixed Income | 20.00%                   | 3.39%   |
| Real Return           | 10.00%                   | 3.78%   |
| Real Estate           | 10.00%                   | 4.44%   |
| Absolute Return       | 10.00%                   | 3.56%   |
| Private Equity        | 5.00%                    | 7.75%   |
| Total                 | <u>100.00%</u>           |   |

**Discount Rate**

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

**Changes in the Net Pension Liability**

|   | <u>Increase (Decrease)</u>     |                                    |                              |
|---|--------------------------------|------------------------------------|------------------------------|
|   | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
|   | <u>(a)</u>                     | <u>(b)</u>                         | <u>(a) - (b)</u>             |
| Balance at 12/31/17   | \$ 18,560,621                  | \$ 16,862,841                      | \$ 1,697,780                 |
| Changes for the year:   |                                |                                    |                              |
| Service cost  | 885,458                        | -                                  | 885,458                      |
| Interest  | 1,262,609                      | -                                  | 1,262,609                    |
| Changes in net benefit terms                                  | -                              | -                                  | -                            |
| Difference between expected and actual experience             | 234,189                        | -                                  | 234,189                      |
| Change of assumptions   | -                              | -                                  | -                            |
| Contributions - employer                                      | -                              | 658,211                            | (658,211)                    |
| Contributions - employee                                      | -                              | 371,521                            | (371,521)                    |
| Net investment income   | -                              | (504,971)                          | 504,971                      |
| Benefit payments, including refunds of employee contributions | (596,064)                      | (596,064)                          | -                            |
| Administrative expense  | -                              | (9,762)                            | 9,762                        |
| Other changes   | -                              | (510)                              | 510                          |
| Net changes   | <u>1,786,192</u>               | <u>(81,575)</u>                    | <u>1,867,767</u>             |
| Balance at 12/31/18   | <u>\$ 20,346,813</u>           | <u>\$ 16,781,266</u>               | <u>\$ 3,565,547</u>          |



**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)**

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

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

|                              | 1% Decrease in<br>Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in<br>Discount Rate (7.75%) |
|------------------------------|---|-----------------------|---|
| City's Net Pension Liability | \$6,995,575                             | \$3,565,547           | \$812,352                               |

**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](http://www.tmrs.com).

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

For the year ended September 30, 2019, the City recognized pension expense of \$1,011,116.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Difference in expected and actual experience     | \$ 294,357                        | \$ 78,439                        |
| Difference in assumption changes                 | 3,698                             | -                                |
| Difference in projected and actual earnings      | 1,493,146                         | 627,205                          |
| Contributions subsequent to the measurement date | 503,994                           | -                                |
| Total  | <u>\$ 2,295,195</u>               | <u>\$ 705,644</u>                |

\$503,994 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

|                     |           |                  |
|---------------------|-----------|------------------|
| 2019                | \$        | 364,347          |
| 2020                |           | 178,663          |
| 2021                |           | 187,425          |
| 2022                |           | 355,122          |
| 2023 and thereafter |           | -                |
|                     | <u>\$</u> | <u>1,085,557</u> |

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

**Plan Description**

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

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

**Benefits Provided**

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

At December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

|   |     |
|---|-----|
| Active employees  | 115 |
| Inactive employees currently receiving benefits               | 33  |
| Inactive employees entitled to but not yet receiving benefits | 13  |
|   | 161 |
|   | 161 |

**Contributions**

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

**Total OPEB Liability**

The City’s Total OPEB Liability of \$217,887 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

**Actuarial Assumptions and Other Inputs**

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|  |                                     |
|--|-------------------------------------|
| Inflation                                | 2.50% per year                      |
| Salary increases                         | 3.50% to 10.50% including inflation |
| Discount rate*                           | 3.71%                               |
| Retiree's share of benefit-related costs | \$0                                 |

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

**Changes in the Total OPEB Liability**

|   | <u>Total OPEB<br/>Liability</u> |
|---|---------------------------------|
| Balance at 12/31/17                               | \$ 224,795                      |
| Changes for the year:                             |                                 |
| Service cost                                      | 14,242                          |
| Interest on Total OPEB Liability                  | 7,656                           |
| Changes in net benefit terms                      | -                               |
| Difference between expected and actual experience | (9,834)                         |
| Changes of assumptions or other inputs            | (17,734)                        |
| Benefit payments**                                | (1,238)                         |
| Net changes                                       | <u>(6,908)</u>                  |
| Balance at 12/31/18                               | <u>\$ 217,887</u>               |

