NEW ISSUE BOOK-ENTRY-ONLY

Rating: S&P "AA" (Stable Outlook/BAM Insured)
S&P "AA-" (Underlying)
(See "OTHER PERTINENT INFORMATION – Ratings"
and "BOND INSURANCE" herein)

OFFICIAL STATEMENT
Dated: July 13, 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 CITY HAS DESIGNATED THE CERTIFICATES AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$5,730,000
CITY OF HALTOM CITY, TEXAS
(A POLITICAL SUBDIVISION OF THE STATE OF TEXAS LOCATED IN TARRANT COUNTY)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

Dated Date: July 15, 2020 **Due: February 1, as shown on inside cover**

The $5,730,000 City of Haltom City, 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") adopted by the City Council of the City of Haltom City, Texas (the "City" or the "Issuer") on July 13, 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 July 15, 2020 (the "Dated Date") and will be payable on February 1 and August 1 of each year, commencing February 1, 2021 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 (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a 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, NA Dallas, Texas, as initial 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 street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and landscaping incidental thereto; (2) designing, constructing, renovating, improving, and equipping the City's parks and recreational facilities, (3) the purchase of materials, supplies, equipment, machinery, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES – Purpose of Certificates" herein.)

BAM BUILD AMERICA MUTUAL

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

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

The Certificates are offered for delivery, when, as and if issued and received by BOK Financial Securities, Inc. the initial purchasers thereof at a competitive sale (the "Purchasers") 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. (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 delivery through DTC on or about August 11, 2020.

$5,730,000
CITY OF HALTOM CITY, TEXAS
(A political subdivision of the State of Texas located in Tarrant County)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

STATED MATURITY SCHEDULE
CUSIP No. Prefix [1] 406450

Stated Maturity February 1	Principal Amount	Initial Rate (%)	Initial Yield (%)	CUSIP Suffix[1]
2021	$ 400,000	4.000	0.250	C61
2022	215,000	4.000	0.270	C79
2023	225,000	4.000	0.300	C87
2024	230,000	2.000	0.350	C95
2025	235,000	2.000	0.450	D29
2026	240,000	4.000	0.600	D37
2027	250,000	4.000	0.750	D45
2028	260,000	4.000	0.850	D52
2029	270,000	4.000	0.950	D60
2030	280,000	2.000	1.050[2]	D78
2031	285,000	2.000	1.150[2]	D86
2032	290,000	2.000	1.250[2]	D94
2033	295,000	2.000	1.350[2]	E28
2034	305,000	2.000	1.400[2]	E36
2035	310,000	2.000	1.450[2]	E44
2036	315,000	2.000	1.500[2]	E51
2037	320,000	2.000	1.600[2]	E69
2038	330,000	2.000	1.700[2]	E77
2039	335,000	2.000	1.800[2]	E85
2040	340,000	2.000	1.900[2]	E93

(Interest to accrue from the 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. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E - Specimen Municipal Bond Insurance Policy".

[1] CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.
[2] Yield calculated based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2029, the first optional call date for the Certificates, at a redemption price of par plus accrued interest to the date of redemption.

CITY OF HALTOM CITY, TEXAS

5024 BROADWAY
HALTOM CITY, TEXAS 76117
PHONE: (817) 222-7700

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Dr. An Truong Mayor	7	2021	Retired
Marian Hillard Councilmember, Place 1	2	2022	Retired
Walter Grow Councilmember, Place 2	6	2021	IT Consultant
Lin Thompson Mayor Pro Tem, Councilmember, Place 3	2	2022	Retired
Brent Weast Councilmember, Place 4	2	2022	Freight Broker
Susan Soule Councilmember, Place 5	1	2022	Retired
Ricky Brown Councilmember, Place 6	2	2022	Construction Contractor
Gaye Vanzant Councilmember, Place 7	1	2021	Bookkeeper

ADMINISTRATION

Name	Position	Length of Service With the City (Years)
Rex Phelps	City Manager	4
Sidonna Foust	Assistant City Manager/Director of Finance	4
Art Camacho	City Secretary	12
Wayne K. Olson	City Attorney	27

CONSULTANTS AND ADVISORS

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

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

Auditor .... Pattillo, Brown and Hill L.L.P.
Waco, Texas

For Additional Information Please Contact:

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Assistant City Manager/Director of Finance
City of Haltom City
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Haltom City, Texas 76117
(817) 222-7733 Telephone
sfoust@haltomcitytx.com

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

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

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR 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 OR WITH RESPECT TO ANY INFORMATION CONCERNING BAM OR ITS MUNICIPAL BOND GUARANTY POLICY DESCRIBED HEREIN UNDER THE CAPTIONS "BOND INSURANCE" OR IN APPENDIX E.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E - Specimen Municipal Bond Insurance Policy."

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 THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Haltom City, Texas (the "City" or "Issuer"), a municipal corporation and political subdivision of the State of Texas, is located on U.S. Highway 377, four miles northeast of Fort Worth, Texas, in central Tarrant County, Texas. The City's 2020 estimated population is 44,339. The area of the City is 12.4 square miles. The City was incorporated in 1949 and adopted a Home Rule Charter on October 10, 1955 and operates under a Council/Manager form of government. The Home Rule Charter was most recently amended pursuant to a successful election held within the City on November 3, 2015. The City Council consists of eight members (a Mayor and seven council members) elected by the City's residents. (See "APPENDIX B - General Information Regarding the City of Haltom City, Texas and Tarrant County, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City, on July 13, 2020 and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is UMB Bank, NA, Dallas, Texas.
Security for the Certificates	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).
Redemption Provisions	The Certificates maturing on or after February 1, 2030 are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, 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 maturities of the Certificates to be grouped together as one or more term Certificates and such term Certificates would 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 the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and landscaping incidental thereto; (2) designing, constructing, renovating, improving, and equipping the City's parks and recreational facilities, (3) the purchase of materials, supplies, equipment, machinery, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES – Purpose of Certificates" herein.)

Ratings	The Certificates are rated "AA" (stable outlook) by S&P Global Ratings, a division of S&P Global ("S&P"), by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. S&P has assigned an underlying rating of "AA-" to the Certificates without regard to credit enhancement. An explanation of the significance of such rating from S&P. (See "OTHER PERTINENT INFORMATION – Ratings", "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" 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 refunding bonds for debt service savings..
Delivery	When issued, anticipated to occur on or about August 11, 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.

OFFICIAL STATEMENT

Relating to

$5,730,000
CITY OF HALTOM CITY, TEXAS
(A political subdivision of the State of Texas located in Tarrant County)
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 Haltom City, Texas (the "City" or the "Issuer") of its $5,730,000 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 filed by the Purchasers 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.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include executive orders which have, among other things, imposed limitations on social gatherings and closed school districts throughout the State through the remainder of the 2019-20 school year. In addition to the actions by the state and federal officials, certain local officials, including the City and Tarrant County, Texas, have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy. The Governor's Report to Open Texas, issued on April 27, 2020, and subsequent executive orders, have instituted a gradual reopening of businesses on a staggered basis with adherence to specified health protocols.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Obligations. The City, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the City. The Certificates are secured, in part, by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates and the City's operations and maintenance expenses. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of taxes, utility system revenue and other fees and charges may negatively impact the City's operating budget and overall financial condition.

The City collects a sales and use tax on all taxable transactions within the City's boundaries and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes, utility system revenue, and utility franchise and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

THE CERTIFICATES

General Description

The Certificates are dated July 15, 2020 (the "Dated Date"), will be issued in denominations of $5,000 principal or any integral multiple thereof within a stated maturity, and will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the Certificates will accrue from the Dated Date, with such interest payable on February 1 and August 1 of each year, commencing February 1, 2021, until the earlier of stated maturity or prior redemption. Principal 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 will be payable to the registered owner as shown on the security register maintained by UMB Bank, NA, Dallas, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein) 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 will 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 by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on July 13, 2020, and the City's Home Rule Charter.

Security for Payment

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

The Issuer reserves the right 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 (if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar) on February 1, 2029 or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Selection of Certificates for Redemption

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

Notice of Redemption

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 ONE OR MORE CERTIFICATEHOLDERS FAILED TO RECEIVE SUCH NOTICE, 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.

Certificates of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Certificate to be partially redeemed must be surrendered in exchange for one or more new Certificates of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Certificates of a particular stated maturity, the Paying Agent/Registrar is required to select the Certificates of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Certificates of a denomination larger than $5,000.

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 or the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Use of 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 street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and landscaping incidental thereto; (2) designing, constructing, renovating, improving, and equipping the City's parks and recreational facilities, (3) the purchase of materials, supplies, equipment, machinery, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. .

Sources and Uses

Sources of Funds		**The Certificates**
Par Amount	$	5,730,000.00
Accrued Interest		10,963.33
Reoffering Premium		429,777.75
Total Sources of Funds	**$**	**6,170,741.08**
Uses of Funds		
Deposit to Project Fund	$	6,000,000.00
Costs of Issuance		89,997.09
Purchasers' Discount (Including Bond Insurance Premium)		69,780.66
Deposit to Certificate Fund		10,963.33
Total Uses of Funds	**$**	**6,170,741.08**

Payment Record

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

Legality

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas ("Bond Counsel"). The legal opinion of Bond Counsel will accompany the Certificates to be deposited with DTC or will be printed on the Certificates should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

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 place or places at or the coin or currency in which any Certificate or interest thereon is payable, change the redemption price or amount, 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, or (3) reduce the aggregate principal amount of Certificates required for consent to any amendment, addition, or waiver or rescission.

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, NA, Dallas, 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 institution, shall be an association or a 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 shall be authorized by law to serve as a Paying Agent/Registrar. 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 or described under the "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the person entitled to the receipt of the interest payable on a Certificate on any interest payment date means the fifteenth (15^{th}) 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 Certificate 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 City 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.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Certificates (the “Policy”). The Purchaser acquired the Policy and will pay the bond insurance premium from the Purchaser’s discount. The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $459.6 million, $126.1 million and $333.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/credit insights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM,

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

General

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Certificate owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the holders of the Certificates.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable primarily from the ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and the System revenues to the extent of the limited pledge. In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Certificates, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates. See the disclosure described in "OTHER PERTINENT INFORMATION - Ratings" herein. The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer the remedies available may be limited by applicable bankruptcy law. Neither the City, the Financial Advisor nor the Purchaser has made independent investigation into the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of any Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P Global Ratings, and Fitch Ratings (the "Rating Agencies") have, over the last several years, downgraded and/or placed on negative watch the claims-paying and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, events over the last several years in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest and principal on the certificates and the claims paying ability of any such bond insurer, particularly over the life of the Certificates.

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, New York, New York ("DTC") 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 Purchasers believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor, and the Purchasers cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or any 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 any 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. 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"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has an S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of Certificates ("Beneficial Owner") is in turn to be recorded on the 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 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive

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 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 the notices be provided directly to them.

Neither DTC or 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 Issuer 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 notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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 Issuer or the Paying Agent/Registrar, on the 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 Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer 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 the Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Purchasers believe to be reliable, but the Issuer, the Financial Advisors and the Purchasers take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the 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, 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 [(1)]   TABLE 1

As of April 30, 2020, the City had the following investments:

Type of Security	Market Value	Percentage of Total
Cash	$10,119,894	13.55
Local Government Investment Pools	31,326,752	41.94
Certificates of Deposits	7,775,957	10.41
Municipal Securities	8,456,360	11.32
Federal Agency Coupon Securities	17,023,828	22.79
	$74,702,791	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.

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[(1)] *Unaudited.*

AD VALOREM TAX PROCEDURES

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

The City has implemented this "tax freeze" pursuant to an Ordinance adopted by the City Council on July 12, 2004.

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 took official action before April 1, 1990 to tax freeport property.

On October 24, 2011, the City adopted an ordinance that continued the taxation of all goods-in-transit for the tax year 2012 and beyond.

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The Issuer will confirm, on a case-by-case basis, consider and provide tax abatements in accordance with its tax abatement policy guidelines.

Industrial Districts in Extraterritorial Jurisdiction

Pursuant to Section 42.044, as amended, Texas Local Government Code, the City is authorized to designate any area within its extraterritorial jurisdiction as an "Industrial District" and contract with the Industrial District to guarantee the continuation of the District's extraterritorial status for a period not to exceed 15 years. In lieu of annexation, and the tax burden such annexation would impose, the landowners within an Industrial District typically agree to pay a lesser portion of those property taxes which they would have paid if the property within the District had been within the City limit.

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 or discounts.

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 City has approved a one-fourth percent (1/4%) sales and use tax for property tax reduction. See "APPENDIX A – Municipal Sales Tax".

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 financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly 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 current refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City has designated the Certificates as "qualified tax-exempt obligations" and 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

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under these agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal market Access ("EMMA") system through an internet website accessible at www.emma.msrb.org as described below under "Availability of Information".

Annual Reports

Under State law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City 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 maintain each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request to City Secretary, 5024 Broadway, Haltom City, Texas, 76117 and upon payment of charges prescribed by the Texas General Services Commission.

The City will file 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 City of the general type included in Table 1 of the Official Statement and in Tables 1 through 17 of APPENDIX A to this Official Statement, and in APPENDIX D. The City will update and provide this information within six months after the end of each fiscal year ending in and 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 City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March 31 in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB through EMMA.

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; appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (14) 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 adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for 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 continuing disclosure obligations under 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 Purchasers 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 – Ratings" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

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

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for 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 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 Purchasers 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 Purchasers' 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.

Ratings

S&P Global Ratings, a division of S&P Global Inc. ("S&P"), has assigned a rating of "AA" (stable) to the Certificates by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. S&P has also assigned an underlying rating of "AA-" to the Certificates, without regard to credit enhancement. An explanation of the significance of such ratings may need to be obtained from S&P. The rating of the Certificates by S&P reflect only the views of S&P at the time the ratings were given, and the City makes no representations as to the appropriateness of the ratings. There is no Assurant that the ratings will continue for any given period of time, or that the ratings 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 withdrawals of the ratings may have an adverse effect on the market price of the Certificates.

Authenticity of Financial Information

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

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

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 assisted in drafting 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 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 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.

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of BOK Financial Securities, Inc. (the "Purchasers") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of $429,777.25, 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 Purchasers. 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 Purchasers.

Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the Purchasers will be furnished a certificate, executed by proper officers of the City, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Certificates and the receipt of the bids therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in 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 audited financial statements of the City.

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.

Authorization of the Official Statement

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

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

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF HALTOM CITY, TEXAS

/s/ Dr. An Truong
Mayor
City of Haltom City, Texas

ATTEST:

/s/ Art Camacho
City Secretary
City of Haltom City, Texas

APPENDIX A

FINANCIAL INFORMATION
CITY OF HALTOM CITY, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2019 Actual Certified Market Value of Taxable Property (100% of Market Value)………		$	2,988,308,634
Less Exemptions:			
	Optional Over-65 or Disabled Homestead	$	161,813,206
	Optional Percentage Homestead		90,286,464
	Disabled/Deceased Veterans'		6,925,468
	Other Exemptions		214,652,027
	TOTAL EXEMPTIONS	$	473,677,165
2019 Certified Assessed Value of Taxable Property		$	2,514,631,469
2020 Preliminary Assessed Value of Taxable Property		$	2,752,474,416

Source: Tarrant County Appraisal District.

GENERAL OBLIGATION BONDED DEBT (1)

(As of March 31, 2020)

General Obligation Debt Principal Outstanding

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006	$	1,815,000
General Obligation Bonds, Series 2006		625,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007		2,240,000
General Obligation Refunding Bonds, Series 2010		650,000
General Obligation Bonds, Series 2011		6,375,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011		750,000
General Obligation Refunding Bonds, Series 2012		1,705,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012		2,070,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013		1,300,000
General Obligation Bonds, Series 2013		2,290,000
General Obligation Refunding Bonds, Series 2013		2,370,000
General Obligation Refunding Bonds, Series 2014		2,155,000
General Obligation Bonds, Series 2014		945,000
General Obligation and Refunding Bonds, Series 2017		6,010,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018		5,935,000
General Obligation Bonds, Series 2018		755,000
General Obligation Bonds, Series 2019		5,910,000
General Obligation Refunding Bonds, Series 2020		2,230,000
		46,130,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates")		5,730,000
Total Gross General Obligation Debt	$	51,860,000
Less: Self Supporting Debt		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006 (54%W&S, 24%DD, 22%EDC)	$	1,815,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 (17% W&S)		380,000
General Obligation Refunding Bonds, Series 2010 (28% Utility, 13% EDC)		270,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 (80% Oil & Gas)		600,000
General Obligation Refunding Bonds, Series 2012 (25% Utility, 75% EDC)		1,705,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 (93% Utility, 7% Oil & Gas)		2,070,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 (100% Oil & Gas)		1,300,000
General Obligation Refunding Bonds, Series 2014 (42% Drainage and 36% W&S)		1,685,000
General Obligation and Refunding Bonds, Series 2017 (12% W&S)		705,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (100% W&S)		5,935,000
General Obligation Refunding Bonds, Series 2020		2,230,000
Total Self-Supporting Debt	$	18,695,000
Total Net General Obligation Debt Outstanding	$	33,165,000
2019 Net Assessed Valuation	$	2,514,631,469
Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		2.06%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		1.32%

Population: 2000 -39,018; 2010 - 39,600; est. 2018 - 44,339

Per Capita Certified Net Taxable Assessed Valuation - $56,713.76

Per Capita Gross General Obligation Debt Principal - $1,169.62*

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE **TABLE 2**

(As of September 30, 2019)

In the current year, the City entered into lease agreements as lessee for financing the acquisition of various vehicles valued at $600,329. The vehicles have lease terms from 4 to 5 years each with an interest rate of 2.33%. The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2019 are as follows:

Equipment	$ 1,414,162
	(225,151)
	$ 1,189,011

Future minimum lease payments for capital leases obligations are as follows:

Fiscal Year Ending	
2020	$ 400,423
2021	400,423
2022	356,336
2023	223,148
2024	112,714
Amount representing Interest	(362,018)
Present value of future minimum capital lease payments	$ 1,131,026