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

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

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

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

|                             | 1% Decrease in<br>Discount Rate (2.31%) | Discount Rate (3.31%) | 1% Increase in<br>Discount Rate (4.31%) |
|-----------------------------|---|-----------------------|---|
| City's Total OPEB Liability | \$266,253                               | \$217,887             | \$180,788                               |

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$20,787.

At September 30, 2019, the City reported deferred outflows of resources and deferred outflows of resources related to OPEB from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Difference in expected and actual experience                  | \$ -                              | \$ 8,409                         |
| Difference in assumption changes                              | 14,132                            | 15,164                           |
| Contributions subsequent to the measurement date-not material | -                                 | -                                |
| Total   | <u>\$ 14,132</u>                  | <u>\$ 23,573</u>                 |

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

|                          |           |                |
|--------------------------|-----------|----------------|
| Year ended September 30: |           |                |
| 2019                     | \$        | (1,111)        |
| 2020                     |           | (1,111)        |
| 2021                     |           | (1,111)        |
| 2022                     |           | (1,111)        |
| 2023                     |           | (1,399)        |
| Thereafter               |           | (3,598)        |
|                          | <u>\$</u> | <u>(9,441)</u> |

**NOTE 13: CONTINGENT LIABILITIES**

**Federal and State Programs**

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

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 13: CONTINGENT LIABILITIES (continued)**

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

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

Litigation

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

**NOTE 14: CONTRACTS AND COMMITMENTS**

**A. Water and Sewer Contracts**

The City has separate contracts with the City of Fort Worth, Texas for the purchase of treated water and for the treatment of wastewater. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Purchases during 2019 of treated water were \$1,732,240 and for the treatment of wastewater were \$1,432,717.

**B. Construction Commitments**

The City awarded \$1,414,661 contract for the construction of new community center. The amount spent to date for the construction was \$483,054.

**NOTE 15: SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 12, 2020, which is the date the financial statements were available to be issued.

**NOTE 16: FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after December 15, 2019. The City has not yet determined the effect of this statement will have on its financial reporting.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CROWLEY, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2019**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     | Positive<br>(Negative)        |
| <b>REVENUES</b>  |                     |                     |                     |                               |
| Taxes:   |                     |                     |                     |                               |
| Property   | \$ 4,804,128        | \$ 4,837,000        | \$ 4,758,016        | \$ (78,984)                   |
| Sales  | 1,676,500           | 1,766,500           | 1,911,651           | 145,151                       |
| Franchise  | 749,500             | 761,500             | 793,131             | 31,631                        |
| Charges for service  | 2,032,634           | 2,109,889           | 2,096,010           | (13,879)                      |
| Fees and fines   | 426,940             | 426,940             | 461,043             | 34,103                        |
| Licenses and permits   | 759,280             | 1,033,465           | 1,264,566           | 231,101                       |
| Grants and contributions                                     | 306,500             | 306,500             | 319,312             | 12,812                        |
| Oil & gas revenue  | -                   | -                   | 112,458             | 112,458                       |
| Investment earnings  | 110,000             | 120,599             | 573,782             | 453,183                       |
| Other revenue  | 32,150              | 32,150              | 51,044              | 18,894                        |
| Total revenues   | <u>10,897,632</u>   | <u>11,394,543</u>   | <u>12,341,013</u>   | <u>946,470</u>                |
| <b>EXPENDITURES</b>  |                     |                     |                     |                               |
| Administrative and finance                                   | 870,621             | 876,826             | 867,029             | 9,797                         |
| Municipal court  | 224,610             | 224,610             | 225,763             | (1,153)                       |
| Library  | 493,689             | 520,191             | 530,863             | (10,672)                      |
| Senior center  | 32,930              | 37,281              | 39,663              | (2,382)                       |
| Public safety  | 3,203,337           | 3,203,337           | 2,967,647           | 235,690                       |
| Fire and ambulance   | 3,246,445           | 3,411,831           | 2,966,046           | 445,785                       |
| Public works   | 443,549             | 628,740             | 610,378             | 18,362                        |
| Parks  | 332,341             | 471,548             | 371,825             | 99,723                        |
| Recreation Center  | 529,990             | 562,342             | 542,330             | 20,012                        |
| Animal Control   | 239,727             | 239,727             | 249,591             | (9,864)                       |
| Code enforcement   | 54,004              | 54,004              | 62,607              | (8,603)                       |
| Community development  | 388,705             | 489,114             | 498,908             | (9,794)                       |
| Sanitation   | 762,686             | 762,686             | 798,908             | (36,222)                      |
| Capital project  | -                   | -                   | 64,160              | (64,160)                      |
| Nondepartmental  | 629,664             | 643,372             | 532,074             | 111,298                       |
| Total expenditures   | <u>11,452,298</u>   | <u>12,125,609</u>   | <u>11,327,792</u>   | <u>797,817</u>                |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(554,666)</u>    | <u>(731,066)</u>    | <u>1,013,221</u>    | <u>1,744,287</u>              |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |                               |
| Transfers in   | 580,466             | 580,466             | 580,466             | -                             |
| Transfers out  | -                   | -                   | (79,887)            | (79,887)                      |
| Total other financing sources (uses)                         | <u>580,466</u>      | <u>580,466</u>      | <u>500,579</u>      | <u>(79,887)</u>               |
| Net change in fund balances                                  | 25,800              | (150,600)           | 1,513,800           | 1,664,400                     |
| Fund balance - beginning                                     | <u>7,504,640</u>    | <u>7,504,640</u>    | <u>7,504,640</u>    | <u>-</u>                      |
| Fund balance - ending  | <u>\$ 7,530,440</u> | <u>\$ 7,354,040</u> | <u>\$ 9,018,440</u> | <u>\$ 1,664,400</u>           |

The accompanying notes to the required supplementay information are an integral part of this schedule.



**CITY OF CROWLEY, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Economic Development Corporation**  
**For the Year Ended September 30, 2019**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     | Positive<br>(Negative)        |
| <b>REVENUES</b>  |                     |                     |                     |                               |
| Sales tax  | \$ 815,000          | \$ 815,000          | \$ 952,787          | \$ 137,787                    |
| Other revenue  | 46,000              | 46,000              | 37,661              | (8,339)                       |
| Investment earnings  | 8,000               | 8,000               | 123,839             | 115,839                       |
| Total revenues   | <u>869,000</u>      | <u>869,000</u>      | <u>1,114,287</u>    | <u>245,287</u>                |
| <b>EXPENDITURES</b>  |                     |                     |                     |                               |
| Administrative   | 202,940             | 222,940             | 167,421             | 55,519                        |
| Economic development   | 117,000             | 199,200             | 146,706             | 52,494                        |
| Debt service   |                     |                     |                     |                               |
| Principal  | 291,375             | 291,375             | 260,000             | 31,375                        |
| Interest and fiscal charges                                  | 220,650             | 220,650             | 252,573             | (31,923)                      |
| Bond issuance costs  | -                   | -                   | -                   | -                             |
| Total expenditures   | <u>831,965</u>      | <u>934,165</u>      | <u>826,700</u>      | <u>107,465</u>                |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>37,035</u>       | <u>(65,165)</u>     | <u>287,587</u>      | <u>352,752</u>                |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |                               |
| Transfer in  | -                   | -                   | 12,227              | 12,227                        |
| Total other financing sources (uses)                         | <u>-</u>            | <u>-</u>            | <u>12,227</u>       | <u>12,227</u>                 |
| Net change in fund balances                                  | 37,035              | (65,165)            | 299,814             | 364,979                       |
| Fund balance - beginning                                     | <u>5,265,752</u>    | <u>5,265,752</u>    | <u>5,265,752</u>    | <u>-</u>                      |
| Fund balance - ending  | <u>\$ 5,302,787</u> | <u>\$ 5,200,587</u> | <u>\$ 5,565,566</u> | <u>\$ 364,979</u>             |

The accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF CROWLEY  
Schedule of Changes in Net Pension Liability and Related Ratios  
Last 10 Years (will ultimately be displayed)

**Total Pension Liability**

|   | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Service cost  | \$ 689,124           | \$ 737,801           | \$ 761,876           | \$ 809,245           | \$ 885,458           |
| Interest (on the Total Pension Liability)                     | 961,835              | 1,028,535            | 1,094,661            | 1,165,642            | 1,262,609            |
| Changes in net benefit terms                                  | -                    | -                    | -                    | -                    | -                    |
| Difference between expected and actual experience             | (314,507)            | 199,815              | (171,608)            | 143,078              | 234,189              |
| Change of assumptions   | -                    | 22,670               | -                    | -                    | -                    |
| Benefit payments, including refunds of employee contributions | (332,931)            | (482,919)            | (471,107)            | (842,986)            | (596,064)            |
| Net change in total pension liability                         | 1,003,521            | 1,505,902            | 1,213,822            | 1,274,979            | 1,786,192            |
| Total pension liability - beginning                           | 13,562,397           | 14,565,918           | 16,071,820           | 17,285,642           | 18,560,621           |
|   | <u>\$ 14,565,918</u> | <u>\$ 16,071,820</u> | <u>\$ 17,285,642</u> | <u>\$ 18,560,621</u> | <u>\$ 20,346,813</u> |

**Plan Fiduciary Net Position**

|   |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contributions - employer                                      | \$ 509,970           | \$ 560,076           | \$ 547,783           | \$ 612,770           | \$ 658,211           |
| Contributions - employee                                      | 301,460              | 316,426              | 320,340              | 341,694              | 371,521              |
| Net investment income   | 679,713              | 19,225               | 906,744              | 2,039,047            | (504,971)            |
| Benefit payments, including refunds of employee contributions | (332,931)            | (482,919)            | (471,107)            | (842,986)            | (596,064)            |
| Administrative expense  | (7,095)              | (11,712)             | (10,251)             | (10,575)             | (9,762)              |
| Other   | (583)                | (578)                | (552)                | (537)                | (510)                |
| Net change in plan fiduciary net position                     | 1,150,534            | 400,518              | 1,292,957            | 2,139,413            | (81,575)             |
| Plan fiduciary net position - beginning                       | 11,879,419           | 13,029,953           | 13,430,471           | 14,723,428           | 16,862,841           |
| Plan fiduciary net position - ending                          | <u>\$ 13,029,953</u> | <u>\$ 13,430,471</u> | <u>\$ 14,723,428</u> | <u>\$ 16,862,841</u> | <u>\$ 16,781,266</u> |

**Net Pension Liability**

|  |                     |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | <u>\$ 1,535,965</u> | <u>\$ 2,641,349</u> | <u>\$ 2,562,214</u> | <u>\$ 1,697,780</u> | <u>\$ 3,565,547</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 89.46%              | 83.57%              | 85.18%              | 90.85%              | 82.48%              |
| Covered-employee payroll   | \$ 5,024,334        | \$ 5,273,772        | \$ 5,339,006        | \$ 5,694,899        | \$ 6,192,015        |
| Net pension liability as a percentage of covered employee payroll          | 30.57%              | 50.08%              | 47.99%              | 29.81%              | 57.58%              |

CITY OF CROWLEY  
Schedule of Contributions - Pension  
Last 10 Years (will ultimately be displayed)

|   | 2014             | 2015            | 2016           | 2017           | 2018           | 2019           |
|---|------------------|-----------------|----------------|----------------|----------------|----------------|
| Actuarially Determined Contributions                                  | \$ 518,829       | \$ 554,893      | \$ 543,837     | \$ 595,975     | \$ 647,135     | \$ 692,597     |
| Contributions in relation to the actuarially determined contributions | <u>505,650</u>   | <u>551,534</u>  | <u>543,837</u> | <u>595,975</u> | <u>647,135</u> | <u>692,597</u> |
| Contribution deficiency (excess)                                      | <u>\$ 13,179</u> | <u>\$ 3,359</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered employee payroll  | \$ 4,987,378     | \$ 5,257,985    | \$ 5,248,757   | \$ 5,611,602   | \$ 6,067,638   | \$ 6,453,864   |
| Contributions as a percentage of covered employee payroll             | 10.14%           | 10.49%          | 10.36%         | 10.62%         | 10.67%         | 10.73%         |