Source: Information provided by the Issuer. As of fiscal year ended September 30, 2019.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending (9/30)	Current Total Outstanding Debt [1]	The Certificates Principal	Interest	Total	Total Combined Debt Service	Less: Self Supporting Debt Service	Total Net Debt Service
2020	$ 8,359,960				$ 8,359,960	$ 3,015,561	$ 5,344,399
2021	8,369,157	$ 400,000	$ 150,547	$ 550,547	8,919,704	2,857,857	6,061,847
2022	6,132,296	215,000	131,500	346,500	6,478,796	2,566,766	3,912,030
2023	5,733,453	225,000	122,700	347,700	6,081,153	2,392,389	3,688,764
2024	5,459,879	230,000	115,900	345,900	5,805,779	2,364,404	3,441,375
2025	5,233,912	235,000	111,250	346,250	5,580,162	2,169,699	3,410,463
2026	4,446,861	240,000	104,100	344,100	4,790,961	1,979,087	2,811,874
2027	3,804,323	250,000	94,300	344,300	4,148,623	1,532,304	2,616,319
2028	3,422,483	260,000	84,100	344,100	3,766,583	1,467,134	2,299,449
2029	2,622,345	270,000	73,500	343,500	2,965,845	1,152,481	1,813,364
2030	2,454,282	280,000	65,300	345,300	2,799,582	1,148,071	1,651,511
2031	2,207,249	285,000	59,650	344,650	2,551,899	900,169	1,651,730
2032	2,204,338	290,000	53,900	343,900	2,548,238	893,845	1,654,393
2033	704,133	295,000	48,050	343,050	1,047,183	101,750	945,433
2034	377,584	305,000	42,050	347,050	724,634	-	724,634
2035	-	310,000	35,900	345,900	345,900	-	345,900
2036	-	315,000	29,650	344,650	344,650	-	344,650
2037	-	320,000	23,300	343,300	343,300	-	343,300
2038	-	330,000	16,800	346,800	346,800	-	346,800
2039	-	335,000	10,150	345,150	345,150	-	345,150
2040	-	340,000	3,400	343,400	343,400	-	343,400
Total	$ 61,532,255	$ 5,730,000	$ 1,376,047	$ 7,106,047	$ 68,638,302	$ 24,541,517	$ 44,096,785

[1] *Includes self-supporting debt.*

TAX ADEQUACY (Includes Self-Supporting Debt)

2019 Certified Net Taxable Assessed Valuation	$ 2,514,631,469
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	8,919,704
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.36195

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 Net Taxable Assessed Valuation	$ 2,514,631,469
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	6,061,847
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.24598

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

INTEREST AND SINKING FUND MANAGEMENT INDEX

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2019	$	522,051
2019 Anticipated Interest and Sinking Fund Tax Levy at 98% Collections Produce [1]		6,210,947
Total Available for General Obligation Debt	$	6,732,998
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/20		5,344,399
Estimated Surplus at Fiscal Year Ending 9/30/2020 [1]	$	1,388,599

[1] *Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.*

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(As of March 31, 2020)

	Principal Repayment Schedule			Principal	Percent of
Fiscal Year Ending 9-30	Currently Outstanding[a]	The Certificates	Total	Unpaid at End of Year	Principal Retired (%)
2020	$ 620,000		$ 620,000	$ 51,240,000	1.20%
2021	6,950,000	$ 400,000	7,350,000	43,890,000	15.37%
2022	4,920,000	215,000	5,135,000	38,755,000	25.27%
2023	4,670,000	225,000	4,895,000	33,860,000	34.71%
2024	4,540,000	230,000	4,770,000	29,090,000	43.91%
2025	4,460,000	235,000	4,695,000	24,395,000	52.96%
2026	3,820,000	240,000	4,060,000	20,335,000	60.79%
2027	3,310,000	250,000	3,560,000	16,775,000	67.65%
2028	3,035,000	260,000	3,295,000	13,480,000	74.01%
2029	2,330,000	270,000	2,600,000	10,880,000	79.02%
2030	2,235,000	280,000	2,515,000	8,365,000	83.87%
2031	2,060,000	285,000	2,345,000	6,020,000	88.39%
2032	2,130,000	290,000	2,420,000	3,600,000	93.06%
2033	680,000	295,000	975,000	2,625,000	94.94%
2034	370,000	305,000	675,000	1,950,000	96.24%
2035	-	310,000	310,000	1,640,000	96.84%
2036	-	315,000	315,000	1,325,000	97.45%
2037	-	320,000	320,000	1,005,000	98.06%
2038	-	330,000	330,000	675,000	98.70%
2039	-	335,000	335,000	340,000	99.34%
2040	-	340,000	340,000	-	100.00%
Total	$ 46,130,000	$ 5,730,000	$ 51,860,000		

[a] *Includes self-supporting debt.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2009-2019 — TABLE 3

Year	Net Taxable Assessed Valuation	Change From Preceding Year Amount ($)	Percent
2009-10	$ 1,626,392,671	8,926,878	0.55%
2010-11	1,488,304,888	(138,087,783)	-8.49%
2011-12	1,545,489,768	57,184,880	3.84%
2012-13	1,554,478,270	8,988,502	0.58%
2013-14	1,583,377,293	28,899,023	1.86%
2014-15	1,673,819,654	90,442,361	5.71%
2015-16	1,651,241,858	(22,577,796)	-1.35%
2016-17	1,674,769,242	23,527,384	1.42%
2017-18	1,965,607,988	290,838,746	17.37%
2018-19	2,145,241,779	179,633,791	9.14%
2019-20	2,514,631,469	369,389,690	17.22%

Source: Tarrant County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 4**

	2019	% of Total	2018	% of Total	2017	% of Total
Real, Residential, Single-Family	$ 1,382,714,837	55.97%	$ 1,315,059,529	53.23%	$ 1,206,851,825	48.85%
Real, Residential, Multi-Family	419,402,325	16.98%	365,868,261	14.81%	322,466,969	13.05%
Real, Vacant Lots/Tracts	70,304,143	2.85%	38,927,338	1.58%	34,474,011	1.40%
Real, Acreage (Land Only)	132,825	0.01%	4,069,505	0.16%	3,937,564	0.16%
Real, Commercial and Industrial	614,236,065	24.86%	512,670,744	20.75%	497,100,558	20.12%
Oil and Gas	14,363,160	0.58%	1,906,720	0.08%	782,133	0.03%
Real & Tangible, Personal Utilities	51,989,191	2.10%	45,460,760	1.84%	44,104,633	1.79%
Tangible Personal, Commercial & Industrial	410,132,547	16.60%	187,403,981	7.59%	342,500,223	13.86%
Tangible Personal, Mobile Homes	4,416,934	0.18%	4,577,027	0.19%	4,746,372	0.19%
Real Property, Inventory	20,616,607	0.83%	15,468,006	0.63%	13,541,969	0.55%
Total Appraised Value	$ 2,988,308,634	100.00%	$ 2,491,411,871	100.00%	$ 2,470,506,257	100.00%
Less:						
Optional Over-65 or Disabled Homestead	$ 161,813,206		$ 117,870,153		$ 114,547,876	
Optional Percentage Homestead	90,286,464		79,838,371		70,455,569	
Disabled/Deceased Veterans'	6,925,468		6,003,631		4,966,237	
Freeport Exemption	-		27,238,609		41,939,383	
Abatement Loss	-		-		6,930,934	
Other Exemptions	214,652,027		115,219,328		266,058,270	
	$ 473,677,165		$ 346,170,092		$ 504,898,269	
Net Taxable Assessed Valuation	$ 2,514,631,469		$ 2,145,241,779		$ 1,965,607,988	

PRINCIPAL TAXPAYERS **TABLE 5**

Name	**Type of Business/Property**	**2019 Net Taxable Assessed Valuation**	**% of 2019 Assessed Valuation**
CAF TNREF III JL LLC	Apartments	$ 71,825,000	2.86%
WMMFI II Beach Street LP	Food Manufacturer	68,937,583	2.74%
Hillshire Brands Company	Apartments	47,200,000	1.88%
HZ Amesbury Court LLC	Apartments	36,600,000	1.46%
GCAD Fairway LLC	Apartments	30,400,000	1.21%
Fossil Ridge Apartments LLC	Apartments	26,160,000	1.04%
Spring Lake City LP	Apartments	24,560,000	0.98%
Fossil Hill Apartments LP	Apartments	19,725,000	0.78%
AV Haltom Lakeview	Apartments	19,000,000	0.76%
Oncor Electric Delivery Co LLC	Apartments	18,200,000	0.72%
		$ 138,045,000	14.42%

Source: Tarrant County Appraisal District

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. Current events, including the Pandemic (see "INFECTIOUS DISEASE OUTBREAK-Covid 19" herein) have caused volatility in industries across the State, which may impact business 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 TAX PROCEDURES – Issuer's Rights in the Event of Tax Delinquencies" in this Official Statement.

TAX RATE DISTRIBUTION **TABLE 6**

	2019	2018	2017	2016	2015
General Fund	$ 0.413727	$ 0.423000	$ 0.455180	$ 0.462320	$ 0.462316
I&S Fund	0.252033	0.230000	0.213000	0.237670	0.237674
Total Tax Rate	$ 0.665760	$ 0.653000	$ 0.668180	$ 0.699990	$ 0.699990

Source: Tarrant County Appraisal District

TAX DATA **TABLE 7**

Taxes are due October 1 and become delinquent after January 31. Current collections are those taxes collected through August 31, applicable to the current year's tax levy. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	Total	Year Ended
2009	$ 1,626,392,671	$ 0.646371	$ 10,512,531	97.16	98.61	9/30/2010
2010	1,488,304,888	0.646371	9,619,971	97.75	99.61	9/30/2011
2011	1,545,489,768	0.651740	10,072,575	97.35	98.76	9/30/2012
2012	1,554,478,270	0.651740	10,131,157	98.47	103.60	9/30/2013
2013	1,583,377,293	0.699900	11,082,058	97.40	98.85	9/30/2014
2014	1,673,819,654	0.700000	11,716,738	98.99	101.01	9/30/2015
2015	1,651,241,858	0.699990	11,558,528	99.87	101.71	9/30/2016
2016	1,674,769,242	0.699990	11,723,217	99.77	100.23	9/30/2017
2017	1,965,607,988	0.668180	13,133,799	98.62	100.42	9/30/2018
2018	2,145,241,779	0.653000	14,008,429	98.63	98.63	9/30/2019
2019	2,514,631,469	0.665760	16,709,584	95.55	97.96	9/30/2020

Source: Tarrant County Appraisal District

MUNICIPAL SALES TAX COLLECTIONS **TABLE 8**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The City's total sales tax rate is 2%. 1% of the tax is for the General Fund, ½ percent for economic development, ¼% for street maintenance, and ¼% for the crime control district. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy (1)	Equivalent of Ad Valorem Tax Rate	Haltom City Crime Control District
2009	$ 7,981,832	37.96%	$ 0.204	1,070,407
2010	7,981,025	41.48%	0.186	1,058,581
2011	8,622,657	42.80%	0.179	1,166,669
2012	9,354,719	46.17%	0.166	1,277,760
2013	9,651,233	43.54%	0.164	1,328,837
2014	9,941,167	42.42%	0.168	1,358,735
2015	10,732,980	46.43%	0.154	1,477,194
2016	11,759,408	50.15%	0.142	1,638,818
2017	12,219,477	46.52%	0.161	1,693,594
2018	13,289,578	47.43%	0.161	1,840,869
2019	13,503,831	40.41%	0.186	1,866,178
2020	5,315,117	(as of May 2020)		724,591

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

OVERLAPPING DEBT INFORMATION

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

Taxing Body	Gross Debt As of 4/30/20	% Overlapping	Amount Overlapping
Birdville ISD	$ 440,974,599	21.88%	$ 96,485,242
Forth Worth ISD	961,315,000	0.24%	2,307,156
Keller ISD	929,041,727	0.60%	5,574,250
Tarrant County	266,375,000	1.33%	3,542,788
Tarrant County Hospital Dist.	16,135,000	1.33%	214,596
Total Gross Overlapping Debt			$ 108,124,032
Haltom City, City of			$ 51,860,000
Total Gross Direct and Overlapping Debt			$ 159,984,032
Ratio of Gross Direct Debt and Overlapping Debt			74.53%
Per Capita Gross Direct Debt and Overlapping Debt			$3,608.20

Note: The above figures show Gross General Obligation Debt for the City of Haltom City, Texas. The Issuer's Net General Obligation Debt is $33,165,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	$ 141,289,032
Ratio of Net Direct and Overlapping Debt to 2019 Net Assessed Valuation	5.62%
Per Capita Net Direct and Overlapping Debt	$3,186.56

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

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

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

	Fiscal Year Ended				
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Fund Balance - Beginning of Year	$ 13,402,033	$ 10,244,499	$ 9,573,035	$ 11,562,281	$ 11,529,812
Revenues	28,542,161	28,490,702	26,800,791	23,569,567	23,395,253
Expenditures	28,867,635	26,814,176	25,199,170	25,295,763	23,377,259
Excess (Deficit) of Revenues Over Expenditures	$ (325,474)	$ 1,676,526	$ 1,601,621	$ (1,726,196)	$ 17,994
Other Financing Sources (Uses):					
Operating Transfers In	$ 1,568,200	$ 1,568,200	$ 668,200	$ 727,600	$ 723,681
Sale of Capital Assets	108,378	62,913	18,356	-	27,554
Operating Transfers Out	(1,330,488)	(1,229,663)	(1,616,713)	(990,650)	(782,199)
Total Other Financing Sources (Uses):	$ 346,090	$ 401,450	$ (930,157)	$ (263,050)	$ (30,964)
Prior Period Adjustment	$ -	$ 1,079,558	$ -	$ -	45,439.00
Fund Balance - End of Year	$ 13,422,649	$ 13,402,033	$ 10,244,499	$ 9,573,035 [(1)]	$ 11,562,281

[(1)] The drawdown from FYE15 to FYE16 was deliberate and budgeted by Council to spend down excess reserves in the City's Oil and Gas fund. The City will maintain at least 20% of operating expenses in fund balance per its General Fund Balance Policy.
Source: The Issuer's Comprehensive Annual Financial Reports and information provided by the Issuer.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2019 Net Assessed Valuation	% of Actual	2019 Tax Rate
Birdville ISD	$ 11,769,003,318	100%	$ 1.384000
Forth Worth ISD	43,395,479,406	100%	1.282000
Keller ISD	20,477,206,838	100%	1.408000
Tarrant County	211,499,174,386	100%	0.234000
Tarrant County College Dist.	213,412,565,613	100%	0.130000
Tarrant County Hospital Dist.	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	Amount Issued to Date	Amount Unissued
Birdville ISD	11/6/2018	School Building	252,802,490	224,753,355	$ 28,049,135
Fort Worth ISD	11/1/2017	School Building	$ 749,735,000	$ 335,375,000	$ 414,360,000
Keller ISD	None				
Tarrant County	8/8/1998	Justice Center	$ 70,600,000	$ 63,100,000	$ 7,500,000
		Healthcare Facility	9,100,000	1,000,000	8,100,000
		Jail	14,600,000	14,600,000	-
	5/13/2006	Road & Bridge	200,000,000	200,000,000	-
		Jail	108,000,000	108,000,000	-
		County Buildings	62,300,000	47,300,000	15,000,000
		Juvenile Detention	36,320,000	36,320,000	-
		County Offices	26,500,000	26,500,000	-
			$ 527,420,000	$ 496,820,000	$ 30,600,000
Tarrant County College Dist.	None				
Tarrant County Hospital Dist.	None				
City of Haltom City	None				

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

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.

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

Benefits Provided

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

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

Employee deposit rate	7.00%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Retirement Eligibility	20 years to any age,
	5 years at age 60 and above
Updated service Credit	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	205
Inactive employees entitled to but not yet receiving benefits	174
Active employees	254
Total	633

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year, respectively. The contribution rates for the City were 19.02% and 19.16% in calendar years 2019 and 2018, respectively. The City’s total contributions to TMRS for the year ended September 30, 2019, were $3,550,765, and $300,000 more than 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.

Source: The City's Annual Financial Report for Fiscal Year End September 30, 2019.

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	3.5% to 10.5%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial invetigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the Decembr 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the 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 return, 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 o the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

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

Changes in the Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balance at 12/31/2017	$ 118,065,607	$ 100,688,924	$ 17,376,683
Changes for the year:			
Service cost	$ 2,931,913	$ -	$ 2,931,913
Interest	7,899,680	-	7,899,680
Change of Benefit Terms	-	-	-
Difference between expected and Actual Experience	(730,857)	-	(730,857)
Contributions - Employer	-	3,169,004	(3,169,004)
Contributions - Employee	-	1,168,758	(1,168,758)
Net Investment Income	-	(3,016,539)	3,016,539
Benefit Payments, Including			-
Refunds of Employee Contributions	(4,998,533)	(4,998,533)	-
Administrative Expense	-	(58,291)	58,291
Other Changes	-	(3,044)	3,044
Net Changes	5,102,203	(3,738,645)	8,840,848
Balance at 12/31/2018	$ 123,167,810	$ 96,950,279	$ 26,217,531

The net pension liability for governmental activities is primarily liquidated by the General Fund.

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 44,007,756	$ 26,028,765	$ 11,341,512
Component unit's net pension liability	319,154	188,766	82,251
Total	$ 44,326,910	$ 26,217,531	$ 11,423,763

Pension Plan Fiduciary Net Position

report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of

For the year ended September 30, 2019, the City recognized pension expense of $4,484,758. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 71,285	$ 745,572
Changes in actuarial assumptions	-	43,709
Difference between projected and actual	5,175,253	-
Contributions subsequent to the measurement date	2,606,981	-
Total	$ 7,853,519	$ 789,281

For the year ended September 30, 2019, the discretely presented component unit recognized pension expense of $32,524. At September 30, 2019, the discretely presented component unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 517	$ 5,407
Changes in actuarial assumptions	-	317
Difference between projected and actual investment earnings	37,532	-
Contributions subsequent to the measurement date	18,908	-
Total	$ 56,957	$ 5,724

For the City and component unit, $2,606,981 and $18,908, respectively, are reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	City	Component Unit
2020	$ 1,550,216	$ 11,243
2021	479,243	3,476
2022	503,852	3,654
2023	1,923,946	13,952
Total	$ 4,457,257	$ 32,325

OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit and is a fixed amount of $7,500.

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

Inactive employees or beneficiaries currently receiving benefits	132
Inactive employees entitled to but not yet receiving benefits	34
Active employees	254
Total	420

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2019 and 0.18% for 2018, of which 0.02% and 0.02%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's retiree-only portion of contributions to the SDBF for the years ended September 30, 2019 and 2018 were $8,616 and $7,817, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability. The City's total OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

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

Measurement year ended December 31,	2018
Inflation Rate	2.50% per annum
Actuarial cost method	Entry Age Normal Method
Discount Rate	3.71
Projected salary increases	3.50% to 10.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS pension trust fund and are wholly accounted for under provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.31% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2018.

Discount Rate Sensitivity Analysis. The following presents the Total OPEB Liability of the City and discretely presented component unit, calculated using the discount rate of 3.71%, as well as what the City's and discretely presented component unit's total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB liability	$ 1,043,854	$ 885,445	$ 761,418
Component unit'stotal OPEB liability	7,570	6,421	5,522
Total	$ 1,051,424	$ 891,866	$ 766,940

Changes in the Net OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	$ 859,656
Changes for the year:	
Service Cost	$ 31,723
Interest	28,842
Difference between expected and actual experience	39,218
Changes of assumptions	(59,226)
Benefit payments	(8,347)
Net Changes	$ 32,210
Balance at 12/31/2018	$ 891,866

The total OPEB liability for governmental activities is primarily liquidated by the General Fund.

Changes in actuarial assumptions and other inputs reflect a change in the discount rate from 3.31% to 3.71%.