CITY OF CROWLEY  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Last 10 Years (will ultimately be displayed)

**Total OPEB Liability**

|  | 2017                     | 2018                     |
|--|--------------------------|--------------------------|
| Service cost   | \$ 11,390                | \$ 14,242                |
| Interest (on the Total OPEB Liability)                           | 7,276                    | 7,656                    |
| Changes in net benefit terms                                     | -                        | -                        |
| Difference between expected and actual experience                | -                        | (9,834)                  |
| Change of assumptions or other inputs                            | 19,900                   | (17,734)                 |
| Benefit payments   | (1,139)                  | (1,238)                  |
| Net change in total OPEB liability                               | <u>37,427</u>            | <u>(6,908)</u>           |
| Total OPEB liability - beginning                                 | <u>187,368</u>           | <u>224,795</u>           |
| <b>Total OPEB Liability</b>                                      | <b><u>\$ 224,795</u></b> | <b><u>\$ 217,887</u></b> |
| <br>   |                          |                          |
| Covered-employee payroll   | \$ 5,694,899             | \$ 6,192,015             |
| <br>   |                          |                          |
| Total OPEB liability as a percentage of covered employee payroll | 3.95%                    | 3.52%                    |

CITY OF CROWLEY  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2019

Budget

The City Council adopts an annual budget on a basis consistent with generally accepted accounting principles for the general fund, debt service fund and major special revenue funds. The water and sewer fund budget is adopted on the modified accrual basis of accounting which is not GAAP basis for enterprise funds. City management may transfer part or all of any unencumbered appropriation balance within specific programs; however, any revisions that alter the total expenditures of a program must be approved by the City Council. The legal level of control is at the fund level.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for capital expenditures shall continue in force until the purpose for which it was made is accomplished or abandoned.

Excess of Expenditures over Appropriations

In the general fund, library, animal control code enforcement, community development, sanitation and capital outlay exceeded appropriations by \$10,672, \$9,864, \$8,603, \$9,794, \$36,222 and \$64,160, respectively. Capital expenditure for 320 E. Main Street project is not normally budgeted because oil and gas revenues are used to fund this project. Overall, total actual expenditures were under budget by \$797,817.

In the economic development corporation, overall, total actual expenditures were under budget by \$107,465.

CITY OF CROWLEY  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2019

**Schedule of Contributions - Pensions**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determined Contribution Rates:**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Entry Age Normal   |
| Amortization Method           | Level Percentage of Payroll, Closed Period   |
| Remaining Amortization Period | 27 years   |
| Asset Valuation Method        | Market Value of Assets with a Ten-Year Phase-In; 15% soft corridor   |
| Inflation                     | 2.50% per year   |
| Salary increases              | 3.50% to 10.50% including inflation  |
| Investment Rate of Return     | 6.75% per year   |
| Retirement Age                | Experience-based table of rates that are specific to the City's plan of benefits. A further multiplier is applied depending on an employee's classification: Fire; Police or Other           |
| Mortality Rates               | 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 |

**Other Information:**

Notes There were no benefit changes during the year.

**Schedule of Contributions – OPEB (Retiree-only portion of rate)**

| Plan/<br>Calendar Year | Total SDB<br>Contribution Rate | Retiree Portion of SDB<br>Contribution (Rate) |
|------------------------|--------------------------------|---|
| 2017                   | 0.14%                          | 0.02%   |
| 2018                   | 0.15%                          | 0.02%   |
| 2019                   | 0.13%                          | 0.02%   |

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

**COMBINING FINANCIAL STATEMENTS**  
**NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF CROWLEY, TEXAS**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**September 30, 2019**

|  | <u>Nonmajor Special Revenue Funds</u>          |                  |                           |
|--|--|------------------|---------------------------|
|  | <u>Court<br/>Technology &amp;<br/>Security</u> | <u>Grant</u>     | <u>LEOSE<br/>Training</u> |
| <b>Assets</b>  |  |                  |                           |
| Cash and cash equivalents  | \$ 2,460                                       | \$ 42,392        | \$ 17,315                 |
| Investments  | 56,777   | -                | -                         |
| Receivables (Net of allowances for uncollectibles)                 |  |                  |                           |
| Other taxes  | -  | -                | -                         |
| Miscellaneous  | -  | 13               | -                         |
| Total assets   | <u>\$ 59,237</u>                               | <u>\$ 42,405</u> | <u>\$ 17,315</u>          |
| <b>Liabilities</b>   |  |                  |                           |
| Accounts payable   | \$ 210   | \$ 2,904         | \$ 538                    |
| Unearned revenue   | -  | 2,035            | -                         |
| Total liabilities  | <u>210</u>                                     | <u>4,939</u>     | <u>538</u>                |
| <b>Fund balance</b>  |  |                  |                           |
| Restricted   | <u>59,027</u>                                  | <u>37,466</u>    | <u>16,777</u>             |
| Total fund balances  | <u>59,027</u>                                  | <u>37,466</u>    | <u>16,777</u>             |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 59,237</u>                               | <u>\$ 42,405</u> | <u>\$ 17,315</u>          |



Exhibit F-1

| Crime Control<br>& Prevention<br>District | TIRZ<br>#1        | Public, Educational,<br>and Government<br>Access (PEG) | Total<br>Nonmajor<br>Funds |
|---|-------------------|--|----------------------------|
| \$ -                                      | \$ 354,515        | \$ 33,463  | \$ 450,145                 |
| 801,106                                   | -                 | 187,778  | 1,045,661                  |
| 153,298                                   | -                 | 3,270  | 156,568                    |
| -   | 31                | -  | 44                         |
| <u>\$ 954,404</u>                         | <u>354,546</u>    | <u>\$ 224,511</u>                                      | <u>\$ 1,652,418</u>        |
| \$ 18,661                                 | \$ -              | \$ 2,929   | \$ 25,242                  |
| -   | -                 | -  | 2,035                      |
| <u>18,661</u>                             | <u>-</u>          | <u>2,929</u>   | <u>27,277</u>              |
| 935,743                                   | 354,546           | 221,582  | 1,625,141                  |
| <u>935,743</u>                            | <u>354,546</u>    | <u>221,582</u>   | <u>1,625,141</u>           |
| <u>\$ 954,404</u>                         | <u>\$ 354,546</u> | <u>\$ 224,511</u>                                      | <u>\$ 1,652,418</u>        |

**CITY OF CROWLEY, TEXAS**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended September 30, 2019**

|  | Nonmajor Special Revenue Funds    |                  |                   |
|--|-----------------------------------|------------------|-------------------|
|  | Court<br>Technology &<br>Security | Grant            | LEOSE<br>Training |
| <b>Revenues</b>  |                                   |                  |                   |
| Sales tax  | \$ -                              | \$ -             | \$ -              |
| Property taxes   | -                                 | -                | -                 |
| Fees and fines   | 13,943                            | -                | -                 |
| Franchise fees   | -                                 | -                | -                 |
| Grants and contributions   | -                                 | 51,785           | -                 |
| Investment earnings  | -                                 | -                | -                 |
| Other  | -                                 | -                | 3,649             |
| <b>Total revenue</b>   | <u>13,943</u>                     | <u>51,785</u>    | <u>3,649</u>      |
| <b>Expenditures</b>  |                                   |                  |                   |
| <b>Current</b>   |                                   |                  |                   |
| Administrative   | -                                 | -                | -                 |
| Municipal court  | 22,901                            | -                | -                 |
| Library  | -                                 | -                | -                 |
| Public safety  | -                                 | 6,708            | -                 |
| Economic development   | -                                 | -                | -                 |
| Fire and ambulance   | -                                 | 31,967           | 796               |
| Capital outlay   | -                                 | -                | -                 |
| Debt Service   |                                   |                  |                   |
| Principal  | -                                 | -                | -                 |
| Interest and fiscal charges  | -                                 | -                | -                 |
| <b>Total expenditures</b>  | <u>22,901</u>                     | <u>38,675</u>    | <u>796</u>        |
| <b>Excess (deficiency) of revenues over<br/>(under) expenditures</b> | <u>(8,958)</u>                    | <u>13,110</u>    | <u>2,853</u>      |
| <b>Other financing sources (uses)</b>                                |                                   |                  |                   |
| Transfers in   | -                                 | -                | -                 |
| Transfers out  | (8,445)                           | -                | -                 |
| <b>Total other financing sources (uses)</b>                          | <u>(8,445)</u>                    | <u>-</u>         | <u>-</u>          |
| <b>Net change in fund balances</b>                                   | (17,403)                          | 13,110           | 2,853             |
| <b>Fund balances - beginning</b>                                     | 76,430                            | 24,356           | 13,924            |
| <b>Fund balances - ending</b>  | <u>\$ 59,027</u>                  | <u>\$ 37,466</u> | <u>\$ 16,777</u>  |