OPEB Expense and Deferred Outflows of Resources Related to OPEB. For the year ended September 30, 2019, the City recognized OPEB expense of $67,719. At September 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 32,635	$ -
Changes in actuarial assumptions	45,160	49,285
Contributions subsequent to the measurement date	6,135	-
Total	$ 83,930	$ 49,285

For the year ended September 30, 2019, the component unit recognized OPEB expense of $491. At September 30, 2019, the component unit reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 237	$ -
Changes in actuarial assumptions	328	359
Contributions subsequent to the measurement date	44	-
Total	$ 609	$ 359

UTILITY PLANT IN SERVICE **TABLE 11**

(As of September 30, 2019)

Land	$ 6,125,273
Buildings & Improvements	10,585,874
Machines, Equipment and Equipment	5,811,234
Construction in Progress	4,405,848
Waterworks and Sanitary Sewer System	68,778,708
Total	$ 95,706,937
Less: Accumulated Depreciation	(35,677,732)
Net Property, Plant and Equipment	$ 60,029,205

Source: The City's Comprehensive Annual Financial Report for fiscal year ended 2019.

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT **TABLE 12**

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

	Fiscal Year Ended				
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Revenues	$ 23,537,076	$ 23,502,346	$ 20,695,926	$ 19,353,943	$ 17,448,162
Expenses	16,452,435	14,187,868	14,994,043	15,828,200	14,052,528
Net Revenue Available for Debt Service	$ 7,084,641	$ 9,314,478	$ 5,701,883	$ 3,525,743	$ 3,395,634
Customer Count:					
Water	13,147	13,101	12,241	12,126	12,194
Sewer	12,739	12,716	12,180	12,053	11,956

Source: The City's Comprehensive Annual Financial Reports.

WATER SUPPLY **TABLE 13**

In 2010, the City entered into a twenty-year contract for the purchase of water. Under the terms of the contract, the City is obligated to make a minimum annual payment, subject to adjustment under certain conditions as provided in the contract, of approximately $50,000. Payments under this contract were approximately $4,222,101 in 2019 and are included as operating expenses of the Water and Sewer Fund.

SEWER CONTRACT

In 2018, the City entered into a twenty-year contract for the treatment and transportation of sanitary sewage. Payments under this contract are on a per connection basis and were approximately $3,893,996 in 2019 and are also included as operating expenses of the Water and Sewer Fund.

New Rates
Effective October 1, 2018

Minimum Water Charge- Group A (100%) - Per Number of Units	$	16.60
Minimum Water Charge- Group B (90%) - Per Number of Units		14.94
Minimum Water Charge- Group C (25%) - Per Number of Units		4.15
Consumption Charge- Per 1,000 Gallons of Water		7.80
Consumption Charge- Oil and Gas Well Drillers Only- Per 1,000 Gallons of Water		16.23
No Maximum		

Old Rates
Effective October 1, 2017

Minimum Water Charge- Group A (100%) - Per Number of Units	$	15.88
Minimum Water Charge- Group B (90%) - Per Number of Units		14.29
Minimum Water Charge- Group C (25%) - Per Number of Units		3.97
Consumption Charge- Per 1,000 Gallons of Water		7.40
Consumption Charge- Oil and Gas Well Drillers Only- Per 1,000 Gallons of Water		15.53
No Maximum		

Separate Minimum Charge for Separate Units. When more than one building or apartment or other subdivision of space in any residence or commercial building is served through one meter, each such additional building, apartment, or subdivision of space shall be deemed a separate water service unit and a separate minimum charge shall be made therefore and collected by the director. In any case, such minimum charge shall be the regular minimum charge at the current rates in effect at the time of billing.

NEW RATES
Effective October 1, 2018

Minimum Sewer Charge- Group A (100%) - Per Number of Units	$	12.30
Minimum Sewer Charge- Group B (90%) - Per Number of Units		11.07
Minimum Sewer Charge- Group C (25%) - Per Number of Units		3.08
Consumption Charge- Per 1,000 Gallons of Sewer (including sewer surcharge)		5.90
Consumption Charge- Per 1,000 Gallons of Sewer (not including sewer surcharge)		4.10
Sewer Surcharge		1.80
TSS		0.5200
BOD		0.3300

OLD RATES
Effective October 1, 2017

Minimum Sewer Charge- Group A (100%) - Per Number of Units	$	10.80
Minimum Sewer Charge- Group B (90%) - Per Number of Units		9.72
Minimum Sewer Charge- Group C (25%) - Per Number of Units		2.70
Consumption Charge- Per 1,000 Gallons of Sewer (including sewer surcharge)		5.08
Consumption Charge- Per 1,000 Gallons of Sewer (not including sewer surcharge)		3.56
Sewer Surcharge		1.52
TSS		0.4500
BOD		0.2900

Monthly Volume of Wastewater: Assumption. The monthly volume of wastewater generated by a residential user shall be assumed to be equivalent to the average monthly water consumption for that customer for the preceding months of December, January, and February. If water consumption records are not available for a customer for these months, the monthly volume of wastewater shall be based on the actual water consumption.

Separate Minimum Charge for Separate Units. When more than one building or apartment or other subdivision of space in any residence or commercial building is served through one meter, each such additional building, apartment, or subdivision of space shall be deemed a separate sewer service unit and a separate minimum charge shall be made therefore and collected by the director. In any case, such minimum charge shall be the regular minimum charge at the current rates in effect at the time of billing.

STORMWATER UTILITY

On October 11, 2004, the City Council authorized the creation of a stormwater utility system for the purpose of providing stormwater service for all real property in the service area.

The stormwater utility rates, shown below, were authorized by the City Council in April 2012.

STORMWATER FUND OPERATING STATEMENT — TABLE 16

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 amortization and depreciation.

	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Revenues	$ 1,773,242	$ 1,848,867	$ 1,880,390	$ 1,642,607	$ 1,649,459
Expenses	1,251,055	922,774	1,010,429	1,058,306	684,129
Net Revenues	$ 522,187	$ 926,093	$ 869,961	$ 584,301	$ 965,330

Source: The Issuer's Comprehensive Annual Financial Reports.

DRAINAGE RATES — TABLE 17

(Based on Monthly Billing)

New Rates Effective October 1, 2018		
Residential per account		$6.81
Commercial - per sq foot	$	0.00130

Old Rates Effective October 1, 2017		
Residential per account	$	6.81
Commercial - per sq foot	$	0.00130

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF HALTOM CITY, TEXAS AND TARRANT COUNTY, TEXAS

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CITY OF HALTOM CITY, TEXAS

The City of Haltom City, Texas (the "City") is located on U.S. Highway 377 four miles northeast of Fort Worth, Texas ("Fort Worth") in central Tarrant County, Texas. The City is approximately 30 miles northwest of Dallas, Texas midway between Dallas/Fort Worth International Airport and the Fort Worth Alliance Airport. The City is bisected by U.S. Highways 183 and 121 and Interstate 820. The City is served by three rail line, Union Pacific, Trinity Railway Express and Fort Worth and Western. Also, the Trinity Rail Express, a commuter train, and the Tarantula, a sight seeing train, go through Haltom City. The area of the City is 12.4 square miles.

The City, whose municipal boundaries include the first Tarrant County, Texas (the "County") seat of Birdville, is located near the geographic center of the County. The City's land area extends three to six miles northeast of downtown Forth Worth. It is surrounded on the northwest, west, and south by Fort Worth city limits; on the east by Richland Hills and North Richland Hills; and on the northeast by Watauga. It is bisected by Big and Little Fossil Creeks and borders the Trinity River flood plain on the south.

Established from a ranching and farming community, Haltom Village was founded in 1932 and named to honor G.W. Haltom (1872-1944), a Fort Worth jeweler whose family ranch holdings comprised much of the new area. Gradual growth was due in part to Haltom's Meadow Oaks Corporation and the bisection of the village by major new highways affording easier access to Forth Worth, northeastern Tarrant County and Dallas. Also in 1932, the routing of State Highways 10 (E. Belknap Street) and 121 one –quarter mile south of the old Birdville business district presented local business leaders with a momentous decision regarding the future of their businesses and property investments. Most businesses chose to relocate, in order to take advantage of greater convenience and accessibility for customers, increased traffic flow, and a chance to build anew.

The City was incorporated on July 4, 1949, and gradually expanded, annexing Oak Knoll, Garden of Eden, Meadow Oaks, East Ridge, and, in 1955, unincorporated portions of Birdville. Haltom City elected a Home Rule Charter with a city manager, mayor and council form of government on October 10, 1955.

Economic and Demographic Information

Fiscal Year	Population	Per Capital Personal Income	Unemployment Rate
2010	42,409	22,176	8.7%
2011	42,260	21,057	8.1%
2012	42,090	19,766	6.1%
2013	43,310	20,195	5.7%
2014	43,851	20,322	5.0%
2015	42,640	20,322	4.2%
2016	42,730	20,551	3.9%
2017	42,740	20,303	3.2%
2018	42,740	20,304	3.0%
2019	42,730	20,547	2.9%

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

Principal Employers

Employer	2019 Employees	2019 Percentage of Total Haltom City Employment
Birdville ISD	3,103	13.55%
Tyson Foods (formerly Hillshire Brands)	800	3.49%
Medtronic Midas Rex	350	1.52%
City of Haltom City	280	1.22%
GST Manufacturing	220	0.96%
MICA Corporation	200	0.87%
Liberty Carton Company	154	0.67%
Unifirst	137	0.59%
Falcon Steel Company	125	0.54%
Blackmon Mooring	120	0.52%

Source: The Issuer's Comprehensive Financial Report for the Fiscal Year Ended September 30, 2019.

TARRANT COUNTY, TEXAS

Tarrant County, Texas (the "County") is an urban county located in the north central part of Texas with an estimated 2017 population of 2,057,468. 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 boundaries.

The County's roots lie in the 'Old West' and much of its heritage can be traced to the era of the cowboy and the cattle drives that passed through The County. The County is one of 254 counties in Texas which were originally set up by the State 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.

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 holdings range in period from antiquity to the 20th century including masterpieces by Fra Angelico, El Greco, Caravaggio, La Tour, Velazquez, 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 show 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 Tarrant Count, covering over 100,000 acres. County residents have access to numerous other lakes throughout the region and camping is available at several state parks within the North Texas region.

Labor Force Statistics (1)

	2020 (2)	2019 (3)	2018 (3)	2017 (3)
Civilian Labor Force	997,947	1,082,571	1,059,957	1,036,343
Total Employed	863,704	1,046,916	1,023,016	997,799
Total Unemployed	134,243	35,655	36,941	38,544
Unemployment Rate	13.5%	3.3%	3.5%	3.7%
% U.S. Unemployment	14.4%	3.7%	3.9%	4.4%
Texas Unemployment	13.0%	3.5%	3.8%	4.3%

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(1) Source: Texas Workforce Commission.
(2) As of April 2020.
(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the "City of Haltom City, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020" (the *Certificates*), dated July 15, 2020 in the aggregate principal amount of $5,730,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Haltom City, 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

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

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

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

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

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

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

Norton Rose Fulbright US LLP

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APPENDIX D

EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

(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 HALTOM CITY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2019

Prepared By:
City of Haltom City, Texas
Finance Department

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CITY OF HALTOM CITY, TEXAS

ANNUAL FINANCIAL REPORT

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HALTOM CITY

CITY OF HALTOM CITY

March 23, 2020

Honorable Mayor and City Council Members:

The comprehensive annual financial report of the City of Haltom City for the fiscal year ended September 30, 2019 is hereby submitted. State Law requires that all governmental units publish within six months of the close of each fiscal year financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a licensed public accountant. This report is published to satisfy that requirement and to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to insure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal control over financial reporting. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from the control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's current system of internal control over financial reporting adequately safeguards assets and provides reasonable assurance for proper recording of financial transactions.

The City Charter and State Law require the City's basic financial statements to be audited by independent certified public accountants. Pattillo, Brown and Hill, L.L.P., Certified Public Accountants, performed the required audit and have issued an unmodified ("clean") opinion on the City of Haltom City's financial statements for the year ended September 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City, incorporated in 1950, is located six miles northeast of downtown Fort Worth in Tarrant County. The City has a land area of 12.4 square miles and an estimated population of 42,313. The City of Haltom City is a “home rule” unit of local government under State of Texas law. The City has a council-manager form of government. Policy-making and legislative authority are vested in a governing body (City Council) consisting of the mayor and seven council members, all elected at large through popular vote. Council members serve two-year terms, with four members elected in even numbered years and the mayor and three members elected in odd numbered years. The Council appoints the City Manager, who in turn appoints the heads of the various departments.

The City provides a full range of services. These include public safety (police and fire), municipal court, sanitation, parks, library, public works, and general administrative services. In addition, the City owns and operates a water distribution system, a wastewater collection system and a drainage utility system.

The basic financial statements of the City include all government activities, organizations and functions for which the City is financially accountable. The criteria considered in determining governmental activities to be reported within the City’s basic financial statements are based upon and consistent with those set forth in the Codification of Governmental Accounting and Financial Reporting Standards. Component units are legally separate organizations that a primary government must include as a part of its financial reporting entity. The government-wide financial statements include not only the City itself (known as the primary government), but also include the Economic Development Corporation and the Crime Control District as discretely presented component units. The discretely presented component units are presented as separate columns in the government-wide financial statements.

The Haltom City Charter specifies that an operating budget be adopted prior to the first day of the fiscal year beginning October 1st. The City’s budget process is a seven-month cycle, which begins in mid-February and ends in mid-September. Departments submit budget proposals by early May and during the months of May, June, and July the City Manager develops the recommended budget based on the policy direction received from Council. Prior to August 15, the City Manager submits to the Council a proposed budget of expenditures and the means to finance them for the next year. The Council holds workshop meetings and public hearings on the proposed budget to receive citizen feedback and make final determinations about the eventual adopted budget. Prior to September 30, the budget is legally enacted through the passage of an appropriation ordinance. Budgets are prepared by fund (e.g., general), department (e.g., fire), and division (e.g., suppression). Department heads may transfer resources within a department with the approval of the Finance Director. Transfers between departments and transfers involving capital outlays need special approval by the City Manager. Budget changes that increase the total budgeted expenditures of a fund must be approved by the City Council. The City Charter provides that the budget may be amended by the City Council.

LOCAL ECONOMY

The City of Haltom City has always shared the good fortune of Fort Worth and Northeast Tarrant County in general, with expanded job markets and general economic activity. This past year, the Fort Worth Metropolitan Statistical Area (MSA), in which Haltom City is located, has seen a moderately expansive growth driven by commercial construction, retail sales, services and transportation. Overall, the North Texas region has fared better than the nation as a whole. The Dallas-Fort Worth MSA area's population and labor force are among the more rapidly growing in the nation, having grown more than most other major MSA in Texas between 2010 and 2019. Relatively low taxes, housing and energy costs make the area attractive to business, with the additional enticement that Texas has no state personal income tax.

The City is strategically located less than 12 miles southwest of the Dallas / Fort Worth International Airport (DFW Airport) and less than 8 miles southeast of Fort Worth's Alliance Airport (the world's first industrial airport). Each airport is a major economic development catalyst for all cities in the surrounding area, which includes Haltom City.

Fiscal year 2019 proved to be a positive year for retail activity and growth for the City of Haltom City. Not only has sales tax increased over the previous year, but with rapid growth and development in new neighborhoods, the City will also see an increase in property tax values. The development of the 820 corridor will be the economic engine that will catapult the city into a favorable economic financial position. removal of several structures no longer acceptable for use and new construction planned. Due to various local developments, the local economy is expected to grow.

Because of the City's location in a region with a varied economic base, unemployment is relatively stable. Haltom City's labor force is approximately 20,499 and the unemployment rate for September 2018 was 3.3%, which compares favorably to the September 2018 State of Texas rate of 3.4% and the national rate of 3.5%. As the local and national economies continue to improve, unemployment is expected either to remain stable or decrease in the near term.

The general obligation bond rating for the City is AA- from Standard & Poor's. The rating is based on the strong financial management and budgetary flexibility.

LONG-TERM FINANCIAL PLANNING

Each year, the City Council meets and sets forth the strategic goals for the City. The Haltom City Council's Long-Term Strategic Goals for the coming three to five years are:

- Continue to build and maintain an empowered and loyal workforce
- While being fiscally responsible provide services to meet the needs of our growing community
- Develop a comprehensive plan for addressing the growing transportation needs of Haltom City
- Lead the city to build new municipal facilities that meet the public safety and administrative needs
- Maximize the economic benefits of the 820 Corridor
- Engage our community in order to develop a collective vision for the future of our City

The City continues to focus major efforts on our strategic goals. These goals drive decision-making and help the City Council further the City's mission and vision, and then translate that vision into actions. The City's limited resources are then prioritized to achieve that plan. The City's actions to implement the established strategic goals and address community issues are numerous and varied. However, the City continually addresses community issues through the best and most appropriate methods available.

Since 2004, the City's Finance Staff has worked with Department Heads and the City's financial advisor to develop financial models to be used in long-term financial planning. Models projecting revenues and expenditures/expenses for 5 years beyond the current year have been developed for all of the operational funds of the City and the Debt Service Fund. Assumptions have been developed for future tax rates and charges for service as well as projections for expenditures/expenses. Each possible program addition or change is analyzed in terms of impact over a 5-year window as a part of the decision making process. The models also enable the City to make assumptions about the future debt capacity of the operational funds. The ability to determine available current resources and future debt proceeds has enabled the City to move forward with a new Capital Improvement Program. The program has identified projects based on their critical nature and the timeliness of available financing for the project.

In May 2018, the voters passed a $5.5 general bond election for building a new fire station. The bond was issued in FY 2019. All authorized bonds have been issued.

RELEVANT FINANCIAL POLICIES

Financial Policies guide the development and implementation of the budget and are a framework for fiscal decision making and that ensure financial resources are available to meet the current and future needs of the City. The policy statements address areas of reporting and auditing, budgeting, revenues, capital improvements, debt, and grants to name a few. The financial management policies are designed to ensure the financial integrity and assist the City in achieving the following:

- Quality basic City services that meet the needs and desires of the citizens.
- A financial base sufficient to maintain or enhance City assets required to support community service demands.
- Responsiveness to constant changing needs desires and service requirements of the City.
- Prudent and professional financial management practices to assure residents of Haltom City and the financial community that City government is well managed and in sound fiscal condition.
- Cost effective services to citizens through cooperation with other government entities.
- An adequate capital improvement program that maintains and enhances the public's assets.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Haltom City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2018. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the thirty-second consecutive year (fiscal years ended 1987-2018) that the government has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation award for its annual budget document dated October 1, 2018. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, and operating guide, and a communications device.