Exhibit F-2

| Crime Control<br>& Prevention<br>District | TIRZ<br>#1        | Public, Educational,<br>and Government<br>Access (PEG) | Total<br>Nonmajor<br>Funds |
|---|-------------------|--|----------------------------|
| \$ 865,686                                | \$ -              | \$ -   | \$ 865,686                 |
| -   | 170,728           | -  | 170,728                    |
| -   | -                 | -  | 13,943                     |
| -   | -                 | 21,674   | 21,674                     |
| -   | -                 | -  | 51,785                     |
| 17,427                                    | 240               | -  | 17,667                     |
| 70  | -                 | -  | 3,719                      |
| <u>883,183</u>                            | <u>170,968</u>    | <u>21,674</u>  | <u>1,145,202</u>           |
| -   | -                 | 12,516   | 12,516                     |
| -   | -                 | -  | 22,901                     |
| -   | -                 | -  | -                          |
| 496,904                                   | -                 | -  | 503,612                    |
| -   | -                 | -  | -                          |
| -   | -                 | -  | 32,763                     |
| -   | -                 | -  | -                          |
| 235,000                                   | -                 | -  | 235,000                    |
| 33,124                                    | -                 | -  | 33,124                     |
| <u>765,028</u>                            | <u>-</u>          | <u>12,516</u>  | <u>839,916</u>             |
| <u>118,155</u>                            | <u>170,968</u>    | <u>9,158</u>   | <u>305,286</u>             |
| 76,131                                    | -                 | -  | 76,131                     |
| -   | -                 | -  | (8,445)                    |
| <u>76,131</u>                             | <u>-</u>          | <u>-</u>   | <u>67,686</u>              |
| 194,286                                   | 170,968           | 9,158  | 372,972                    |
| 741,457                                   | 183,578           | 212,424  | 1,252,169                  |
| <u>\$ 935,743</u>                         | <u>\$ 354,546</u> | <u>\$ 221,582</u>                                      | <u>\$ 1,625,141</u>        |

**OTHER SUPPLEMENTARY INFORMATION**

**(Unaudited)**

**CITY OF CROWLEY, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Debt Service Fund**  
**For the Year Ended September 30, 2019**

|  | Budgeted Amounts  |                   | Actual<br>Amounts<br>Budgetary<br>Basis | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|---|
|  | Original          | Final             |   |   |
| <b>REVENUES</b>                                      |                   |                   |   |   |
| Property taxes                                       | \$ 1,876,185      | 1,876,185         | 1,847,087                               | \$ (29,098)   |
| Total revenues                                       | <u>1,876,185</u>  | <u>1,876,185</u>  | <u>1,847,087</u>                        | <u>(29,098)</u>   |
| <b>EXPENDITURES</b>                                  |                   |                   |   |   |
| <b>Debt service</b>                                  |                   |                   |   |   |
| Principal  | 1,260,000         | 1,260,000         | 1,260,000                               | -   |
| Interest and fiscal charges                          | <u>676,190</u>    | <u>676,190</u>    | <u>639,594</u>                          | <u>36,596</u>   |
| Total debt service                                   | <u>1,936,190</u>  | <u>1,936,190</u>  | <u>1,899,594</u>                        | <u>36,596</u>   |
| Total expenditures                                   | <u>1,936,190</u>  | <u>1,936,190</u>  | <u>1,899,594</u>                        | <u>36,596</u>   |
| Excess (deficiency) of revenues<br>over expenditures | <u>(60,005)</u>   | <u>(60,005)</u>   | <u>(52,507)</u>                         | <u>7,498</u>  |
| <b>FUND BALANCE - BEGINNING</b>                      | <u>334,429</u>    | <u>334,429</u>    | <u>334,429</u>                          | <u>-</u>  |
| <b>FUND BALANCE - ENDING</b>                         | <u>\$ 274,424</u> | <u>\$ 274,424</u> | <u>\$ 281,922</u>                       | <u>\$ 7,498</u>   |