The preparation of this report could not be accomplished without the efficient and dedicated endeavors of the entire staff of the Finance Department, our Audit Committee, and our independent auditors. We would like to express our sincere appreciation to all employees who contributed to the preparation. We would also like to thank the Mayor, City Council, and the City Manager for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Sidonna Foust

Sidonna Foust
Director of Finance

Jon Stevenson

Jon Stevenson
Assistant Director of Finance/Controller

CITY OF HALTOM CITY
Management Staff

City Manager	Keith Lane
Assistant City Manager	Rex Phelps
City Secretary	Art Camacho
Director of Finance	Sidonna Foust
Fire Chief	Brian Jacobs
Director of Human Resources & Risk Management	Toni Beckett
Municipal Judge	Lorraine Irby
Director of Library Services	Lesly Smith
Director of Parks & Recreation	Christi Pruitt
Director of Planning & Community Development	Glenna Batchelor
Police Chief	Cody Phillips
Director of Public Works	Gregory Van Nieuwenhuize

FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Haltom City, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, the schedule of contributions, and the schedule of changes in total OPEB liabilities and related ratios 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 audited was conducted for the purpose of forming opinions of the financial statements that collectively comprise the City of Haltom City, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2020, on our considerations of the City of Haltom City, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 City of Haltom City, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
March 25, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial management team of the City of Haltom City offers the following narrative overview and analysis of the financial activities of the City of Haltom City for the fiscal year ended September 30, 2019. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2019 by $125.2 million (net position). Of this amount, about $10.6 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by about $9.6 million for the year ended September 30, 2019. Out of this, $5.2 million is from governmental activities and $4.4 million from business activities.
- On a government-wide basis, the City's total assets increased by $11.9 million or 6% and total liabilities increased by $9.3 million or 11%.
- As of September 30, 2019, the City's governmental funds reported combined ending fund balances of $39.7 million, an increase of $8.3 million in comparison with prior year. Approximately, $12.4 million, or 31%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).

II. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities**: Most of the City's basic services are reported here, including the police, fire, street maintenance, culture and recreation and general administration. Property taxes, sales taxes, franchise fees, charges for services and fines/forfeitures provide the majority of funding for these activities.
- **Business-type activities**: The City charges a fee to customers to cover all or most of the cost of certain services provided. The City's water and sewer system, and drainage utility system are reported here.

The government-wide financial statements include not only the City itself (known as the primary government), but also include the Economic Development Corporation and the Crime Control District, which are legally separate entities. The Economic Development Fund accounts for the local sales tax used to stimulate the local economy, development, and redevelopment. The Crime Control District accounts for the accumulation and use of sales tax proceeds designated for crime reduction programs. Additional information on these two component units can be found in Note 1 in the notes to the financial statements.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, the City establishes many other funds to control and manage money for particular purposes or to show the legal responsibilities for using certain revenues.

The City's three kinds of funds, governmental, proprietary, and fiduciary, use different accounting approaches

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

Proprietary funds: When the City charges customers for the full cost of the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds: These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

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

Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-retirement healthcare benefits to its employees. This report also contains combined financial statements, as well as individual detailed budgetary comparisons for all non-major governmental funds.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the City's Financial Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City of Haltom City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $125 million as of September 30, 2019.

By far the largest portion of the City's net position, $97 million or 77% reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) 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.

A portion of the City's net position ($18 million, or 14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($11 million, or 9%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position. However, the governmental activities showed a $9 million negative unrestricted net position and the business-type activities showed a positive unrestricted net position of $20 million. The net position for governmental activities and business-type activities are summarized as follows:

	Governmental Activities		Business Type Activities		Total	
	FY 2019	FY 2019	FY 2019	FY 2018	FY 2019	FY 2018
Assets						
Current and other assets	$ 43,179,062	$ 34,548,165	$ 26,103,954	$ 21,519,136	$ 69,283,016	$ 56,067,301
Capital assets	82,939,063	82,566,234	60,029,205	61,682,570	142,968,268	144,248,804
Total assets	126,118,125	117,114,399	86,133,159	83,201,706	212,251,284	200,316,105
Deffered Outflows of Resources	7,438,897	2,466,662	1,001,100	324,104	8,439,997	2,808,766
Liabilities						
Current liabilities	2,576,189	2,333,065	3,286,687	2,760,823	5,862,876	5,093,888
Noncurrent liabilities	66,972,149	57,287,490	20,724,772	21,908,600	87,696,921	79,196,090
Total Liabilities	69,548,338	59,620,555	24,011,459	24,669,423	93,559,797	84,289,978
Deferred Inflows of Resources	1,668,535	2,831,433	223,555	375,691	1,892,090	3,207,124
Net Position						
Net investment in capital assets	53,560,693	48,343,655	43,145,765	42,648,361	96,706,458	90,992,016
Restricted	17,961,901	17,962,649	-	-	17,961,901	17,962,649
Unrestricted	(9,182,445)	(9,177,231)	19,753,480	15,850,335	10,571,035	6,673,104
Total Net Position	$ 62,340,149	$ 57,129,073	$ 62,899,245	$ 58,496,696	$ 125,239,394	$ 115,627,769

Analysis of the City's operations

The City of Haltom City's net position increased by $9.6 million from $115.6 million to $125.2 million during the current fiscal year. Out of which an increase of $5.2 million in governmental activities and an increase of $4.4 million in business-type activities. Details are listed as follows:

	Governmental Activities		Business Type Activities		Total	
	FY 2019	**FY 2018**	**FY 2019**	**FY 2018**	**FY 2019**	**FY 2018**
Revenues:						
Program revenues:						
Charges for services	$4,344,519	$3,981,201	$24,789,336	$25,203,891	$29,133,855	$29,185,092
Operating grants and contributions	258,868	442,109	-	-	258,868	442,109
Capital grants and contributions	24,356	459,410	-	-	24,356	459,410
General revenues:						
Property taxes	14,458,831	13,688,707	-	-	14,458,831	13,688,707
Other taxes	17,534,316	17,348,690	-	-	17,534,316	17,348,690
Interest and investment earnings	901,211	239,572	520,982	147,322	1,422,193	386,894
Other revenues	311,668	456,722	-	-	311,668	456,722
Total revenues	37,833,769	36,616,411	25,310,318	25,351,213	63,144,087	61,967,624
Expenses:						
General government	7,170,945	6,320,374	-	-	7,170,945	6,320,374
Public safety	17,907,680	18,389,178	-	-	17,907,680	18,389,178
Streets	3,217,049	3,801,982	-	-	3,217,049	3,801,982
Culture and recreation	3,732,618	3,819,112	-	-	3,732,618	3,819,112
Interest and fiscal charges	1,174,401	1,049,253	-	-	1,174,401	1,049,253
Water and sewer	-	-	18,761,789	16,372,945	18,761,789	16,372,945
Drainage	-	-	1,567,980	1,218,164	1,567,980	1,218,164
Total expenses	33,202,693	33,379,899	20,329,769	17,591,109	53,532,462	50,971,008
Increase in net position before transfers	4,631,076	3,236,512	4,980,549	7,760,104	9,611,625	10,996,616
Transfers	580,000	580,000	(580,000)	(580,000)	-	-
Change in net position	5,211,076	3,816,512	4,400,549	7,180,104	9,611,625	10,996,616
Net position - Beginning	57,129,073	53,312,561	58,498,696	51,318,592	115,627,769	104,631,153
Net position - Ending	$62,340,149	$57,129,073	$62,899,245	$58,498,696	$125,239,394	$115,627,769

Governmental activities

Net position of the City's governmental activities increased by $5.2 million or 9%, from $57.1 million to $62.3 million at the end of the year. Revenues increase by about $1.2 million (3%) and expenses decrease slightly about $0.2 million (0.4%).

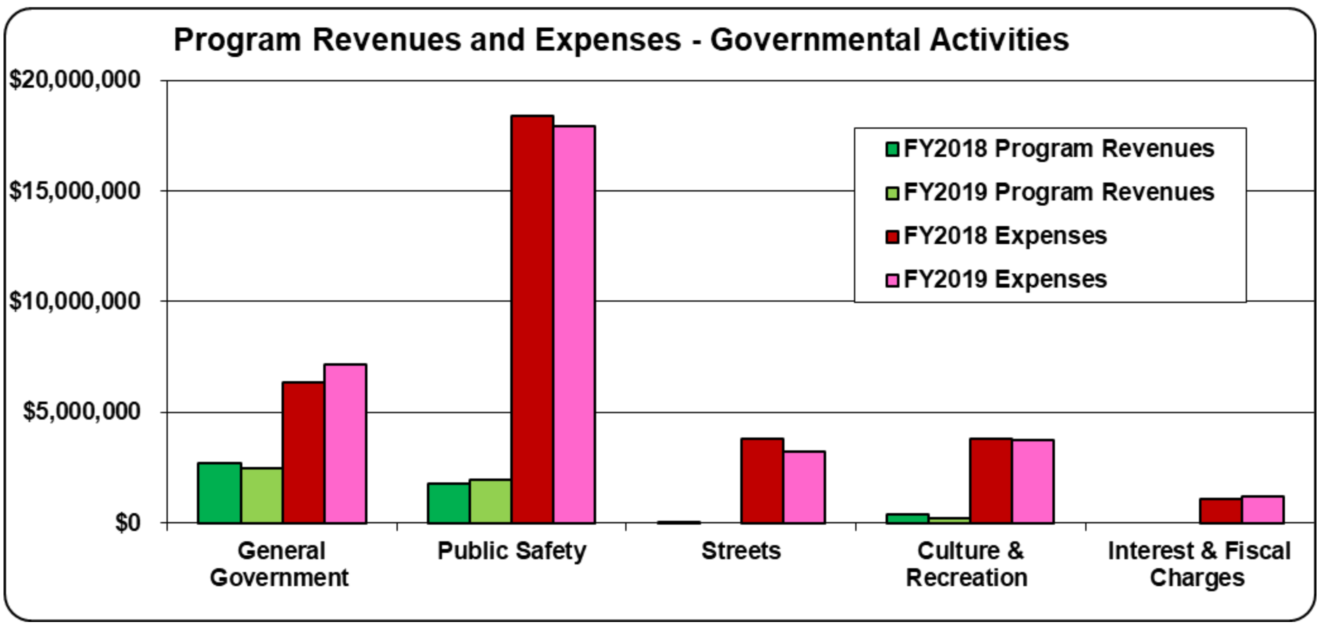
Key changes of revenues and expenses are as follows:

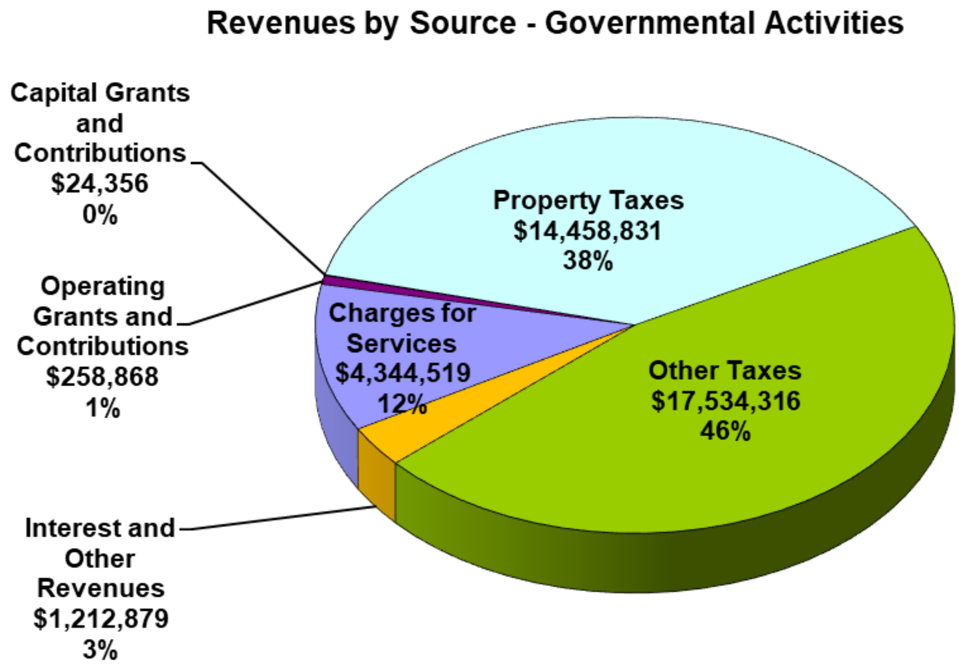
Revenues

- Total revenue increased by $1.22 million or 3% from previous year.
- Property tax increased by about $770,124 (6%) due to higher assessed value.
- Interest income from investment increased by $661,639 (276%) due to higher interest rate.
- Charges for services increased by $363,318 (9%) due to building and construction permits.
- Capital grants and contributions reduced by $435,054 (95%) for FY2018.

Expenses

- Total expenses for the governmental funds decreased by $177,206 or 0.35%.
- General government expenses increase by $850,571 (13%) due to an increase in pension expense.
- Public Safety expenses decreased by $481,498 (3%) due to staff turnover and vacancies.
- Streets expenses were $584,933 (15%) lower due to lower street maintenance and construction.
- Interest and fiscal charges increased by $125,148 (12%) due to additional debt service.





Business-type activities

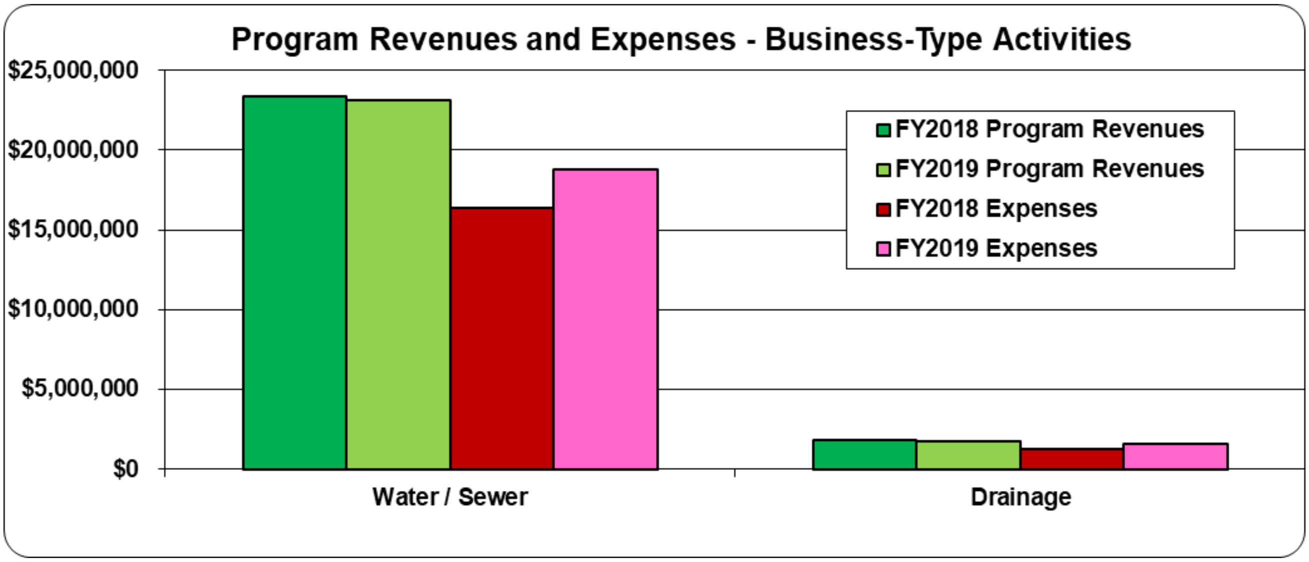
The net position of business-type activities at end of Fiscal Year 2019 was at $62.9 million compared to $58.5 million for prior year. This was an increase in net position of $4.4 million. The City generally can only use the net position to finance the continuing operations of the business-type activities. Total revenues for business-type activities was similar to the prior year with a slight decrease of $40,895 (0%) from $25.35 million to $25.31 million. Total expenses for FY2019 increased by $2.7 million (16%) when compared to FY2018. The increase was mainly due to higher operating costs for both water/sewer and drainage activities.

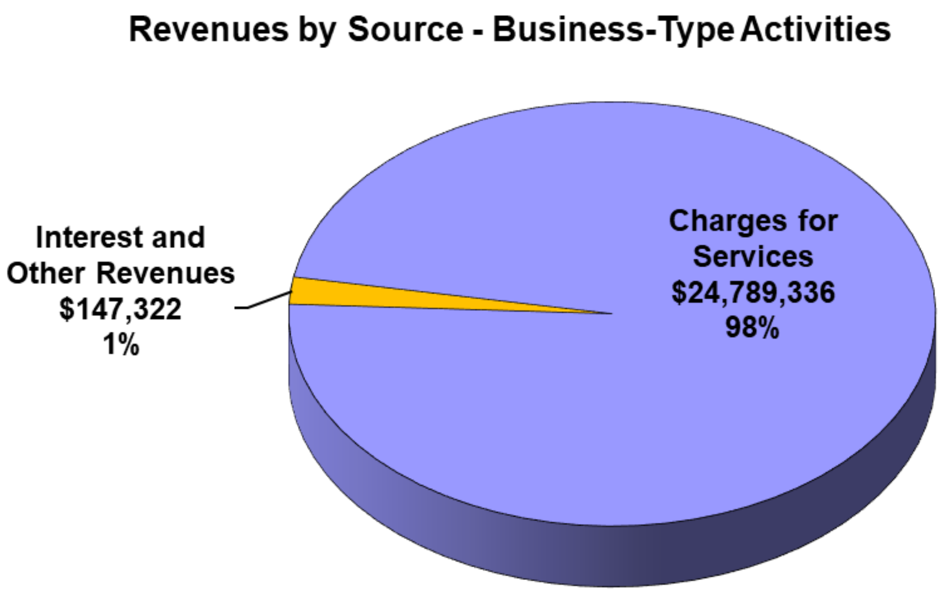
Water and Sewer Fund

- The Water and Sewer Fund program revenues increased from $22.3 million in FY2018 to $22.7 million in FY2019 which is almost the same for both years.
- Expenses for Water and Sewer Fund increased by about $2.4 million (15%). The increase is due to higher water and sewer cost and third-party billing cost.

Drainage Fund

- Program revenues for FY2019 was $1.7 compared to $1.8 in FY2018. This represents a 6% decrease.
- Drainage expenses increased from $1.2 million in FY2018 to $1.5 in FY2019. This represents a 30% increase. The increase was due higher maintenance and construction activities in FY2019.





Analysis of City's Funds

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

As of the end of the current fiscal year, the City's governmental funds had a combined ending fund balance of about $39.7 million, an increase of $8.3 million (27%) in comparing to the prior year. About $12.4 million (31%) of this fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance of $27.3 million (69%), is not available for general spending.

The General Fund fund balance had an increase of $20,616 (0.15%) this fiscal year. For FY2019, total General Fund revenues increased slightly by $51,459 (0.18%). Two major increases were Taxes and interest income. Total tax revenues increased by $319,667 (1.3%) contributed by property tax, sales tax and franchise tax. Interest income increase by $232,064 (199%) mainly due to increase in investment and interest rate. Licenses and Permits increased by $108,359 (11%) primarily due to increase in Building Permits with new developments near State Highway 820. Reductions in revenues included Charges for Service, Miscellaneous Revenues, and Intergovernmental revenues. Revenues from Charges for Services decreased by $308,356 (19%) due to lower Recreation revenues and lower Fleet Service Fees. Due to higher revenues from sale of assets and grants received in FY 2018, revenues in FY 2019 decreased.

General Fund expenditures were $2.1 million (7.7%) higher compared to prior year. Most department expenditures increased due to higher salaries and cost of providing services. For sworn employees, there was a 3% market adjustment and the scheduled step increase. Non-sworn (general) employees also had a 3% increase.

The Debt Service Fund had a fund balance of $522,051 all of which is restricted for the payment of debt. The City is to limit general obligation annual debt requirements to 25% of general government expenditures. The FY2019 debt requirement was about 20% of the General Fund expenditures.

The fund balance of Street Reconstruction Capital Project Fund ended the year at about $14.5 million. The fund balance is restricted for street capital projects. This fund balance was almost the same as the previous year. Total expenditures for FY2019 amounted to $1.3 million.

The fund balance of the Capital Improvement Fund ended the year at about $8.8 million. The fund balance is restricted for capital improvement projects. The increase in the fund was approximately $6.2 million, primarily derived from the issuance of bonds.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City of Haltom City's business-type activities.

General Fund Budgetary Highlights

General Fund fund balance increased by $20,616 (.15%) for FY2019. Transfers, revenues, and expenditures were very similar to the prior year.

When comparing to the budget, actual total revenues were $647,781 higher than the budget due to increase in almost every revenue category except Fines and Fees and Charges for Services. It was encouraging to see increases in Taxes and Licenses and Permits which showed a better economic outlook. Income from Oil and Gas Lease was lower than budgeted due to lower oil activities. Income from Fines and Fees were lower due to fewer citations issued.

The total expenditures were lower than budgeted by $1.4 million. Most departments spent less than their budgeted amounts except for City Secretary, City Council, Finance, and Fleet Department. City Secretary Department was over budget due to election cost, City Council Department was due to City Council's participation in special events, Finance Department due to retirement of the former Director of Finance and Fleet due to higher cost of vehicles maintenance.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At September 30, 2019, the City had $143 million (net of accumulated depreciation) invested in capital assets including police and fire equipment, buildings, park facilities, roads, water, sewer, and storm water facilities. This amount represents a net decrease of $1.3 million (0.89%) from last year. Details of capital assets are listed below.

	Governmental Activities		Business Type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Land	$18,846,739	$18,846,739	$6,125,273	$6,125,273	$24,972,012	$24,972,012
Building	$19,092,974	$18,179,525	$10,585,874	$10,585,874	$29,678,848	$28,765,399
Water & sewer system	-	-	$68,778,708	$68,509,151	$68,778,708	$68,509,151
Improvement other than building	$90,676,289	$90,435,027	-	-	$90,676,289	$90,435,027
Machinery and equipment	$14,939,410	$13,818,488	$5,811,234	$6,152,648	$20,750,644	$19,971,136
Construction in progress	$3,080,039	$2,348,023	$4,405,848	$4,248,091	$7,485,887	$6,596,114
Accumulated depreciation	(63,696,388)	(61,061,568)	(35,677,732)	(33,938,467)	(99,374,120)	(95,000,035)
Total	$82,939,063	$82,566,234	$60,029,205	$61,682,570	$142,968,268	$144,248,804

There were no major changes in most of the capital asset groups except Improvements Other Than Buildings and Construction in Progress. Major construction projects completed or in progress during the current fiscal year were Montreal Circle, Clay Avenue and Haltom Road Park – Veteran Memorial. The City also completed the change out of approximately 14,000 total water meters as of 2019.

Additional information on the City of Haltom City's capital assets can be found in Note 6 of this report.

Long-term Liabilities - At the end of the current fiscal year, the City had total general obligation bonds, refunding bonds, certificates of obligation, tax notes, premium on bonds, compensated absences, net pension obligations and post-employment obligations liabilities outstanding of $87.3 million. Of this amount, $66.9 million was from governmental activities and $20.3 million were business-type activities.

The City had total bonded debt outstanding of $53.6 million. Of this amount, $36.7 million was comprised of debt backed by the full faith and credit of the City and $16.9 million represents bonds secured by the full faith and credit of the City but serviced by specific revenue sources from the proprietary funds. The City's underlying General Obligation Bond rating is AA- by Standard & Poor's.

	Governmental Activities		Business Type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Certiciates of Obligations	$5,020,000	$5,660,000	$12,870,000	$13,630,000	$17,890,000	$19,290,000
General Obligation Bonds	30,350,000	26,820,000	-	-	30,350,000	26,820,000
General Obligation Refunding Bonds	-	-	3,570,000	4,910,000	3,570,000	4,910,000
Tax Notes	225,000	455,000	-	-	225,000	455,000
Premium on Bond Issuance	1,104,935	705,285	467,499	528,554	1,572,434	1,233,839
Total Bonded Bonds	**36,699,935**	**33,640,285**	**16,907,499**	**19,068,554**	**53,607,434**	**52,708,839**
Compensated Absence Obligations	2,894,147	3,855,704	300,683	225,804	3,194,830	4,081,508
Capital Lease	1,131,026	756,316	-	-	1,131,026	756,316
Net Pension Liability	22,953,448	15,248,037	3,075,317	2,005,270	26,028,765	17,253,307
OPEB Liability	3,293,593	3,787,148	441,273	608,972	3,734,866	4,396,120
Total Long-Term Liabilities	**$66,972,149**	**$57,287,490**	**$20,724,772**	**$21,908,600**	**$87,696,921**	**$79,196,090**

Additional information on the City's long-term debt can be found in note 8 of this report.

V. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budgetary flexibility remains very strong with solid fund reserves. The City's economy remains weak despite the strong economy of the Dallas Fort Worth Metroplex. The City's elected and appointed officials considered many factors when setting the fiscal year 2019 budget especially tax rates, and fees that will be charged for the business-type activities.

Highlights of the 2020 budget include:

- Balanced budget
- Increase property tax rate from $0.653 to $0.66576
- Salary increase for full time employees
- Total City budget over $93.1million

VI. REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Finance Department at 5024 Broadway Avenue, Haltom City, Texas.

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BASIC FINANCIAL STATEMENTS

CITY OF HALTOM CITY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 38,926,374	$ 22,999,574	$ 61,925,948
Receivables, net:			
Taxes	528,485	-	528,485
Accounts receivable	-	2,910,023	2,910,023
Intergovernmental	2,419,784	-	2,419,784
Accrued Interest	183,046	108,211	291,257
Other	952,497	-	952,497
Inventory	158,376	86,146	244,522
Prepaids	10,500	-	10,500
Capital assets			
Land	18,846,739	6,125,273	24,972,012
Building and improvements	19,092,974	10,585,874	29,678,848
Improvements other than Buildings	90,676,289	-	90,676,289
Water and sewer system	-	68,778,708	68,778,708
Machinery and equipment	14,939,410	5,811,234	20,750,644
Construction-in-progress	3,080,039	4,405,848	7,485,887
Less: accumulated depreciation	(63,696,388)	(35,677,732)	(99,374,120)
Total assets	126,118,125	86,133,159	212,251,284
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	146,517	24,059	170,576
Deferred outflow related to pensions	6,925,622	927,897	7,853,519
Deferred outflow related to retiree health plan OPEB	292,744	39,228	331,972
Deferred outflow related to SDBF OPEB	74,014	9,916	83,930
Total deferred outflows of resources	7,438,897	1,001,100	8,439,997

Component Units	
Economic Development	Crime Control District
$ 1,767,819	$ 1,639,414
-	-
-	-
-	323,127
8,319	7,697
-	1,716
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
1,776,138	1,971,954
-	-
-	56,957
-	2,405
-	609
-	59,971

CITY OF HALTOM CITY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	$ 1,050,173	$ 1,286,030	$ 2,336,203
Accrued liabilities	1,298,753	402,088	1,700,841
Accrued interest payable	227,263	86,641	313,904
Customer deposits	-	1,511,928	1,511,928
Noncurrent liabilities:			
Due within one year			
Long-term debt	5,747,334	1,780,136	7,527,470
Total OPEB liability - SDBF	7,309	979	8,288
Due in more than one year			
Long-term debt	34,977,774	15,428,046	50,405,820
Net pension liability	22,953,448	3,075,317	26,028,765
Net OPEB liability - retiree health plan	2,512,760	336,661	2,849,421
Total OPEB liability - SDBF	773,524	103,633	877,157
Total liabilities	69,548,338	24,011,459	93,559,797
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	696,027	93,254	789,281
Deferred inflow related to retiree health plan OPEB	929,046	124,478	1,053,524
Deferred inflow related to SDBF OPEB	43,462	5,823	49,285
Total deferred inflows of resources	1,668,535	223,555	1,892,090
NET POSITION			
Net investment in capital assets	53,560,693	43,145,765	96,706,458
Restricted for:			
Capital projects	15,803,811	-	15,803,811
Donor restrictions for libraries, parks and law enforcement	785,719	-	785,719
Debt service	523,044	-	523,044
Promotion of tourism and business	126,963	-	126,963
Economic development	-	-	-
Public safety	722,364	-	722,364
Unrestricted	(9,182,445)	19,753,480	10,571,035
Total net position	$ 62,340,149	$ 62,899,245	$ 125,239,394

The accompanying notes are an integral part of these financial statements.

Component Units	
Economic Development	Crime Control District
$ 12,238	$ 30,172
165,609	9,370
-	-
-	-
-	4,252
-	601
-	17,009
-	188,766
-	20,665
-	5,820
177,847	276,655
-	5,724
-	7,639
-	359
-	13,722
-	-
-	-
-	-
-	-
-	-
1,598,291	-
-	-
-	1,741,548
$ 1,598,291	$ 1,741,548

CITY OF HALTOM CITY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 7,170,945	$ 2,469,464	$ 7,320	$ -
Public safety	17,907,680	1,694,051	213,058	24,356
Streets	3,217,049	-	-	-
Culture and recreation	3,732,618	181,004	38,490	-
Interest and fiscal charges	1,174,401	-	-	-
Total governmental activities	33,202,693	4,344,519	258,868	24,356
Business-type activities:				
Water and sewer services	18,761,789	23,080,974	-	-
Drainage services	1,567,980	1,708,362	-	-
Total business-type activities	20,329,769	24,789,336	-	-
Total primary government	53,532,462	29,133,855	258,868	24,356
Component units				
Economic Development	618,337	-	980,000	-
Crime Control District	1,249,640	-	-	-
Total component units	$ 1,867,977	$ -	$ 980,000	$ -

General revenues:
Property taxes, penalty and interest
Sales taxes
Franchise taxes
Occupancy taxes
Oil and gas leases
Mixed beverage and bingo taxes
Interest
Miscellaneous
Gain on sale of capital assets
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Economic Development	Crime Control District
$(4,694,161)	$ -	$(4,694,161)	$ -	$ -
(15,976,215)	-	(15,976,215)	-	-
(3,217,049)	-	(3,217,049)	-	-
(3,513,124)	-	(3,513,124)	-	-
(1,174,401)	-	(1,174,401)	-	-
(28,574,950)	-	(28,574,950)	-	-
-	4,319,185	4,319,185	-	-
-	140,382	140,382	-	-
-	4,459,567	4,459,567	-	-
(28,574,950)	4,459,567	(24,115,383)	-	-
-	-	-	361,663	-
-	-	-	-	(1,249,640)
$ -	$ -	$ -	$ 361,663	$(1,249,640)
$ 14,458,831	$ -	$ 14,458,831	$ -	$ -
13,527,349	-	13,527,349	-	1,865,818
3,934,104	-	3,934,104	-	-
45,781	-	45,781	-	-
122,757	-	122,757	-	-
27,082	-	27,082	-	-
901,211	520,982	1,422,193	37,331	33,244
80,533	-	80,533	-	-
108,378	-	108,378	215,995	-
580,000	(580,000)	-	-	-
33,786,026	(59,018)	33,727,008	253,326	1,899,062
5,211,076	4,400,549	9,611,625	614,989	649,422
57,129,073	58,498,696	115,627,769	983,302	1,092,126
$ 62,340,149	$ 62,899,245	$ 125,239,394	$ 1,598,291	$ 1,741,548

CITY OF HALTOM CITY, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	General	Debt Service	Street Reconstruction Capital Projects
ASSETS			
Cash and investments	$ 12,961,452	$ 522,068	$ 14,003,073
Receivables (net of allowance)			
Taxes	316,104	212,381	-
Intergovernmental	1,881,197	-	503,831
Accrued interest	61,353	2,460	65,766
Other	937,050	-	-
Prepaids	10,500	-	-
Inventory	158,376	-	-
Total assets	16,326,032	736,909	14,572,670
LIABILITIES			
Accounts payable	918,419	-	10,422
Accrued liabilities	1,038,246	-	7,449
Accrued interest payable	-	24,017	13,398
Total liabilities	1,956,665	24,017	31,269
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	274,204	190,841	-
Unavailable revenue - court fines	644,835	-	-
Unavailable revenue - street assessments	27,679	-	-
Total deferred inflows of resources	946,718	190,841	-
FUND BALANCES			
Nonspendable:			
Inventory	158,376	-	-
Prepaids	10,500	-	-
Restricted for:			
Construction of capital assets	-	-	14,541,401
Promotion of tourism	-	-	-
Grantors, trustees and donors	-	-	-
Public safety	-	-	-
Debt service	-	522,051	-
Assigned for:			
Subsequent year's budget	833,338	-	-
Unassigned	12,420,435	-	-
Total fund balances	13,422,649	522,051	14,541,401
Total liabilities, deferred inflows of resources, and fund balances	$ 16,326,032	$ 736,909	$ 14,572,670

The accompanying notes are an integral
part of these financial statements.

Capital Improvement	Other Governmental	Total Governmental Funds
$ 8,828,897	$ 2,610,884	$ 38,926,374
-	-	528,485
-	34,756	2,419,784
41,311	12,156	183,046
-	15,447	952,497
-	-	10,500
-	-	158,376
8,870,208	2,673,243	43,179,062
64,764	56,568	1,050,173
18,957	234,101	1,298,753
-	-	37,415
83,721	290,669	2,386,341
-	-	465,045
-	-	644,835
-	-	27,679
-	-	1,137,559
-	-	158,376
-	-	10,500
8,786,487	781,997	24,109,885
-	126,963	126,963
-	785,719	785,719
-	722,364	722,364
-	-	522,051
-	-	833,338
-	(34,469)	12,385,966
8,786,487	2,382,574	39,655,162
$ 8,870,208	$ 2,673,243	$ 43,179,062

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CITY OF HALTOM CITY, TEXAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION

AS OF SEPTEMBER 30, 2019

Amounts reported for governmental activities in the Statement of Net Position is different because:

Total Governmental Fund Balances		$ 39,655,162
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		82,939,063
Deferred outflows of resources are not reported in the governmental funds.		
Deferred charges on debt refundings	$ 146,517	
Deferred outflow related to pensions	6,925,622	
Deferred outflow related to retiree health plan OPEB	292,744	
Deferred outflow related to SDBF OPEB	74,014	7,438,897
Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.		1,137,559
Long-term liabilities, including bonds payable, compensated absences, OPEB liabilities and capital leases are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(35,370,000)	
Tax notes payable	(225,000)	
Premium on bond issuance	(1,104,935)	
Accrued interest payable	(189,848)	
Net pension obligation	(22,953,448)	
Net OPEB liability - retiree health plan	(2,512,760)	
Total OPEB liability - SDBF OPEB	(780,833)	
Compensated absences	(2,894,147)	
Capital leases	(1,131,026)	(67,161,997)
Deferred inflows of resources are not reported in the governmental funds.		
Deferred inflows related to pensions	(696,027)	
Deferred inflows related to retiree health plan OPEB	(929,046)	
Deferred inflows related to SDBF OPEB	(43,462)	(1,668,535)
Net position of government activities		$ 62,340,149

CITY OF HALTOM CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General	Debt Service
REVENUES		
Taxes	$ 24,118,309	$ 5,131,600
Licenses and permits	1,095,526	-
Intergovernmental	190,269	-
Fines and fees	1,088,715	-
Charges for services	1,285,757	-
Oil and gas lease	122,757	-
Contributions	3,084	-
Special assessments	-	-
Interest	348,586	14,078
Miscellaneous	289,158	-
Total revenues	28,542,161	5,145,678
EXPENDITURES		
Current:		
General government	7,191,445	-
Public safety	17,598,708	-
Streets	1,099,358	-
Cultural and recreation	2,978,124	-
Debt service:		
Principal	-	4,800,000
Interest and other	-	1,000,930
Bond issuance costs	-	4,400
Capital outlay	-	-
Total expenditures	28,867,635	5,805,330
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(325,474)	(659,652)
OTHER FINANCING SOURCES (USES)		
Issuance of debt	-	-
Premium on issuance of debt	-	-
Sale of capital assets	108,378	-
Transfers in	1,568,200	830,488
Transfers out	(1,330,488)	-
Total other financing sources and uses	346,090	830,488
NET CHANGE IN FUND BALANCES	20,616	170,836
FUND BALANCES, BEGINNING	13,402,033	351,215
FUND BALANCES, ENDING	$ 13,422,649	$ 522,051

The accompanying notes are an integral
part of these financial statements.

Street Reconstruction Capital Projects	Capital Improvement	Other Governmental	Total Governmental Funds
$ 2,895,291	$ -	$ 46,401	$ 32,191,601
-	-	-	1,095,526
-	-	25,050	215,319
-	-	203,977	1,292,692
-	-	100,287	1,386,044
-	-	-	122,757
-	-	65,103	68,187
-	-	2,033	2,033
322,687	147,866	67,961	901,178
-	-	61,217	350,375
3,217,978	147,866	572,029	37,625,712
4,799	-	54,551	7,250,795
-	-	302,115	17,900,823
1,000,448	-	-	2,099,806
-	49,344	99,286	3,126,754
-	-	255,743	5,055,743
-	-	53,406	1,054,336
28,934	134,731	-	168,065
266,830	280,722	1,355,463	1,903,015
1,301,011	464,797	2,120,564	38,559,337
1,916,967	(316,931)	(1,548,535)	(933,625)
1,318,826	6,141,174	600,329	8,060,329
93,107	433,558	-	526,665
-	-	-	108,378
-	-	500,000	2,898,688
(900,000)	-	(88,200)	(2,318,688)
511,933	6,574,732	1,012,129	9,275,372
2,428,900	6,257,801	(536,406)	8,341,747
12,112,501	2,528,686	2,918,980	31,313,415
$ 14,541,401	$ 8,786,487	$ 2,382,574	$ 39,655,162

CITY OF HALTOM CITY, TEXAS

RECONCILIATION OF THE CHANGES IN GOVERNMENTAL FUND BALANCES
TO THE CHANGE IN NET POSITION OF GOVERNMENT ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balances - total governmental funds:	$	8,341,747
Amounts reported for governmental activities in the Statement of Activities are		
Capital assets used in governmental activities are not reported in the funds.		3,697,362
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(	3,354,657)
Changes in revenues in the statement of activities that does not provide current financial resources.		97,536
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Bonds, tax notes and capital leases payable	(	3,531,251)
Premium on bond issuance		127,015
Accrued interest payable	(	51,509)
Net pension obligation	(	802,421)
Net OPEB liability - retiree health plan	(	196,225)
Total OPEB liability - SDBF OPEB	(	50,572)
Compensated absences		961,557
Loss on bond refundings are recorded as expenditures in the fund financial statements but are capitalized and amortized in the government-wide financial statements.	(	27,506)
Change in net position of governmental activities	$	5,211,076

CITY OF HALTOM CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
Property taxes	$ 9,085,555	$ 9,085,555	$ 9,474,234	$ 388,679
City sales taxes	10,118,212	10,118,212	10,632,058	513,846
Bingo tax	-	-	6,255	6,255
Mixed beverage tax	10,000	10,000	20,827	10,827
Franchise taxes	4,112,000	4,112,000	3,984,935	(127,065)
	23,325,767	23,325,767	24,118,309	792,542
Licenses and permits:				
Electric	26,000	26,000	57,480	31,480
Plumbing A/C	81,200	81,200	76,755	(4,445)
Building/mobile home	520,000	520,000	660,484	140,484
Street/general contractor	45,200	45,200	75,220	30,020
Certificates of occupancy	13,000	13,000	22,000	9,000
Oil and gas	200,000	200,000	148,000	(52,000)
Garage sales permits	21,000	21,000	14,602	(6,398)
Special events permits	8,000	8,000	6,544	(1,456)
Alarm permits	30,000	30,000	34,441	4,441
	944,400	944,400	1,095,526	151,126
Intergovernmental:				
State surtax on fines	40,000	40,000	34,137	(5,863)
Grants from other governments	150,859	150,859	156,132	5,273
	190,859	190,859	190,269	(590)
Fines and fees:				
Municipal court	1,144,900	1,144,900	919,463	(225,437)
Library	-	-	5,776	5,776
Warrants	130,000	130,000	123,301	(6,699)
Public hearing	8,000	8,000	24,150	16,150
False alarms	-	-	16,025	16,025
	1,282,900	1,282,900	1,088,715	(194,185)
Charges for services:				
Record duplication	6,000	6,000	8,105	2,105
Grass cutting	30,000	30,000	19,176	(10,824)
Recreational activities/concession	145,000	145,000	115,859	(29,141)
Kennel fees/vaccination	12,000	12,000	10,353	(1,647)
Admin/building/fleet services fees	1,343,260	1,343,260	1,111,600	(231,660)
Developer test/fire inspection	38,000	38,000	15,840	(22,160)
Nuisance abatement fees	-	-	4,824	4,824
	1,574,260	1,574,260	1,285,757	(288,503)
Oil and gas lease	80,000	80,000	122,757	42,757
Contributions	-	3,084	3,084	3,084
Interest	143,000	143,000	348,586	205,586
Miscellaneous	353,194	353,194	289,158	(64,036)
Total revenues	$ 27,894,380	$ 27,897,464	$ 28,542,161	$ 647,781

The accompanying notes are an integral part of these financial statements.

CITY OF HALTOM CITY, TEXAS

SSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
General government:				
Administrative	$ 670,676	$ 670,676	$ 656,711	$ 13,965
City secretary	220,516	220,516	251,066	(30,550)
Human resources	609,803	609,803	514,215	95,588
Planning	632,577	632,577	612,271	20,306
City council	21,300	21,300	24,062	(2,762)
Finance	629,676	629,676	672,528	(42,852)
Fleet services	577,964	577,964	771,189	(193,225)
Building maintenance	925,567	925,567	674,064	251,503
Nondepartmental	3,102,534	3,102,534	3,015,339	87,195
Total general government	7,390,613	7,390,613	7,191,445	199,168
Public safety:				
Police	10,230,837	10,230,837	9,788,256	442,581
Fire	7,499,842	7,499,842	7,246,416	253,426
Municipal court	586,291	586,291	564,036	22,255
Total public safety	18,316,970	18,316,970	17,598,708	718,262
Streets	1,214,235	1,214,235	1,099,358	114,877
Culture and Recreation:				
Library	1,203,098	1,203,098	1,132,780	70,318
Parks and recreation	2,120,288	2,120,288	1,845,344	274,944
Total culture and recreation	3,323,386	3,323,386	2,978,124	345,262
Total expenditures	30,245,204	30,245,204	28,867,635	1,377,569
Revenues under expenditures	(2,350,824)	(2,347,740)	(325,474)	2,022,266
OTHER FINANCING SOURCES (USES):				
Transfers in	2,268,200	2,268,200	1,568,200	700,000
Transfers out	(2,310,488)	(2,310,488)	(1,330,488)	980,000
Sale of capital assets	5,000	5,000	108,378	103,378
Total other financial sources (uses)	(37,288)	(37,288)	346,090	383,378
Net change in fund balance	(2,388,112)	(2,385,028)	20,616	2,405,644
Fund balance - beginning of year	13,402,033	13,402,033	13,402,033	-
Fund balance - end of year	$ 11,013,921	$ 11,017,005	$ 13,422,649	$ 2,405,644

The accompanying notes are an integral
part of these financial statements.

CITY OF HALTOM CITY, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2019

	Water and Sewer Fund	Drainage Fund	Total
ASSETS			
Current assets:			
Cash and investments	$ 20,272,352	$ 2,727,222	$ 22,999,574
Receivables:			
Accounts receivable, net	2,730,868	179,155	2,910,023
Accrued interest	95,454	12,757	108,211
Inventory	86,146	-	86,146
Total current assets	23,184,820	2,919,134	26,103,954
Noncurrent assets:			
Land	522,999	5,602,274	6,125,273
Buildings and improvements	5,023,351	5,562,523	10,585,874
Water and sewer system	62,696,644	6,082,064	68,778,708
Machinery and equipment	4,722,361	1,088,873	5,811,234
Construction-in-progress	3,204,453	1,201,395	4,405,848
Accumulated depreciation	(31,878,776)	(3,798,956)	(35,677,732)
Total assets	67,475,852	18,657,307	86,133,159
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	24,059	-	24,059
Deferred outflow related to pensions	831,390	96,507	927,897
Deferred outflow related to retiree health plan	35,146	4,082	39,228
Deferred outflow related to SDBF OPEB	8,886	1,030	9,916
Total deferred outflows of resources	899,481	101,619	1,001,100

The accompanying notes are an integral part of these financial statements.

CITY OF HALTOM CITY, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2019

	Water and Sewer Fund	Drainage Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 1,204,258	$ 81,772	$ 1,286,030
Accrued liabilities	271,489	130,599	402,088
Accrued interest payable	79,559	7,082	86,641
Customer deposits	1,511,928	-	1,511,928
Due within one year			
Compensated absences	56,335	3,801	60,136
Total OPEB liability - SDBF	877	102	979
Revenue bonds payable	1,475,000	245,000	1,720,000
Total current liabilities	4,599,446	468,356	5,067,802
Noncurrent liabilities:			
Compensated absences	225,341	15,206	240,547
Net pension liability	2,755,463	319,854	3,075,317
Net OPEB liability - retiree health plan	301,646	35,015	336,661
Total OPEB liability - SDBF	92,856	10,777	103,633
Revenue bonds payable	13,847,499	1,340,000	15,187,499
Total noncurrent liabilities	17,222,805	1,720,852	18,943,657
Total liabilities	21,822,251	2,189,208	24,011,459
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	83,556	9,698	93,254
Deferred inflow related to retiree health plan OPEB	111,530	12,948	124,478
Deferred inflow related to SDBF OPEB	5,217	606	5,823
Total deferred inflows of resources	200,303	23,252	223,555
NET POSITION			
Net investment in capital assets	28,992,592	14,153,173	43,145,765
Unrestricted	17,360,187	2,393,293	19,753,480
Total net position	$ 46,352,779	$ 16,546,466	$ 62,899,245

The accompanying notes are an integral part of these financial statements.

CITY OF HALTOM CITY, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Water and Sewer Fund	Drainage Fund	Total
OPERATING REVENUES			
Water and sewer sales	$ 22,729,392	$ -	$ 22,729,392
Drainage fee revenue	-	1,708,362	1,708,362
Service fees	304,751	-	304,751
Administrative fees	35,200	-	35,200
Other	11,631	-	11,631
Total operating revenues	23,080,974	1,708,362	24,789,336
OPERATING EXPENSES			
General and administrative	2,350,922	167,691	2,518,613
Construction	505,255	363,619	868,874
Water and sewer maintenance	1,143,953	-	1,143,953
Collection and distribution	8,585,541	-	8,585,541
Drainage maintenance	-	525,901	525,901
Depreciation	1,866,082	272,790	2,138,872
Nondepartmental	2,466,764	61,844	2,528,608
Franchise fees	1,400,000	132,000	1,532,000
Total operating expenses	18,318,517	1,523,845	19,842,362
Operating income	4,762,457	184,517	4,946,974
NON-OPERATING REVENUES (EXPENSES)			
Interest	456,102	64,880	520,982
Interest expense and bond issuance costs	(443,272)	(44,135)	(487,407)
Total non-operating expenses	12,830	20,745	33,575
Income before transfers	4,775,287	205,262	4,980,549
TRANSFERS IN (OUT)			
Transfers out	(460,000)	(120,000)	(580,000)
CHANGE IN NET POSITION	4,315,287	85,262	4,400,549
NET POSITION, BEGINNING	42,037,492	16,461,204	58,498,696
NET POSITION, ENDING	$ 46,352,779	$ 16,546,466	$ 62,899,245

The accompanying notes are an integral part of these financial statements.

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CITY OF HALTOM CITY, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Water and Sewer Fund	Drainage Fund	Total
Cash flows from operating activities			
Receipts from customers and users	$ 23,500,534	$ 1,752,471	$ 25,253,005
Payments to suppliers	(14,094,681)	(927,979)	(15,022,660)
Payments to employees	(2,150,805)	(210,983)	(2,361,788)
Net cash provided by operating activities	7,255,048	613,509	7,868,557
Cash flows from noncapital financing activities			
Transfer to governmental funds	(460,000)	(120,000)	(580,000)
Net cash provided (used) by noncapital financing activities	(460,000)	(120,000)	(580,000)
Cash flow from capital and related financing activities			
Debt principal payments	(1,881,258)	(240,000)	(2,121,258)
Interest payments	(492,351)	(45,160)	(537,511)
Purchases of property and equipment	(481,383)	(4,124)	(485,507)
Net cash used by capital and related financing activities	(2,854,992)	(289,284)	(3,144,276)
Cash flows from investing activities			
Interest on investments	414,852	60,507	475,359
Net cash provided (used) by investing activities	414,852	60,507	475,359
Net increase (decrease) in cash and cash equivalents	4,354,908	264,732	4,619,640
Cash and investments - beginning of year	15,917,444	2,462,490	18,379,934
Cash and investment - end of year	20,272,352	2,727,222	22,999,574
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	4,762,457	184,517	4,946,974
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,866,082	272,790	2,138,872
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	44,853	44,109	88,962
Decrease in inventory and prepaid	(8,517)	-	(8,517)
Increase in other postemployment assets	(10,968)	(2,251)	(13,219)
(Increase) decrease in deferred outflows of resources	(578,008)	(67,769)	(645,777)
Increase (decrease) in accounts payable and accrued expenses	87,566	73,898	161,464
Increase (decrease) in compensated absences	56,656	18,223	74,879
Increase (decrease) in deferred inflows of resources	(136,169)	(28,401)	(164,570)
Increase (decrease) in customer deposits	374,707	-	374,707
Increase in pension obligation	962,189	107,858	1,070,047
Increase in other postemployment obligation	(165,800)	10,535	(155,265)
Net cash provided by operating activities	7,255,048	613,509	7,868,557
Schedule of non-cash capital and financing activities:			
Decrease in fair value of investments	(4,339)	(578)	(4,917)

The accompanying notes are an integral part of these financial statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City adopted a Home Rule Charter on October 10, 1955 and operates under a Council/Manager form of government. The City Council consists of eight members: a mayor, and seven council members elected by the City's residents. All powers of the City are vested in an elected council that enacts local legislation, adopts budgets, determines policies, and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City.

The financial statements of the City of Haltom City, Texas (the "City") are presented in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

Financial Reporting Entity

The City's basis financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement No. 61 and defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either (a) the primary government must be able to impose its will, or (b) the primary government may potentially benefit financially or be financially responsible for the component unit.

Blended component units are part of the City's operations and therefore data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize it is legally separate from the City.

Based on these criteria, the financial information of the following entities is discretely presented as single columns in the government-wide financial statements. Separate financial statements for the Economic Development Corporation and the Crime Control District are not prepared.

Haltom City Economic Development Corporation (the "Corporation") was incorporated on September 11, 1995 under the Development Corporation Act of 1979. The Corporation is used to account for the accumulation and use a half-cent sales tax proceeds and is legally separate from the City. The Corporation operates under a seven-member Board of Directors appointed by the City Council. The majority of the Board consists of non-council members. The Corporation was created to stimulate economic development activities within the City. The City is able to impose its will on the Corporation. The Corporation does not provide services entirely, or almost entirely, to the primary government or exclusively benefits the primary government. Complete financial statements for the component unit may be obtained at the City's office; 5024 Broadway Avenue, Haltom City, Texas.

Haltom City Crime Control and Prevention District (the "District") was officially created on November 13, 1995 with the provision of Chapter 323, as amended, Texas Tax Code and the Act. The District is used to account for the accumulation and use of half-cent sales tax proceeds designed for crime reduction and is legally separate from the City. The District operates under a seven-member Board of Directors appointed by the City Council. The Board consists of non-council members. The City is able to impose its will on the District. The District does not provide services entirely, or almost entirely, to the primary government or exclusively benefit the primary government. Complete financial statements for the component unit may be obtained at the City's office; 5024 Broadway Avenue, Haltom City, Texas.

Resource flows (except those that affect the statement of net position only, such as loans and repayments) between the primary government and the discretely presented component units are reported as external transactions – that is, as revenues and expenses.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary activities are not reported in the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statement for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Elimination of these shares would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are represented as general revenues.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major fund rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue such as property taxes, sale tax, franchise tax, and charges for service to be available if they are collected within 60 days of the end of the current fiscal period. Permits and municipal court fines and fees are not susceptible to accrual because generally they are not measureable until received in cash. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measureable.

The following is a brief description of the major funds used by the City:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of financial resources. The City reported the following major governmental funds:

The ***General Fund*** is the primary operating fund of the City. It is used to account for all financial resources except those required to be account for in another fund.

The ***Debt Service Fund*** is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs from taxes levied by the City.

The ***Street Reconstruction Fund*** is a capital project fund used to account for projects financed with resources from governmental funds and tax-supported debt. Proceeds are used for construction, renovation, and major improvement to various City facilities, and other large non-recurring projects.

The ***Capital Improvement Fund*** is a capital project fund used to account for projects financed with resources from governmental funds and tax-supported debt. Proceeds are used for construction, renovation, and major improvement to various City facilities, and other large non-recurring projects.

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City has presented the following proprietary funds.

The ***Water and Sewer Fund*** is used to account for the City's water and sewer operations that are financed and operated in a manner similar to private business enterprise – where the intent is that costs (expenses including depreciation) of providing services are financed or recovered through user charges.

The ***Drainage Fund*** is used to account for the City's storm water management program.

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

There were no non-major proprietary funds for the fiscal year ended September 30, 2019.

Cash, Cash Equivalents, and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Interest income relating to consolidated investments is allocated to the individual funds monthly based on the funds' prorated share of the investment principal, which was allocated to the funds based on the funds' prorated cash balance at the date the investment was purchased.

For purposes of reporting cash flows, Enterprise Funds consider cash and all highly liquid investments with maturity of three months or less to be cash equivalents.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the City are reported at fair value, except for the position in investment pools.

Excess cash may be invested in certificates of deposit, United States treasury bills, notes, and bonds, government agencies, repurchase agreements, Texas local government investment pools, and local government general obligation or revenue bonds. Maturities on all investments are consistent with the City's cash flow requirements.

Inventories and Prepaid Items

Inventories consist of expendable supplies and automotive parts held for consumption. Inventories are valued at cost, which approximates market, using the first-in/first-out method. Inventories are recognized as expenditures as they are consumed.

Payments made to vendors for services that will benefit periods subsequent to September 30, 2018 are recorded as prepaid items.

Interfund Receivables/Payables and Transactions

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financials statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at historical records are available and at an estimated historical cost where not historical records exist. Donated capital assets are recorded at acquisition value, which is the price to acquire an asset with equivalent service potential at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Intangible assets with definite lives are recorded at cost and amortized over the useful lives. Intangible assets with indefinite lives are recorded at cost and no amortization is taken. Intangible assets of the City consist of right of ways and easements.

Depreciation is recorded for each major class of depreciable property utilizing the straight-line method over the following estimated useful lives of the assets:

Buildings	50 years
Waterworks and sewer system	10-50 years
Improvements other than building	10-30 years
Machinery and equipment	3-10 years

Capitalization of Interest

The City capitalizes interest costs for business-type activities only from the date of the borrowing until projects acquired with those funds are ready for their intended use. The total interest incurred for the year ended September 30, 2019, in the enterprise funds was $477,121. Of these amounts, $15,548, in interest costs were capitalized as capital assets as part of the cost of constructing various projects.

Accrued Vacation/Compensated Absences

Accrual of Vacation Leave: The following table outlines the accrual rates, maximum accrual rates and maximum payout rates for various years of service. Appointed employees are not restricted by the maximum hour accumulation of vacation provision, but the maximum hours paid at termination after the effective date of this policy will be governed as set forth below.

Non-sworn Employee Months of Service	Monthly Accrual of Hours	Annual Equivalent Hours	Maximum Hour Accumulation	Maximum Hours Paid at Termination
Initial employment through completion of year four	6.67	80	160	120
Year five through completion of year nine	10	120	240	180
Beginning of year ten	13.33	160	320	240

Sworn Civil Service Working Regular Shifts Months of Service	Monthly Accrual of Hours	Annual Equivalent Hours	Maximum Hour Accumulation	Maximum Hours Paid at Termination
Initial employment through completion of year nine	10	120	240	180
Beginning of year ten	13.33	160	320	240

Sworn Civil Service Working 24-Hour Shifts Months of Service	Monthly Accrual of Hours	Annual Equivalent Hours	Maximum Hour Accumulation	Maximum Hours Paid at Termination
Initial employment through completion of year nine	14	168	336	252
Beginning of year ten	20	240	480	360

Termination: Upon termination, an employee who has completed the probationary period will be paid his/her unused accrued vacation leave up to 1.5 times the annual accrual. Appointed employees with accruals above 1.5 times the annual accrual as of April 1, 2011, will have the excess hours (those hours above 1.5 the employee's annual accrual) transferred to a separate account (for accounting purposes). The excess hours transferred will not be allowed to increase at any time. The excess hours transferred may be used by an employee if all other accrued vacation leave is exhausted. Upon termination, appointed employees will be paid in accordance with the non-sworn employees chart, above, based upon length of service. Upon termination, the appointed employee will also be paid for any remaining excess vacation hours that were transferred to the separate account for accounting purposes.

Maximum Accumulation: Vacation leave hours will not accrue beyond the maximum limits outlined in this policy. Once at the maximum, an employee will not accrue vacation leave until the leave balance is reduced below the maximum accrual. After the employee's leave balance is below the maximum, the employee will resume accruals, but there will be no retroactive accruals.

Sick Leave Accumulation: A regular full-time employee accrues eight (8) hours of sick leave each month for an annual accrual of 96 hours. An employee who enters employment before the 16th or terminates employment after the 15th of any month shall accrue eight (8) hours of sick leave for that month.

Annual Sick Leave Payout: In November of each year, an eligible employee will be paid for all accrued sick leave in excess of 240 hours. In order to be eligible for the payout, an employee must be employed by the City on the day the payout is distributed. The payout will be made at the hourly rate in effect on the last day of the pay period prior to the checks being issued. Firefighters working 24-hour shifts will be paid the pay plan step rate associated with an employee working 2080 hours per year.

Vested compensated absences (unpaid to employees terminated before year-end) that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated benefits within proprietary funds, and for governmental activities at the government-wide level, are recorded as an expense and liability of those funds as the benefits accrue to employees.

Pensions

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

Other Post-Employment Benefits

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

Retiree Health Care Plan. For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the City for benefits due and payable that are not reimbursed by plan assets. Information regarding the City's total OPEB liability is obtained from a report prepared by a consulting actuary, Gabriel Roeder Smith & Company.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

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

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

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

- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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 an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

- Unavailable revenues related to property taxes, court fines, and street assessments.

- The difference in expected and actual pension and OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in the spendable form (such as inventory) or are required to be maintained intact;

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision, or by enabling legislation;

- Committed fund balances – amounts constrained to specific purposes by a government itself, using its highest level of decision – making authority (ordinance); 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;

- Assigned fund balance – this classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Charter gives the City Council the authority to constrain amounts to be used for a specific purpose or to delegate this responsibility to the City Manager.

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentive). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt services, or for other purposes).

The City maintains an unallocated fund balance to be used for unanticipated emergencies of at least 20% of the expenditure budgets of the major operation fund (General, Water & Sewer, and Drainage Utility Funds).

When fund balance resources are available for a specific purpose more than one classification, it is the City's policy to use the most restrictive funds first in the following order; restricted, committed, assigned, and unassigned as they are needed.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitation imposed on their use either through the enabling legislations adopted by the City of through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, Debt Service, and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for all funds.

The City Manager submits to the City Council, not less than 45 days prior to the beginning of each fiscal year, a proposed budget for most City funds. At the meeting of the City Council at which the budget is submitted, the City Council establishes the time and place of the public hearing on the budget and publishes a notice of the budget hearing. Upon adoption, the budget is filed with the City Secretary for public inspection.

During the fiscal year, the City Manager authorized to transfers budgeted amount between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budget amendments were made during the year and appropriately approved by the City Council. Unused appropriations lapse at year-end.

III. BANK DEPOSITS AND INVESTMENTS

Bank Deposits

The City's funds (exclusive of the Postemployment Benefits Trust) are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with its agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The City's deposits were fully insured or collateralized as required by States statutes as of September 30, 2019. The collateral is held in the City's name by the Federal Reserve Bank of Dallas, an agent of the City's financial institution.

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the following table as of September 30, 2019:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	3 years	100%	None
U.S. Agency obligations	3 years	75%	None
State of Texas securities	3 years	75%	None
Certificates of deposit	3 years	50%	None
Repurchase agreements	3 years	50%	None
No-load money market mutual fund:	3 years	50%	None
Public funds investment pool	N/A	70%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of September 30, 2019 are classified in the accompanying financial statement as follows:

Governmental activities	$ 38,926,374
Business-type activities	22,999,574
Total primary government	61,925,948
Economic development	1,767,819
Crime Control District	1,639,414
Total component units	3,407,233
Total	$ 65,333,181

Cash and investments as of September 30, 2019 consist of the following:

Cash deposits	$ 6,775,587
Investments	58,557,594
Total	$ 65,333,181

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. One of the ways that the City managers its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. City policy limits the weighted average maturity of its portfolio to a period less than 720 days. Presented below is the weighted average maturity in days of the types of investment the City held at September 30, 2019.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assigned of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

As of September 30, 2019, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity (Days)	Minimum Legal Rating	Rating
TexPool	$ 128,464	38	AAA	AAAm
Texas CLASS	12,067,352	3	AAA	AAAm
Texas Term	446,305	34	AAA	AAAf
Certificate of deposits	8,461,861	77	N/A	N/A
FHLB	9,999,948	97	AA	AA+
FFCB	2,996,276	38	AA	AA+
FHLMC	13,995,799	125	AA	AA+
FNMA	2,497,924	3	AA	AA+
Municipal bonds	7,963,665	1	AA	AA-/AA3 or higher
Total	$ 58,557,594			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2019:

- $3,996,332 valued using a documented trade history in exact security (Level 1 inputs).
- $10,006,155 valued using a documented trade history in exact security (Level 2 inputs).
- $22,174,437 are valued using an option-adjusted discounted cash flow model (Level 2 inputs).
- $9,724,314 are valued using a present value of expected future cash flow model (Level 2 inputs).

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2019, other than external investment pools and securities guaranteed by the U.S. Government, the City did not have 5% or more of its investment with one issuer. The City's investment policy allows up to 100% to be invested in U.S. Treasury Bills/Notes/Bonds, and U.S. Agencies and Instrumentalities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the vent of the failure of a depository financial institution, a government will not be able to receive its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2019, the City deposits with financial institutions in excess of federal depository insurance limits are fully collateralized.

Investment in State Investment Pools

The City is a voluntary participant in various investment pools. These pools included the following: TexPool, Texas Term, and Texas CLASS.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. TexPool has a redemption period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets general banking moratorium or national state of emergency that affects the pool's liquidity.

Texas Term is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. A seven-member advisory board governs the Pool. As required by the Public Funds Investment Act, the Advisory Board is composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Under agreement with the Texas Term Advisory Board, PFM Asset Management LLC provides administrative and investment services to the pool. The Pool purchases only investments of the type in which Texas local governments are permitted to invest their own funds. The fair value of the position in Texas Term is the same as the value of Texas Term shares. Texas Term has a redemption period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets general banking moratorium or national state of emergency that affects the pool's liquidity.

The Texas CLASS investment pool was organized in March 1996 in accordance with the Texas Public Funds Investment Act and Texas Government Code. MBIA Municipal Investors Service Corp. serves as investment adviser and administrator to the Pool. All investments are made in securities that are allowed by the Texas Public Funds Investment Act and are overseen by a Texas CLASS participant board of directors. The board is made up of seven trustees and seven advisory positions, which meet twice a year with one participant meeting, held annually. The board has the power to administer the affairs of the Pool and to enter into controls and agreements on behalf of the Pool. Texas CLASS also has a fair value position that is the same as the value of its shares. Texas CLASS has a redemption period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets general banking moratorium or national state of emergency that affects the pool's liquidity.

IV. RECEIVABLES

Accounts receivable and the related allowance for doubtful accounts for the governmental funds and the enterprise funds at September 30, 2019 are as follows:

Fund	Accounts Receivable	Allowance for Doubtful Accounts	Accounts Receivable, Net
Governmental	$ 7,522,036	$(3,438,224)	$ 4,083,812
Enterprise	3,185,391	(167,157)	3,018,234
Total	$ 10,707,427	$(3,605,381)	$ 7,102,046

V. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 and are levied for appropriation for the fiscal year beginning on October 1. Property taxes are accrued based on the period for which they are levied and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year-end are recorded as deferred revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue in the period to which they apply. Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as provided by City ordinance and the Texas Property Tax Code. The City's charter provide that general property taxes are limited to $1.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation bonds. Article XI, Section 5 of the State of Texas Constitution limits property taxes for cities, including those applicable to debt service, to $2.50 per $100 of assessed valuation. The City's 2019 tax rate was $0.653000 per $100 of assessed valuation.

VI. CAPITAL ASSETS

The following is a summary of changes in the governmental activities capital assets during the fiscal year ended September 30, 2019:

	9/30/2018	Additions	Deletions	9/30/2019
Capital assets, not being depreciated:				
Land	$ 18,846,739	$ -	$ -	$ 18,846,739
Construction in progress	2,348,023	732,016	-	3,080,039
Total capital assets not being depreciated	21,194,762	732,016	-	21,926,778
Capital assets, being depreciated:				
Buildings	18,179,525	913,449	-	19,092,974
Improvements other than building	90,435,027	241,262	-	90,676,289
Machinery and equipment	13,818,488	1,840,759	(719,837)	14,939,410
Total capital assets being depreciated	122,433,040	2,995,470	(719,837)	124,708,673
Less accumulated deprecation for:				
Buildings	(8,667,519)	(710,208)	-	(9,377,727)
Improvements other than building	(42,216,369)	(2,382,888)	-	(44,599,257)
Machinery and equipment	(10,177,680)	(261,561)	719,837	(9,719,404)
Total accumulated deprecation	(61,061,568)	(3,354,657)	719,837	(63,696,388)
Total capital assets being depreciated, net	61,371,472	(359,187)	-	61,012,285
Governmental capital assets, net	$ 82,566,234	$ 372,829	$ -	$ 82,939,063

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 108,173
Public safety	331,291
Highway and streets	2,286,315
Culture and recreation	628,878
Total	$ 3,354,657

The following is a summary of the changes is business-type activities capital assets during the fiscal year ended September 30, 2019:

	9/30/2018	Additions	Transfers/ Deletions	9/30/2019
Capital assets, not being depreciated:				
Land	$ 6,125,273	$ -	$ -	$ 6,125,273
Construction in progress	4,248,091	157,756	-	4,405,847
Total capital assets not being depreciated	10,373,364	157,756	-	10,531,120
Capital assets, being depreciated:				
Building and improvements	10,585,874	24,291	-	10,610,165
Machinery and equipment	6,152,648	61,193	(402,607)	5,811,234
Water works and sewer system	68,509,151	245,267	-	68,754,418
Total capital assets being depreciated	85,247,673	330,751	(402,607)	85,175,817
Less accumulated depreciation for:				
Buildings and improvements	(3,529,166)	(1,414,161)	-	(4,943,327)
Machinery and equipment	(5,732,183)	94,220	402,607	(5,235,356)
Water works and sewer system	(24,680,118)	(818,931)	-	(25,499,049)
Total accumulated depreciation	(33,941,467)	(2,138,872)	402,607	(35,677,732)
Total capital assets being depreciated, net	51,306,206	(1,808,121)	-	49,498,085
Total business-type capital assets, net	$ 61,679,570	$(1,650,365)	$ -	$ 60,029,205

Interest incurred in 2019 during the construction phase of proprietary fund assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capitalized interest of $14,152 and $1,396 has been recorded for the water sewer and drainage funds, respectively.

VII. INTERFUND TRANSACTIONS

In 2019, the General Fund charged the Water and Sewer Proprietary Fund and the Drainage Utility Proprietary Fund a franchise fee equal to 8.5% of gross revenues based upon budgeted amounts. The franchise fee is recorded as tax revenue by the General Fund and an operating expense by both the Water and Sewer Fund and Drainage Utility Fund. The amount of the franchise fees charged in 2018 are as follows:

Fund	Franchise Fees
Water and Sewer Proprietary Fund	$ 1,400,000
Drainage Utility Proprietary Fund	132,000
Total	$ 1,532,000

The General Fund charges various funds an administrative fee for certain general and administrative services. Administrative charges are recorded as service revenue by the General Fund and operating expenses by the paying funds. The 2019 administrative fees were as follows:

Fund	Administrative Charges
Water and Sewer Fund	$ 780,000
Drainage Utility Fund	160,000
Total	$ 940,000
Discretely Presented Component Units	
Crime Control Prevention District	$ 39,600
Total	$ 39,600

Interfund transfers during the year ended September 30, 2019 were as follows:

Transfer from:	Transfer to:	Amount
General Fund	Debt Service	$ 830,488
General Fund	Nonmajor Governmental Funds	500,000
Nonmajor Governmental Funds	General Fund	88,200
Streets Reconstruction	General Fund	900,000
Water and Sewer	General Fund	460,000
Drainage	General Fund	120,000
Total		$ 2,898,688

Transfers are primarily used to move funds from:

- The Water and Sewer and Drainage Utility Fund to the General Fund for a payment in lieu of taxes.
- The Juvenile Case Fund to the General Fund to reimburse for a case manager that is paid out of the General Fund.
- The Court Security Fund to the General Fund to cover part of the salary and benefits for the Marshals.
- The Court Technology Fund to the General Fund to pay for a portion of the interest and principal payments related to a certificate of obligation.
- The General Fund to the Capital Replacement Fund for future purchase of vehicles and equipment.

Interfund receivables, payables, and transfers are reported in the governmental activities and business-type activities fund financial statements. In the entity-wide statements, interfund receivables, payables, and transfers are eliminated within the governmental and business-type activities columns, as appropriate.

VIII. LONG-TERM LIABILITIES

Changes in Outstanding Debt

During the year ending September 30, 2019, the following changes in liabilities occurred:

	9/30/2018	Increases	Reductions	9/30/2019	Due Within One Year
Governmental Activities:					
Certificates of obligation	$ 5,660,000	$ -	$ 640,000	$ 5,020,000	$ 625,000
Tax notes	455,000	-	230,000	225,000	225,000
General obligation bonds	26,820,000	7,460,000	3,930,000	30,350,000	3,985,000
Premium on bond issuances	705,285	526,665	127,015	1,104,935	-
Capital leases	756,316	600,329	225,619	1,131,026	333,505
Compensated absence obligations	3,855,704	1,879,428	2,840,985	2,894,147	578,829
	$ 38,252,305	$ 10,466,422	$ 7,993,619	$ 40,725,108	$ 5,747,334
Business-Type Activities:					
General obligation refunding bonds	$ 4,910,000	$ -	$ 1,340,000	$ 3,570,000	$ 760,000
Certificates of obligation	13,630,000	-	760,000	12,870,000	960,000
Premium on bond issuances	528,554	-	61,055	467,499	-
Compensated absences	225,804	219,177	144,298	300,683	60,136
	$ 19,294,358	$ 219,177	$ 2,305,353	$ 17,208,182	$ 1,780,136
Crime Control District:					
Compensated absences	$ 4,937	$ 16,554	$ 230	$ 21,261	$ 4,252
Total crime control district	$ 4,937	$ 16,554	$ 230	$ 21,261	$ 4,252

The ordinances authorizing the issuance of the Combination Tax and Limited Pledge Revenue Certificates of Obligation, and the General Obligation Refunding Bonds require that the City's ad valorem tax revenues be enough to generate net revenues sufficient to provide for the payment of the debt service requirements of the bonds issued. The City is in compliance with all requirements of the ordinances for the year ended September 30, 2019.

The liability for compensated absences is fully liquidated by the fund in which the employee was employed upon retirement.

The City's direct borrowings (capital leases) related to governmental activities are secured with equipment as collateral. The City's revenue bonds are collateralized by the revenue of the combined utility system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used, first, to pay operating and maintenance expenses of the system and, second, to establish and maintain the revenue bond funds.

Should the City default on its outstanding bonds, any registered owner of the bonds is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring specific performance from the City.

Long-term debt of the City consists of refunding bonds, certificates of obligation, contractual obligations, tax notes, and obligations under compensated absence agreements. At September 30, 2019, total outstanding bonds and tax notes consisted of the following:

	Governmental Activities	Due Within One Year	Business-Type Activities	Due Within One Year
$2,000,000 Series 2006 General Obligation Bonds, dated September 25, 2006; due in annual installments of $50,000 to $140,000; through February 1, 2025; interest at 4.00%	$ 725,000	$ 100,000	$ -	$ -
$5,450,000 Series 2006 Certificates of Obligation, dated September 25, 2006; due in annual installments of $180,000 to $490,000; through February 1, 2026; interest at 4.00%	450,000	55,000	1,620,000	200,000
$1,850,000 Series 2006 General Obligation Refunding Bonds, dated November 1, 2006; due in annual installments of $15,000 to $210,000; through February 1, 2020; interest at 3.84%	210,000	210,000	-	-
$6,500,000 Series 2007 Certificates of Obligation, dated October 18, 2007; due in annual installments of $250,000 to $635,000; through February 1, 2027; interest at 3.90%	2,085,000	225,000	425,000	45,000
$3,795,000 Series 2010 Certificates of Obligation, dated September 2, 2010; due in annual installments of $175,00 to $725,000; through February 1, 2030; interest at 2.00% to 4.00% issued at a premium of $87,364	-	-	2,370,000	175,000

	Governmental Activities	Due Within One Year	Business-Type Activities	Due Within One Year
$5,385,000 Series 2010 General Obligation Refunding Bonds, dated October 7, 2010; due in annual installments of $30,000 to $280,000; through February 1, 2022, interest at 2.00% to 4.00% issued at a premium of $96,607	755,000	290,000	370,000	185,000
$2,345,000, Series 2011 Combination Tax and Limited Pledge Revenue Certificates of Obligation, dated August 22, 2011; due in annual installments of $125,000 to $235,000; through February 1, 2026; interest at 2.00% to 3.50%, issued at a premium of $29,831	875,000	125,000	-	-
$7,655,000, Series 2011 General Obligation Bonds, dated April 11, 2011; due in annual installments of $75,000 to $685,000; through February 1, 2032; interest at 3.75% at 4.35%, issued at a premium of $32,247	6,565,000	190,000	-	-
$4,380,000, Series 2012 Combination Tax and Limited Pledge Revenue Certificates of Obligation, dated August 15,2012; due in annual installments of $150,000 to $340,000; through February 1, 2032; interest at 2.00% to 3.00%, issued at a premium of $113,275	135,000	45,000	2,120,000	140,000
$3,615,000 Series 2012 General Obligation Refunding Bonds, dated February 1, 2012; due in annual installments of $40,000 to $285,000; through February 1, 2028, interest at 2.00% to 3.00%, issued at a premium of $264,753	1,635,000	160,000	350,000	115,000
$2,995,000 Series 2013 General Obligation Bonds, dated April 11, 2013; due in annual installments of $100,000 to $220,000; through February 1, 2033, interest at 3.00% to 3.50%, issued at a premium of $79,715	2,395,000	105,000	-	-
$2,300,000 Series 2013 Combination Tax and Limited Pledge Revenue Certificates of Obligation, dated April 1, 2013; due in annual installments of $100,000 to $175,000; through February 1, 2033, interest at 3.00% to 3.50%, issued at a premium of $108,245	1,475,000	175,000	-	-

	Governmental Activities	Due Within One Year	Business-Type Activities	Due Within One Year
$2,035,000 Series 2013 Tax Notes, dated August 15, 2013; due in annual installments of $225,000 to $355,000; through February 1, 2020, interest at 2.50%, issued at a premium of $69,494	225,000	225,000	-	-
$4,955,000 Series 2013 General Obligation Refunding Bonds, dated December 19, 2013; due in annual installments of $420,000 to $495,000; through February 1, 2025, interest at 2.29%, issued at par value	2,800,000	430,000	-	-
$3,900,000 Series 2014 General Obligation Refunding Bonds, dated May 14, 2014; due in annual installments of $50,000 to $455,000; through February 1, 2029, interest at 2.16%, issued at par value	525,000	55,000	2,075,000	390,000
$1,575,000 Series 2014 General Obligation Bonds, dated September 25, 2014; due in annual installments of $105,000; through September 30, 2029, interest at 2.39%, issued at par value	1,050,000	105,000	-	-
$7,970,000 Series 2017 General Obligation and Refunding Bonds, dated January 9, 2017; due in annual installments of $530,000 to $965,000; through August 1, 2028; interest at 3.00% to 4.00%	5,235,000	550,000	775,000	70,000
$2,860,000 Series 2018 General Obligation due 2/1/2023	995,000	240,000	-	-
$6,720,000 Series 2018 Non BQ, Water Meter CO's due 2/1/2032	-	-	6,335,000	400,000
$7,460,000 Series 2019 General Obligation Bond, due 2/1/2034	7,460,000	1,550,000	-	-
Premium on issuance of debt	1,104,935	-	454,994	-
Total bonds and notes outstanding	$ 36,699,935	$ 4,835,000	$ 16,894,994	$ 1,720,000

Repayment of Long-Term Obligations

Retirement of the notes, bonds, certificates of obligation, and contractual obligations used in governmental activities is provided from taxes allocated for debt service together with interest earned within the debt service fund. Revenue bonds are retired from net revenues of the enterprise fund and certain certificates of obligation and tax notes are retired through sales taxes. The retirement of compensated absences are provided by financial resources of the general and proprietary funds.

Annual debt service requirements to amortize all obligations outstanding, except employee benefits, as of September 30, 2019, follow:

Governmental Activities

Due Fiscal Year Ending	General Obligation Refunding Bonds	General Obligation Bonds	Certificate of Obligation	Tax Notes	Interest	Total
2020	$ 1,695,000	$ 2,290,000	$ 625,000	$ 225,000	$ 1,352,254	$ 6,187,254
2021	1,885,000	2,730,000	565,000	-	1,004,129	6,184,129
2022	1,440,000	1,280,000	575,000	-	846,383	4,141,383
2023	1,255,000	1,325,000	545,000	-	741,816	3,866,816
2024	1,265,000	1,150,000	555,000	-	724,659	3,694,659
2025-2029	3,620,000	5,845,000	1,755,000	-	1,796,446	13,016,446
2030-2034	-	4,570,000	400,000	-	454,016	5,424,016
Total	$ 11,160,000	$ 19,190,000	$ 5,020,000	$ 225,000	$ 6,919,703	$ 42,514,703

Business-Type Activities

Due Fiscal Year Ending	General Obligation Refunding Bonds	Certificate of Obligation	Interest	Total
2020	$ 765,000	$ 960,000	$ 506,568	$ 2,231,568
2021	755,000	995,000	453,012	2,203,012
2022	575,000	1,030,000	400,554	2,005,554
2023	465,000	1,065,000	352,684	1,882,684
2024	455,000	1,105,000	305,780	1,865,780
2025-2029	555,000	5,190,000	848,144	6,593,144
2030-2032	-	2,525,000	108,190	2,633,190
Total	$ 3,570,000	$ 12,870,000	$ 2,974,932	$ 19,414,932

Component Units

There are no debt service requirements for debt obligations for the Economic Development and Crime Control District funds.

Defeased Bonds Outstanding

In years past, the City issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity. The City has no outstanding defeased debt as of September 30, 2019.

Reserve Requirement

Water and Sewer System Revenues bond ordinances establish a Reserve Fund that must be maintained by the City. The total amount to be accumulated in the Reserve Fund is the average principal and interest on said bonds or equal parity bonds. The City issued surety bond insurance policies for the substitution of the reserve requirement as set forth in the bond ordinances. These bonds were paid off during 2014.

As of September 30, 2019, the City had no general obligation bonds which were authorized and unissued.

Obligations Under Capital Leases

In the current year, the City entered into lease agreements as lessee for financing the acquisition of various vehicles valued at $600,329. The vehicles have lease terms from 4 to 5 years each with an interest rate of 2.33%. The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2019 are as follows:

	Governmental Activities
Equipment	$ 1,414,162
Less: accumulated depreciation	(225,151)
Total	$ 1,189,011

Future minimum lease payments for capital leases obligations are as follows:

Fiscal Year Ending	Governmental Activities
2020	$ 400,423
2021	400,423
2022	356,336
2023	223,148
2024	112,714
Amount representing interest	(362,018)
Present value of future minimum capital lease payments	$ 1,131,026

IX. DEFINED BENEFIT PENSION PLAN

Plan Descriptions. 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.

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

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

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

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:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating transfers
Annuity increases (to retirees)	70% of CPI Repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	205
Inactive employees entitled to but not yet receiving benefits	174
Active employees	254
Total	633

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year, respectively. The contribution rates for the City were 19.02% and 19.16% in calendar years 2019 and 2018, respectively. The City's total contributions to TMRS for the year ended September 30, 2019, were $3,550,765, and $300,000 more than 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	3.50% to 10.50%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

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

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2017	$ 118,065,607	$ 100,688,924	$ 17,376,683
Changes for the year:			
Service cost	2,931,913	-	2,931,913
Interest	7,899,680	-	7,899,680
Difference between expected and actual experience	(730,857)	-	(730,857)
Contributions - employer	-	3,169,004	(3,169,004)
Contributions - employee	-	1,168,758	(1,168,758)
Net investment income	-	(3,016,539)	3,016,539
Benefit payments, including refunds of employee contributions	(4,998,533)	(4,998,533)	-
Administrative expense	-	(58,291)	58,291
Other changes	-	(3,044)	3,044
Net changes	5,102,203	(3,738,645)	8,840,848
Balance at 12/31/2018	$ 123,167,810	$ 96,950,279	$ 26,217,531

The net pension liability for governmental activities is primarily liquidated by the General Fund.

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

	1% Decrease in Discount Rate (5.75%	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 44,007,756	$ 26,028,765	$ 11,341,512
Component unit's net pension liability	319,154	188,766	82,251
Total	$ 44,326,910	$ 26,217,531	$ 11,423,763

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the City recognized pension expense of $4,484,758. 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 of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 71,285	$ 745,572
Changes in actuarial assumptions	-	43,709
Difference between projected and actual investment earnings	5,175,253	-
Contributions subsequent to the measurement date	2,606,981	-
Total	$ 7,853,519	$ 789,281

For the year ended September 30, 2019, the discretely presented component unit recognized pension expense of $32,524. At September 30, 2019, the discretely presented component unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 517	$ 5,407
Changes in actuarial assumptions	-	317
Difference between projected and actual investment earnings	37,532	-
Contributions subsequent to the measurement date	18,908	-
Total	$ 56,957	$ 5,724

For the City and component unit, $2,606,981 and $18,908, respectively, are reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	City	Component Unit
2020	$ 1,550,216	$ 11,243
2021	479,243	3,476
2022	503,852	3,654
2023	1,923,946	13,952
Total	$ 4,457,257	$ 32,325

X. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

TMRS Supplemental Death Benefits Fund

Plan Description. The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided. Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit and is a fixed amount of $7,500.

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

Inactive employees or beneficiaries currently receiving benefits	132
Inactive employees entitled to but not yet receiving benefits	34
Active employees	254
Total	420

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2019 and 0.18% for 2018, of which 0.02% and 0.02%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's retiree-only portion of contributions to the SDBF for the years ended September 30, 2019 and 2018 were $8,616 and $7,817, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability. The City's total OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

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

Measurement year ended December 31,	2018
Inflation rate	2.50% per annum
Actuarial cost method	Entry Age Normal Method
Discount rate	3.71
Projected salary increases	3.50% to 10.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS pension trust fund and are wholly accounted for under provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

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

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.31% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2018.

Discount Rate Sensitivity Analysis. The following presents the Total OPEB Liability of the City and discretely presented component unit, calculated using the discount rate of 3.71%, as well as what the City's and discretely presented component unit's total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB liability	$ 1,043,854	$ 885,445	$ 761,418
Component unit's total OPEB liability	7,570	6,421	5,522
Total	$ 1,051,424	$ 891,866	$ 766,940

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	$ 859,656
Changes for the year:	
Service cost	31,723
Interest	28,842
Differences between expected and actual experience	39,218
Changes of assumptions	(59,226)
Benefit payments	(8,347)
Net changes	32,210
Balance at 12/31/2018	$ 891,866

The total OPEB liability for governmental activities is primarily liquidated by the General Fund.

Changes in actuarial assumptions and other inputs reflect a change in the discount rate from 3.31% to 3.71%.

OPEB Expense and Deferred Outflows of Resources Related to OPEB. For the year ended September 30, 2019, the city recognized OPEB expense of $67,719. At September 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 32,635	$ -
Changes in actuarial assumptions	45,160	49,285
Contributions subsequent to the measurement date	6,135	-
Totals	$ 83,930	$ 49,285

For the year ended September 30, 2019, the component unit recognized OPEB expense of $491. At September 30, 2019, the component unit reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 237	$ -
Changes in actuarial assumptions	328	359
Contributions subsequent to the measurement date	44	-
Totals	$ 609	$ 359

For the City and component unit, $28,510 and $206, respectively, were reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30	City	Component Unit
2020	$ 7,590	$ 55
2021	7,590	55
2022	7,590	55
2023	7,590	55
2024	(1,268)	(9)
Thereafter	(582)	(5)
Total	$ 28,510	$ 206

XI. OTHER POSTEMPLOYMENT BENEFITS

Post-retirement Health Care Benefits

Plan Description.

Full-time employees of the City who retire from the Texas Municipal Retirement System (TMRS) are eligible to participate in the retiree health care plan. The requirement as defined by TMRS is any age with 20 years of service or 5 years of service for age 60 and above. Under State law, the City must offer health insurance to full-time employees that retire through our pension system, the Texas Municipal Retirement System. This affords the option to continue insurance, but the retiree must pay the full premiums for coverage unless eligible for additional coverage as outlined below.

The City established by ordinance the healthcare plan that covers retired employees of the City. The City established an irrevocable trust and contracted with an administrator, Public Agencies Retirement Services (PARS), as well as a custodial bank, to manage the plan's assets. Because plan assets are pooled by PARS with those of other plans for investment, the City's plan assets meet the criteria of an agent multiple-employer plan under GASB Statement No. 75.

Benefits Provided.

A retiree who worked as a full-time employee for a minimum of twenty (20) years may receive up to $200 per month as reimbursement for retiree health care. The retiree can remain on the City's health plan and receive up to $200 per month or purchase insurance elsewhere and provide proof of coverage and cost in order to receive up to $200 per month for the cost of health care coverage.

If the actual monthly cost is less than $200 per month, then the payment is capped at the total monthly cost. The maximum contribution by the City with twenty years of full-time service is $200 per month.

For the fiscal year ended September 30, 2019, the City's contributions to the plan were $380,229, which exceeded benefit payments of $180,229

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

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	-
Active employees	253
Total	302

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2018
Actuarial Cost Method	Individual Entry Age Normal Cost Method
Discount Rate	6.49% as of December 31, 2018
Inflation Rate	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Participation Rates	85% for retirees with over 20 years of City service at retirement; 5% for retirees with less than 20 years of City service at retirement; and 60% of non-Medicare retirees are assumed to remain on the City's health plan.
Health care cost trend rates	Initial rates of 7.20%, declining to ultimate rate of 4.25% after 15 years. The City's $200/month explicit subsidy is not expected to increase in future years.
Note:	The Single Discount Rate changed from 6.82% as of December 31, 2017 to 6.49% as of December 31, 2018. The change in the discount rate was primarly due to changing the long-term expected rate of reurn from 6.85% to 6.50%. In addition, the participaton rate for for future non-medicare retirees on the City's health plan was lowered from 75% to 60% and the health care trend rates were updated to reflect the plan's anticipated experience.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

There is no separately issued audited benefit plan report available for the City's OPEB plan.

Discount Rate

A Single Discount Rate of 3.31% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date as well as the long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits). The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2017.

The asset portfolio of the OPEB trust can support a 6.85% long term rate of return. The City's funding policy is to contribute $200,000 every other fiscal year.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 12/31/2017	$ 6,183,129	$ 2,601,580	$ 3,581,549
Changes for the year:			
Service cost	187,980	-	187,980
Interest	421,954	-	421,954
Difference between expected and actual experience	(952,921)	-	(952,921)
Changes of assumptions	(240,446)	-	(240,446)
Contributions - employer	-	380,229	(380,229)
Contributions - employee	-	-	-
Net investment income	-	(125,895)	125,895
Benefit payments	(180,229)	(180,229)	-
Administrative expense	-	(7,893)	7,893
Other	-	(118,411)	118,411
Net changes	(763,662)	(52,199)	(711,463)
Balance at 12/31/2018	$ 5,419,467	$ 2,549,381	$ 2,870,086

The total OPEB liability for governmental activities is primarily liquidated by the General Fund.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.49%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (5.49%)	Discount Rate (6.49%)	1% Increase in Discount Rate (7.49%)
City's total OPEB Liability	$ 3,497,310	$ 2,849,421	$ 2,289,837
Component unit's total OPEB Liability	25,363	20,665	16,606
Total	$ 3,522,673	$ 2,870,086	$ 2,306,443

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the net OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's total OPEB Liability	$ 2,481,252	$ 2,849,421	$ 3,286,388
Component unit's total OPEB Liability	17,995	20,665	23,834
Total	$ 2,499,247	$ 2,870,086	$ 3,310,222

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

At September 30, 2019, the City reported a liability of $2,870,086 for its net OPEB Liability. The net OPEB Liability was determined by an actuarial valuation as of December 31, 2017. Update procedures were used to roll forward the total OPEB liability to December 31, 2018. For the year ended September 30, 2018, the City recognized OPEB expense of $449,310. There were no changes of benefit terms that affected measurement of the net OPEB liability during the measurement period.

Changes in assumptions and other inputs reflect a change in the blended discount rate from 6.79% to 6.82%.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience, liability	$ 31,461	$ 828,999
Changes in assumptions		224,525
Difference between expected and actual experience, assets	176,814	-
Contributions subsequent to the measurement date	123,697	-
Totals	$ 331,972	$ 1,053,524

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience, liability	$ 228	$ 6,012
Changes in assumptions	-	1,627
Difference between expected and actual experience, assets	1,282	-
Contributions subsequent to the measurement date	895	-
Totals	$ 2,405	$ 7,639

The City and discretely presented component unit reported $123,697 and $895 respectively, as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the City paid with own assets and will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	City	Component Unit
2020	$(105,430)	$(765)
2021	(105,430)	(765)
2022	(105,430)	(765)
2023	(83,190)	(603)
2024	(144,073)	(1,045)
Thereafter	(301,696)	(2,186)
Total	$(845,249)	$(6,129)

XII. RISK MANAGEMENT

The City is self-insured for workers compensation and general liability claims. Actual claims are billed directly to the fund that incurred the claim. An excess coverage insurance policy through Texas Municipal League Intergovernmental Risk Pool cover claims in excess of $25,000 for general, auto, law enforcement, and error/omissions liability, $1,000 for property claim damage, $10,000 for auto damage and $100,000 for workers compensation. As of September 30, 2019, the Risk Pool was self-sustaining, based on premiums charges, so that total contributions plus compounded earnings on these contributions will be sufficient to satisfy claims and liabilities and other expenses. Premiums are assessed based on the rates set by the Texas State Board of Insurance and may be adjusted, on an annual basis, by the Risk Pool's Board of Trustees for each participating political subdivision's experience. The City is not liable for payments beyond the annual contributions. There were no significant reductions in insurance coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three years.

Liabilities are reported when it is probably that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not report. Claim liabilities are calculated considering the effects of inflation, recent claim settlement rends, including frequency and amount of payouts and other economic and social factors. The liabilities are due within one year of the date of the statement of net position. Changes in the claims liability for fiscal year 2019 and 2018 are listed as follows:

	2019	2018
Claims payable, beginning of year	$ 578,717	$ 461,713
Current year claims and changes in estimates	285,064	193,731
Payments on claims	136,596	76,727
Claims payable, end of year	$ 727,185	$ 578,717

XIII. COMMITMENTS AND CONTINGENT LIABILITIES

In 2010, the City entered into a twenty-year contract for the purchase of water. Under the terms of the contract, the City is obligated to make a minimum annual payment, subject to adjustment under certain conditions as provided in the contract, of approximately $50,000. Payments under this contract were approximately $4,222,101 in 2019 and are included as operating expenses of the Water and Sewer Fund.

In 2018, the City entered into a twenty-year contract for the treatment and transportation of sanitary sewage. Payments under this contract are on a per connection basis and were approximately $3,893,996 in 2019 and are also included as operating expenses of the Water and Sewer Fund.

At September 30, 2019, the City was committed to several long-term construction contracts. The governmental funds were contractually committed to approximately $4,681,000; the business-type funds were committed to $4,023,000.

The City is a defendant in several legal actions involving various claims incident to the conduct of the City's operations. Management does not expect the City to suffer any material liability by reason of such actions.

The City has participated in a number of state and federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

XIV. RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government and the Corporation and the District during the year ended September 30, 2019:

Purpose		Amount
City provided funding to EDC for operations	$	980,000
Administration fees paid by EDC to primary government		39,600
Total	$	1,019,600

XV. PROPERTY TAX ABATEMENTS

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The abatement agreements authorize the appraisal district to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement.

XVI. 380 AGREEMENTS

At times when alternate incentives may be preferable to a tax abatement, the City Council has the authority under Chapter 380 of the Texas Local Government Code to create a custom incentive in order to accomplish specific economic development goals. These incentives are considered on a case-by-case basis and may be considered based on: a certain number of net new jobs with wages above the City's median household; the relocation of a company promoting growth of targeted industry clusters such as high-tech companies; aviation/aerospace industry, or supply chain clusters supporting the City's existing primary employers; incentives for businesses causing infill redevelopment or other desirable development objectives; and/or any other activity which the City Council determines meets a specific public purpose for economic development.

- Lasiter and Lasiter Plumbing – The Company can purchase plumbing supplies through a Texas Direct Payment Permit which generates local sales tax revenue for the City that would otherwise no be available to the City. The original agreement was dated March 2007. The agreement was extended in 2017 for another ten-year period. This agreement will expire on March 31, 2027. The tax rebate amount for the current fiscal year was $15,994.

- Hillshire Brands Company – In April 2016, the City Council approved a Chapter 380 agreement with the company requesting the City to provide financial assistance to expand the footprint of the building by approximately 5,700 square feet and provide significant updates to the freezing storage and product transfer equipment within the facility and to increase production in the facility. The proposed capital improvements to the facility are anticipated to cost approximately $24 million and will be constructed in four phases over three fiscal years beginning in 2016 and ending in 2018. Completion of the improvements shall be completed not later than December 31, 2018 and this agreement shall terminate on December 31, 2019. The agreement provides a 100% rebate on the increased tax of the improvements for three years. The City has not received any tax rebate request for this agreement.

- CC 820 Beach Grand LLC – In July 2018, the City Council approved a Chapter 380 agreement with the Company to construct upscale apartment complex on a 15-acre tract located with the City. The City provides incentive to promote a higher quality of development that benefits the citizens. The agreement provides a $290,000 grant for reimbursement for water improvements made by the company. There were no payments related to this agreement in the current fiscal year.

XVII. SUBSEQUENT EVENTS

During fiscal year 2019, the City outsourced its utility billing and collections processes to a third-party vendor. In November 2019, the City was notified that the third-party vendor was going out of business and would no longer be able to fulfill its contractual obligations. Because of this, the City took back over the utility billing and collections early of fiscal year 2020.

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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Financial Advisory Services
Provided By:

SAMCO Capital