**CITY OF CROWLEY, TEXAS**  
**Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual**  
**Water and Sewer Fund**  
**For the Year Ended September 30, 2019**

|   | Budget               | Actual Amounts<br>Budgetary<br>Basis | Variance<br>Positive<br>(Negative) |
|---|----------------------|--------------------------------------|------------------------------------|
| <b>Operating revenues:</b>                                |                      |                                      |                                    |
| Water sales   | \$ 3,555,049         | \$ 3,726,140                         | \$ 171,091                         |
| Sewer charges   | 2,490,915            | 2,550,412                            | 59,497                             |
| Miscellaneous   | 408,788              | 1,043,371                            | 634,583                            |
| Total operating revenue                                   | <u>6,454,752</u>     | <u>7,319,923</u>                     | <u>865,171</u>                     |
| <b>Operating expenses:</b>                                |                      |                                      |                                    |
| Personnel   | 755,405              | 754,696                              | 709                                |
| Professional services                                     | 78,036               | 77,713                               | 323                                |
| Purchased water   | 1,878,929            | 1,732,240                            | 146,689                            |
| Wastewater treatment charge                               | 1,512,106            | 1,432,717                            | 79,389                             |
| Contractual services                                      | 218,734              | 227,217                              | (8,483)                            |
| Insurance   | 47,773               | 52,258                               | (4,485)                            |
| Administrative  | 31,571               | 569,366                              | (537,795)                          |
| Repairs and maintenance                                   | 188,672              | 213,297                              | (24,625)                           |
| Utilities   | 74,449               | 59,756                               | 14,693                             |
| Total operating expenses                                  | <u>4,785,675</u>     | <u>5,119,260</u>                     | <u>(333,585)</u>                   |
| Operating income (loss)                                   | <u>1,669,077</u>     | <u>2,200,663</u>                     | <u>531,586</u>                     |
| <b>Nonoperating revenues (expenses):</b>                  |                      |                                      |                                    |
| Investment earnings                                       | 28,000               | 68,067                               | 40,067                             |
| Debt service - principal                                  | (605,000)            | (605,000)                            | -                                  |
| Interest expense  | (221,723)            | (197,410)                            | 24,313                             |
| Total nonoperating revenues (expenses)                    | <u>(798,723)</u>     | <u>(734,343)</u>                     | <u>64,380</u>                      |
| Income (loss) before capital contributions and transfers  | 870,354              | 1,466,320                            | 595,966                            |
| Capital contributions                                     | -                    | 47,000                               | 47,000                             |
| Transfers out   | (580,466)            | (580,492)                            | (26)                               |
| Change in net position                                    | 289,888              | 932,828                              | 642,940                            |
| Net position - beginning                                  | 10,149,963           | 10,149,963                           | -                                  |
| Net position - ending                                     | <u>\$ 10,439,851</u> | <u>\$ 11,082,791</u>                 | <u>\$ 642,940</u>                  |
| <b>Reconciliation from Budgetary Basis to GAAP Basis:</b> |                      |                                      |                                    |
| Depreciation  |                      | (742,725)                            |                                    |
| Debt retirement   |                      | 605,000                              |                                    |
| Net Position - ending ( GAAP Basis)                       |                      | <u>\$ 10,945,066</u>                 |                                    |

**OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the City Council  
City of Crowley, Texas

We have audited, in accordance with auditing standards general 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crowley, Texas (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 12, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*George Morgan Jr., P.C.*

Weatherford, Texas

February 12, 2020

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Financial Advisory Services  
Provided By:

