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**HTS Continuing Disclosure Services**  
A Division of Hilltop Securities  
(See “Continuing Disclosure of Information” herein)

**PRELIMINARY OFFICIAL STATEMENT**

**Dated May 3, 2019**

**Ratings:**  
**S&P: “AA”/“A+” (Insured/ Uninsured)**  
(See “BOND INSURANCE” and  
“OTHER INFORMATION – Ratings”  
herein)

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under “Tax Matters – Tax Exemption” herein.

**THE CERTIFICATES WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS”  
FOR FINANCIAL INSTITUTIONS**

**\$12,070,000\***  
**TOWN OF HORIZON CITY, TEXAS**  
**(El Paso County)**

**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019**

**Dated Date: May 1, 2019**

**Due: August 15, as shown on page 2**

**Interest to Accrue from Date of Delivery**

**PAYMENT TERMS.** . . Interest on the \$12,070,000\* Town of Horizon City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2019 (the “Certificates”) will accrue from the date of delivery to the initial purchaser thereof (the “Date of Delivery”), and will be payable February 15 and August 15 of each year, commencing February 15, 2020, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “The Certificates - Book-Entry-Only System” herein. The initial Paying Agent/Registrar is Amegy Bank National Association, Houston, Texas (see “The Certificates - Paying Agent/Registrar”).

**AUTHORITY FOR ISSUANCE.** . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended and Chapter 1502, Texas Government Code, as amended, and constitute direct obligations of the Town of Horizon City, Texas (the “City”), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues of the System, as provided in the ordinance authorizing the Certificates (the “Ordinance”) (see “The Certificates - Authority for Issuance” and “The Certificates - Security and Source of Payment”).

**PURPOSE.** . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) designing, constructing, improving, and equipping municipal park and recreational facilities, including walking and jogging paths, illumination and lighting, and the acquisition of any necessary rights-of-way and/or land in connection therewith (collectively, the “Project”), and (ii) professional services rendered in relation to such projects and the financing thereof.



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 Assured Guaranty Municipal Corp. (“AGM”) (defined herein).

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**CUSIP PREFIX: 44042X**

**MATURITY SCHEDULE & 9 DIGIT CUSIP**

**See Schedule on page 2**

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**LEGALITY.** . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser of the Certificates identified below (the “Underwriter”) and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas, (see Appendix C, “Form of Bond Counsel’s Opinion”). Certain legal matters will be passed on for the Underwriter by Bracewell LLP, San Antonio, Texas, as Underwriter’s Counsel.

**DELIVERY.** . . It is expected that the Certificates will be available for delivery through DTC on June 11, 2019 (“Date of Delivery”).

**RAYMOND JAMES**

\* Preliminary, subject to change.

## MATURITY SCHEDULE\*

Principal Amount	Maturity (August 15)	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>	Principal Amount	Maturity (August 15)	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 155,000	2020				\$ 505,000	2032			
300,000	2021				530,000	2033			
335,000	2022				550,000	2034			
340,000	2023				575,000	2035			
355,000	2024				595,000	2036			
365,000	2025				620,000	2037			
380,000	2026				645,000	2038			
395,000	2027				670,000	2039			
415,000	2028				700,000	2040			
435,000	2029				725,000	2041			
460,000	2030				755,000	2042			
480,000	2031				785,000	2043			

**(Interest to accrue from the Date of Delivery)**

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P 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. Neither the City nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**OPTIONAL REDEMPTION.** . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Certificates - Optional Redemption”).

**MANDATORY SINKING FUND REDEMPTION . . .** In the event any of the Certificates are structured as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

\* Preliminary, subject to change.

AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX D- Specimen Municipal Bond Insurance Policy."

For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document, as the same may be supplemented or corrected from time to time, may be treated as an Official Statement with respect to the Certificates described herein deemed "final" by the City as of the date hereof (or of any supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of Rule 15c2-12.

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

No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the UNDERWRITER. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the 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.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the UNDERWRITER after the Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

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

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

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

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

**THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES 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 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. SEE "OTHER INFORMATION - FORWARD-LOOKING STATEMENTS DISCLAIMER."**

Neither this Official Statement nor any other statement made in connection with the offer of sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

## OFFICIAL STATEMENT SUMMARY

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

**THE CITY**..... The Town of Horizon City (the “City”) is a political subdivision of the State of Texas (the “State”) located in El Paso County. The City was incorporated in 1988. The City operates under a Mayor-Council form of government where the Mayor and seven Aldermen are elected for four-year terms. The City covers approximately 8.726 square miles.

**THE CERTIFICATES** ..... The \$12,070,000\* Town of Horizon City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2019 (the “Certificates”) are issued as serial certificates maturing August 15 in each of the years 2020 through 2043, unless the Underwriter designates one or more maturities as Term Certificates (see “The Certificates - Description of the Certificates”).

**PAYMENT OF INTEREST** ..... Interest on the Certificates accrues from the Date of Delivery (as defined on the cover page hereof), and is payable February 15, 2020, and each August 15 and February 15 thereafter until maturity or prior redemption (see “The Certificates - Description of the Certificates”).

**AUTHORITY FOR ISSUANCE**..... The Certificates are authorized and issued pursuant to the Constitution and the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502 Texas Government Code, as amended, and the ordinance to be passed by the City Council of the City on the date of sale of the Certificates (the “Ordinance”) (see “The Certificates - Authority for Issuance”).

**SECURITY FOR THE CERTIFICATES**..... The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax, levied within the limits prescribed by law, on all taxable property located within the City, as provided in the Ordinance. Additionally, the Certificates are payable from a limited pledge (not to exceed \$1,000) of the Net Revenues of the System (as defined in the Ordinance) (see “The Certificates - Security and Source of Payment”).

**NON-QUALIFIED TAX-EXEMPT OBLIGATIONS** ..... The City **will not** designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.

**REDEMPTION** ..... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Certificates - Optional Redemption”).

**TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “Tax Matters” herein.

**USE OF PROCEEDS** ..... Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) designing, constructing, improving, and equipping municipal park and recreational facilities, including walking and jogging paths, illumination and lighting, and the acquisition of any necessary rights-of-way and/or land in connection therewith (collectively, the “Project”), and (ii) professional services rendered in relation to such projects and the financing thereof.

### MUNICIPAL BOND RATING AND

**MUNICIPAL BOND INSURANCE** .... It is expected that S&P Global Ratings, a division of S&P Global, Inc. (“S&P”) will assign a rating of “AA” (stable outlook) to the Certificates with the understanding that upon delivery of the Certificates, a municipal bond insurance policy insuring the timely payment of principal of and interest on the Certificates will be issued by AGM. S&P has also assigned an underlying credit rating of “A+” to the Certificates (see “BOND INSURANCE” and “Other Information - Ratings”).

\* Preliminary, subject to change.

**BOOK-ENTRY-ONLY**

**SYSTEM** ..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity for each series. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “The Certificates - Book-Entry-Only System”).

**PAYMENT RECORD** ..... The City has never defaulted in payment of its bonded indebtedness.

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9-30	Estimated City Population <sup>(1)</sup>	Net Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio	
						Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2015	19,294	\$ 750,852,572	\$ 38,916	\$ 15,230,000	\$ 789	2.03%	99.93%
2016	19,348	742,104,041	38,356	15,200,000	786	2.05%	100.43%
2017	19,562	758,859,174	38,793	14,740,000	754	1.94%	100.70%
2018	19,909	789,065,252	39,634	14,260,000	716	1.81%	100.01% <sup>(4)</sup>
2019	20,000	856,349,392	42,817	25,835,000 <sup>(3)</sup>	1,292 <sup>(3)</sup>	3.02% <sup>(3)</sup>	96.25% <sup>(5)</sup>

- (1) Source: City officials.
- (2) As reported by the El Paso Appraisal District on the City's annual State Property Tax Board Report and is subject to changes during ensuing year.
- (3) Projected. Includes the Certificates. Preliminary, subject to change.
- (4) Unaudited.
- (5) Collections as of 02/28/2019.

For additional information regarding the City, please contact:

Pat Randleel Finance Director Town of Horizon City 14999 Darrington Road Town of Horizon City, Texas 79928-7442 (915) 852-1046	or	Maria Fernanda Urbina Hilltop Securities, Inc. 221 N. Kansas Suite 600 El Paso, Texas 79901 (915) 351-7228
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**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Ruben Mendoza Mayor	3.5 years	May, 2019	Transportation Specialist
Jerry Garcia Mayor Pro-Tem	9.0 years	May, 2021	Sales Manager
Charlie Ortega Councilmember, Place 3	5.5 years	May, 2019	Store Manager
Andres Renteria Councilmember, Place 4	2.0 years	May, 2021	Operations Manager
Johnny Duran Councilmember, Place 5	8.0 years	May, 2019	Lt. - El Paso Fire Dept
Rafael Padilla Jr. Councilmember, Place 6	2.0 years	May, 2021	Maintenance & Operations Mgr
Samantha Corral Councilmember, Place 7	5.5 years	May, 2019	Retired
Walter Miller Councilmember, Place 1	2.0 years	May, 2021	Client Development Manager

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Total Length of Governmental Service</u>
Pat Randleel	Finance Director	5.5 Years	13.5 Years
Elvia Schuller	City Clerk	9.5 Years	9.5 Years

**CONSULTANTS AND ADVISORS**

Certified Public Accountants ..... SBNG, P.C.  
El Paso, Texas

Bond Counsel ..... Norton Rose Fulbright US, LLP  
Dallas, Texas

Financial Advisor..... Hilltop Securities Inc.  
El Paso, Texas

## PRELIMINARY OFFICIAL STATEMENT

### RELATING TO

**\$12,070,000\***  
**TOWN OF HORIZON CITY, TEXAS**  
**COMBINATION TAX AND**  
**REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019**

### INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$12,070,000\* Town of Horizon City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2019 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision located in El Paso County operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1997. The City operates under a Mayor-Council form of government where the Mayor and Council Members are elected to four-year terms and the Regular City Elections shall be held on the uniform election date established in the Texas Election Code during the month of May in odd numbered years. The terms are staggered, this year, the Mayor and 3 council members' terms are up for election. The next election will be in May 2021. The Council formulates the operating policy for the City while the Mayor is the chief administrative officer. The 2000 Census population for the City was 5,233. The 2010 Census population is 16,735 - an increase of 319.7% over the 2000 number. The estimated 2019 population is 20,000. The City covers approximately 8.7 square miles.

### THE CERTIFICATES

**DESCRIPTION OF THE CERTIFICATES. . .** The Certificates are dated May 1, 2019 (the "Dated Date"). The Certificates mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the Date of Delivery (as defined on the cover page hereof), will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on February 15 and August 15 of each year, commencing February 15, 2020, until maturity or prior redemption. The definitive Certificates will be issued only in fully-registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "The Certificates - Book-Entry-Only System" herein).

**AUTHORITY FOR ISSUANCE . . .** The Certificates are being authorized and issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, and the Ordinance to be passed by the City Council of the City on the date of sale of the Certificates.

**SECURITY AND SOURCE OF PAYMENT. . .** All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates. Additionally, the Certificates are payable from and secured by a limited pledge of the Net Revenues (not to exceed \$1,000) of the City's neighborhood, community, and regional parks located within the City which are maintained and owned by the City (the "System"), as provided in the Ordinance.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt 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 taxable assessed valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 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 general obligation debt service, as calculated at the time of issuance.

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\* Preliminary, subject to change.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 20\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all Outstanding Certificates are called for redemption the City may chose the maturities to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**MANDATORY SINKING FUND REDEMPTION . . .** In the event any of the Certificates are structured as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

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

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

**DEFEASANCE . . .** The Ordinance provides for the defeasance of Certificates when the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm of national reputation 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 Ordinance provides that “Government Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City’s ability to issue debt or for any other purpose. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the rating for U.S. Treasury securities used as Government Securities or that any other Government Security will be maintained at any particular rating category. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all right 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, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the 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 City may amend the Ordinance without the consent of or notice to any registered owners of the Certificates in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates, then outstanding, 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 then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by the holders of such Certificates for consent to any such amendment, addition, or rescission as provided in the Ordinance.

**BOOK-ENTRY-ONLY SYSTEM.** . . *This section describes how ownership of the Certificates is to be transferred and how the principal of and interest on the Certificates are to be paid to and accredited by 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest 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 the 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 Participant to whose account 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 the 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 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City and 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.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

***Use of Certain Terms in Other Sections of this Official Statement*** . . . In reading this Official Statement it should be understood that while the 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.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Initial Purchaser.

***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 with respect to the Certificates, printed 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 "The Certificates - Transfer, Exchange and Registration" below.

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

**TRANSFER, EXCHANGE AND REGISTRATION.** . . In the event the Book-Entry-Only System should be discontinued with respect to the Certificates, printed Certificates will be issued to the registered owners of the Certificates and thereafter such printed Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new 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 business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate or any portion thereof of a Certificate called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation on transfer or exchange shall not be applicable to a transfer or exchange by the registered owner of the uncalled balance of a Certificate called for redemption in part.

**PAYMENT PROVISIONS.** . . Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent by United States mail, first class, postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption of a Certificate upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "The Certificates - 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 designated payment/transfer office of 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 FOR INTEREST PAYMENT.** . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business 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 (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Holder of 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.

**REPLACEMENT CERTIFICATES** . . . If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the Paying Agent/Registrar a Certificate to the effect that such Certificate has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

**CERTIFICATEHOLDERS' REMEDIES.** . . The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal of or interest on the Certificates or the redemption price of a Certificate 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 payment of the Certificates or performance of the obligations under the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and 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 holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that the sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has 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. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for non-payment of the Certificates or breach of the covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. 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 holders of the Certificates 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.

**SOURCES AND USES OF CERTIFICATE PROCEEDS.** . . Proceeds from the sale of the Certificates, are expected to be expended as follows:

Sources of Funds:	
Par Amount	\$
Net Reoffering Premium	
Total Sources of Funds	<u>\$ -</u>
Uses of Funds:	
Deposit to Project Construction Fund	\$
Underwriters' Discount	
Costs of Issuance/Rounding/Insurance	
Total Uses of Funds	<u>\$ -</u>

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## BOND INSURANCE

### **BOND INSURANCE POLICY**

Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). 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.

### **ASSURED GUARANTY MUNICIPAL CORP.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of Certificates insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

#### *Capitalization of AGM*

At December 31, 2018:

- The policyholders' surplus of AGM was approximately \$2,533 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,034 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,873 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE".

### **BOND INSURANCE RISKS**

The following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy. 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 Bond 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 bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without their consent, so long as the bond insurer performs its obligations under the applicable Policy. In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the revenues pledged in the Bond Resolution.

In the event the bond 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 of the Certificates or the marketability (liquidity) for the Certificates. In the event bond insurance is purchased, the long-term rating on the Certificates will be dependent in part on the financial strength of the bond insurer and its claims paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the Certificates insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "BOND INSURANCE" herein for a description of the ratings.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the City nor the Financial Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

#### **Claims-Paying Ability and Financial Strength of Municipal Bond Insurers**

Moody's Investor Services, Inc., S&P Global Ratings, a division of S&P Global, Inc., and Fitch Ratings (the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability 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. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

### **TAX INFORMATION**

**AD VALOREM TAX LAW.** . . The appraisal of property within the City is the responsibility of the El Paso Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title I of the Texas Tax Code (referred to herein as the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal or the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal office, or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, whose members are appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

Under Article VIII of the Texas Constitution and State law, the governing body of a county, municipality or junior college district may provide for a freeze on the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (excluding maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to

reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

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

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

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

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead.

Following the approval by the voters at a November 7, 2017 statewide election (with an effective date of May 1, 2019), the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death and said property was the first responder's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

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

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

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." Section 11.253 of the Texas Tax Code defines "goods-in-transit" as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out board motor, heavy equipment and manufactured housing inventory. Section 11.253 of the Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a



public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

A city or a county may utilize tax increment financing (“TIF”), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the “captured appraised value”) by each taxing unit participating in the TIF that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit’s tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit’s percentage level of participation.

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

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

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

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

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

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

The Property Tax Code provides that certain cities in the State may submit a proposition to the voters to authorize an additional sales tax on retail sales of taxable items in increments of 0.125%, up to a maximum of 2%. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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

**PROPERTY ASSESSMENT AND TAX PAYMENT.** . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by

State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

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

**CITY APPLICATION OF TAX CODE** . . . The City does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The City has not granted any additional exemptions on the market value of residence homesteads.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

The City does not levy ad valorem taxes against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property, and the City of El Paso’s Tax Office collects taxes for the City.

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

The City does not tax freeport property.

The City does not tax goods-in-transit.

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

**TAX ABATEMENT POLICY.** . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for a tax abatement of up to 100% for a period of up to 10 years.

**TRANSPORTATION REINVESTMENT ZONE**....Pursuant to Ordinance No. 0219 dated December 16, 2014, the City created Transportation Reinvestment Zone Number Two, Town of Horizon City, Texas (the “Zone”) whereby revenues associated with the incremental increase in property values within the Zone (the “Tax Increment”) is available to finance transportation projects within the City. Subsequent thereto, the Camino Real Regional Mobility Authority (“CRRMA”) issued certain vehicle revenue fund bonds to fund a transportation project within the City. The City has committed to repay the CRRMA for approximately \$4.3 million of the costs of such City transportation project from the Tax Increment. The repayment schedule is dependent on receipt of Tax Increment revenues and is anticipated to be an escalating payment schedule which begins in 2020 and terminates in 2038.

**TEXAS LEGISLATURE** . . .The Texas Legislature is currently in session for its 86th Regular Session (the "Regular Session"), which ends on May 27, 2019. While in session, the Texas Legislature may consider bills which could have a direct impact on the City

and its operations, including limitations or other caps on property appraisal values and the levying and collection of ad valorem taxes by the City. The City makes no representations or predictions concerning the substance or effect of any legislation that may be proposed and ultimately passed in the Regular Session or any special session that may convene after the end of the Regular Session, or how any such legislation would affect the financial condition of the City or its operations.

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2018/2019 Taxable Market Valuation Established by El Paso Central Appraisal District (Excludes Fully Exempt Property)		\$ 885,471,427
Less Exemptions:		
State Mandated Veterans Homestead Exemption	\$ 11,684,462	
Disabled or Deceased Veterans Survivors	2,910,493	
Freeport	8,150,507	
Value Lost Cap on Residential Homesteads	<u>6,376,573</u>	
Total Exemptions		<u>\$ 29,122,035</u>
2018/2019 Net Taxable Assessed Valuation		<u><u>\$ 856,349,392</u></u>
Tax Supported Debt <sup>(1)</sup> :		
General Obligation Debt as of 5-1-2019	\$ 14,260,000	
The Certificates	<u>12,070,000</u>	
Funded Debt Payable From Ad Valorem Taxes		<u><u>\$ 26,330,000</u></u>
Amounts Available in Debt Service Funds (as of 2-28-2019)	\$ 36,616	
Ratio Funded Debt to Net Taxable Assessed Valuation		3.07%

2019 Estimated Population – 20,000  
Per Capita Taxable Assessed Valuation - \$42,817  
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$1,317

(1) Preliminary, subject to change.

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**TABLE 2- TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2019		2018		2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 688,069,848	77.71%	\$ 634,286,468	77.86%	\$ 611,641,487	78.81%
Real, Residential, Multi-Family	7,556,577	0.85%	7,484,418	0.92%	6,389,929	0.82%
Real, Vacant Lots/Tracts	15,156,075	1.71%	16,162,229	1.98%	18,941,122	2.44%
Real, Farm and Ranch Improvements	6,084,188	0.69%	5,688,630	0.70%	5,750,278	0.74%
Real, Commercial	92,325,672	10.43%	79,247,270	9.73%	71,391,776	9.20%
Real, Industrial	6,509,179	0.74%	7,086,480	0.87%	6,815,830	0.88%
Tangible, Non-business Vehicles	2,978,468	0.34%	2,904,772	0.36%	2,094,469	0.27%
Real and Tangible Personal, Utilities	4,010,879	0.45%	3,674,899	0.45%	3,328,339	0.43%
Tangible Personal, Commercial	39,433,775	4.45%	38,292,783	4.70%	35,474,799	4.57%
Tangible Personal, Industrial	12,271,585	1.39%	12,610,732	1.55%	8,195,145	1.06%
Tangible Personal, Other	235,736	0.03%	239,137	0.03%	260,943	0.03%
Special Inventory	4,836	0.00%	-	0.00%	-	0.00%
Real Property, Inventory	10,834,609	1.22%	6,929,635	0.85%	5,833,946	0.75%
Total Appraised Value Before Exemptions	\$ 885,471,427	100.00%	\$ 814,607,453	100.00%	\$ 776,118,063	100.00%
Less: Total Exemptions/Reductions	29,122,035		25,542,201		17,258,889	
Taxable Assessed Value	<u>\$ 856,349,392</u>		<u>\$ 789,065,252</u>		<u>\$ 758,859,174</u>	

Category	Taxable Appraised Value for Fiscal Year Ended Sept. 30,			
	2016		2015	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 603,931,350	79.85%	\$ 612,234,151	80.33%
Real, Residential, Multi-Family	6,263,064	0.83%	6,621,258	0.87%
Real, Vacant Lots/Tracts	19,427,898	2.57%	18,546,736	2.43%
Real, Farm and Ranch Improvements	6,104,353	0.81%	5,964,268	0.78%
Real, Commercial	61,761,284	8.17%	56,972,646	7.48%
Real, Industrial	7,086,480	0.94%	6,333,614	0.83%
Tangible, Non-business Vehicles	1,662,840	0.22%	1,630,680	0.21%
Real and Tangible Personal, Utilities	3,169,849	0.42%	3,382,471	0.44%
Tangible Personal, Commercial	35,159,426	4.65%	33,892,722	4.45%
Tangible Personal, Industrial	5,527,897	0.73%	6,130,455	0.80%
Tangible Personal, Other	284,691	0.04%	293,738	0.04%
Real Property, Inventory	5,983,047	0.79%	10,139,741	1.33%
Total Appraised Value Before Exemptions	\$ 756,362,179	100.00%	\$ 762,142,480	100.00%
Less: Total Exemptions/Reductions	14,258,138		11,289,908	
Taxable Assessed Value	<u>\$ 742,104,041</u>		<u>\$ 750,852,572</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9-30	Estimated City Population <sup>(1)</sup>	Net Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation
2015	19,294	\$ 750,852,572	\$ 38,916	\$ 15,230,000	\$ 789	2.03%
2016	19,348	742,104,041	38,356	15,200,000	786	2.05%
2017	19,562	758,859,174	38,793	14,740,000	754	1.94%
2018	19,909	789,065,252	39,634	14,260,000	716	1.81%
2019	20,000	856,349,392	42,817	25,835,000 <sup>(3)</sup>	1,292 <sup>(3)</sup>	3.02% <sup>(3)</sup>

(1) Source: City Staff.

(2) As reported by the Appraisal District on the City’s annual State Property Tax Reports and excludes total exemptions and reductions; subject to change during the ensuing year.

(3) Projected. Includes the Certificates. Preliminary, subject to change.

**TABLE 4- TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9-30	Tax Rates	General Fund	Interest and Sinking Fund	Tax Levy	% of Current Collections	% of Total Collections
2015	\$ 0.427998	\$ 0.333988	\$ 0.094010	\$ 3,214,888	99.22%	99.93%
2016	0.452723	0.367646	0.085077	3,357,044	99.25%	100.43%
2017	0.491756	0.341328	0.150428	3,724,523	99.40%	100.70%
2018	0.491756	0.356376	0.135380	3,868,002	99.26% <sup>(1)</sup>	100.01% <sup>(1)</sup>
2019	0.491756	0.366035	0.125721	4,208,567	95.45% <sup>(2)</sup>	96.25% <sup>(2)</sup>

(1) Unaudited.

(2) Collections as of 2/28/2019.

**TABLE 5 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	2018/2019 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Wal-Mart Stores Inc	Retail Stores	\$ 21,937,141	2.56%
318 Horizon Venture LLC	Venture Capital	12,464,657	1.46%
JAF- Paso Partners LP	Retail	6,100,000	0.71%
Air Systems Components	Heating and cooling systems and equipment	5,687,502	0.66%
AMO Enterprises Inc.	Grocery stores	4,144,744	0.48%
Munoz Trucking Inc.	Trucking - Motor Freight	3,475,184	0.41%
JJA Munoz Dist Inc	Trucking - Motor Freight	3,402,687	0.40%
Bain Enterprises	Excavation Services	2,946,208	0.34%
Ranchos Real Land Holdings LLC	Commercial Property	2,804,152	0.33%
11512 Confederate LTD	Fabrication	2,584,790	0.30%
		<u>\$ 65,547,065</u>	<u>7.65%</u>

**GENERAL OBLIGATION DEBT LIMITATION.** . . 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 taxable assessed valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 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 general obligation debt service, as calculated at the time of issuance. (See “The Certificates - Tax Rate Limitation”).

**TABLE 6 - ESTIMATED OVERLAPPING DEBT**

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

Taxing Jurisdiction	2018/2019	2018/2019	Total	Estimated	Direct and	Authorized
	Taxable				Tax	Tax Debt
	Assessed	Rate	Tax	%	As of 5-1-19	Debt As Of
	Valuation		Debt	Applicable		As of 5-1-19
Town of Horizon City <sup>(1)</sup>	\$ 856,349,392	\$ 0.491756	\$26,330,000	100.00%	\$ 26,330,000	\$ -
El Paso County	42,356,154,999	0.447800	164,836,402	1.96%	3,230,793	-
El Paso County Hospital Dist.	44,152,192,434	0.252000	341,275,000	1.96%	6,688,990	-
Clint ISD	1,336,819,041	1.406600	168,141,635	42.38%	71,258,425	-
Horizon Regional MUD	1,329,602,938	0.554300	56,429,985	67.19%	37,915,307	34,550,000
Socorro ISD	10,301,437,374	1.380600	650,612,614	2.26%	14,703,845	248,500,000
Total Direct and Overlapping Tax Debt					<u>\$160,127,360</u>	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation . . . . .					18.70%	
Per Capita Overlapping Tax Debt . . . . .					\$ 8,006.37	

(1) Includes the Certificates. Preliminary, subject to change.

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**DEBT INFORMATION**

**TABLE 7 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9-30	Outstanding General Obligation Debt Service <sup>(1)</sup>			The Certificates <sup>(2)</sup>			Grand Total Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2019	\$ 495,000	\$ 559,830	\$ 1,054,830	\$ -	\$ -	\$ -	\$ 1,054,830	
2020	520,000	540,045	1,060,045	155,000	585,179	740,179	1,800,224	
2021	540,000	519,263	1,059,263	300,000	493,750	793,750	1,853,013	
2022	565,000	497,680	1,062,680	335,000	484,750	819,750	1,882,430	
2023	585,000	475,100	1,060,100	340,000	474,700	814,700	1,874,800	14.57%
2024	610,000	451,720	1,061,720	355,000	464,500	819,500	1,881,220	
2025	635,000	427,340	1,062,340	365,000	450,300	815,300	1,877,640	
2026	660,000	401,963	1,061,963	380,000	435,700	815,700	1,877,663	
2027	690,000	375,585	1,065,585	395,000	420,500	815,500	1,881,085	
2028	715,000	348,010	1,063,010	415,000	400,750	815,750	1,878,760	34.39%
2029	740,000	324,423	1,064,423	435,000	380,000	815,000	1,879,423	
2030	710,000	298,275	1,008,275	460,000	358,250	818,250	1,826,525	
2031	740,000	269,875	1,009,875	480,000	335,250	815,250	1,825,125	
2032	770,000	240,275	1,010,275	505,000	311,250	816,250	1,826,525	
2033	795,000	211,400	1,006,400	530,000	286,000	816,000	1,822,400	57.80%
2034	830,000	179,600	1,009,600	550,000	264,800	814,800	1,824,400	
2035	860,000	146,400	1,006,400	575,000	242,800	817,800	1,824,200	
2036	895,000	112,000	1,007,000	595,000	219,800	814,800	1,821,800	
2037	935,000	76,200	1,011,200	620,000	196,000	816,000	1,827,200	
2038	970,000	38,800	1,008,800	645,000	171,200	816,200	1,825,000	86.19%
2039	-	-	-	670,000	145,400	815,400	815,400	
2040	-	-	-	700,000	118,600	818,600	818,600	
2041	-	-	-	725,000	90,600	815,600	815,600	
2042	-	-	-	755,000	61,600	816,600	816,600	
2043	-	-	-	785,000	31,400	816,400	816,400	100.00%
	<u>\$ 14,260,000</u>	<u>\$ 6,493,783</u>	<u>\$ 20,753,783</u>	<u>\$ 12,070,000</u>	<u>\$ 7,423,079</u>	<u>\$ 19,493,079</u>	<u>\$ 40,246,861</u>	

(1) "Outstanding Debt", includes self-supporting debt.

(2) Average life of the Certificates – 14.845 years. Interest calculated at an average rate of 4.14% for purposes of illustration. Preliminary, subject to change.

**TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION**

Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-2019.....		\$ 1,054,830
Interest and Sinking Fund Balance, 9-30-2018 (Unaudited).....	\$ 70,278	
Budgeted Interest and Sinking Fund Tax Levy .....	1,056,096	
Budgeted Other Revenue and Income .....	-	1,126,374
Estimated Balance, 9-30-2019 .....		<u>\$ 71,544</u>

**TABLE 9 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

The City has no authorized but unissued general obligation bonds. However, the City may incur non-voter approved debts payable from or secured by its collection of taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, and leases for various purposes.

**TABLE 10 - OTHER OBLIGATIONS**

The City entered into an inter local agreement with the County of El Paso (“the County”) and the Camino Real Regional Mobility Authority (“the Authority”), to provide funding for improvements to Eastlake Blvd. referred to as the “Eastlake Blvd. Phase 2 Roadway Improvement Project.” The Eastlake Blvd. Phase 2 Roadway Improvement Project includes design and reconstruction of the existing roadway, with the possibility of adding new connections between other existing roadways, pedestrian improvements, and aesthetic improvements such as landscaping and public arts. The City has committed to repay the Authority for 22.7% of the construction cost of the Eastlake Blvd. Phase 2 Roadway Improvement project. The construction of the Eastlake Blvd. Phase 2 Roadway Improvement Project was finished on April 4, 2018. The City will make annual payments commencing on May 1, 2020 and on May 1st each year thereafter until the final payment date in 2038 when any remaining outstanding balance shall be due and payable. The parties agree that the applicable interest rate payable by the City shall be 3.73% simple, per annum. Total revenues generated by the City’s Transportation Reinvestment Zone #2 have been pledged to pay the entire outstanding balance.

The City has added the operating leases of 14 vehicles to its obligation under a master lease agreement with Enterprise Fleet Management. The lease on each is for a period of five years. As of today there are 16 vehicles under lease. It is anticipated that over the next three years, the remaining 15 owned vehicles will be traded for lease vehicles so that the all vehicles will be under lease.

**ANTICIPATED ISSUANCE OF ADDITIONAL DEBT . . .** After the issuance of the Certificates, the City does not anticipate the issuance of additional debt payable from ad valorem taxes in the next 12 months.

**PENSION FUND**

**DEFERRED COMPENSATION PLAN. . .** The Town terminated its 457B plan as of 12/31/2017. As of 1/1/2018 it is a member of the Texas Municipal Retirement System. Employee contributions of 5% are matched by the Town at 1.5 times. In addition, the Town included prior service credit for existing employees. No change to these terms have been made since 9/30/18.

**OTHER POST-EMPLOYMENT BENEFITS. . .** The City provides no post-retirement benefits to retired employees.



**FINANCIAL INFORMATION**

**TABLE 11 - CHANGES IN NET ASSETS – GOVERNMENTAL ACTIVITIES**

	Governmental Activities				
	2018 <sup>(1)</sup>	2017	2016	2015	2014
<b>Revenues:</b>					
<u>Program revenues:</u>					
Charges for services	\$ 1,444,416	\$ 1,529,746	\$ 1,040,462	\$ 701,218	\$ 486,554
Operating grants and contributions	200,522	209,704	170,436	136,449	211,249
Capital grants and contributions	16,729,060	4,544,227	1,089,944	883,418	1,657,247
<u>General revenues:</u>					
Ad valorem taxes	3,841,313	3,753,080	3,367,316	3,182,609	2,317,466
Sales tax	2,183,949	2,055,965	1,832,810	1,555,019	1,304,783
Franchise taxes	404,497	368,996	326,253	329,494	290,318
Interest income	97,937	56,311	50,680	58,177	43,194
Miscellaneous	54,709	29,798	155,737	72,853	97,148
<b>Total revenues</b>	<u>\$24,956,403</u>	<u>\$ 12,547,827</u>	<u>\$ 8,033,638</u>	<u>\$6,919,237</u>	<u>\$6,407,959</u>
<b>Expenses:</b>					
<u>Governmental activities:</u>					
General government	\$ 902,747	\$ 837,612	\$ 997,575	\$1,058,020	\$1,088,033
Public services	263,499	333,459	265,105	244,520	173,712
Public works	269,164	269,113	225,220	250,860	319,761
Community development	646,591	528,933	514,930	350,507	219,944
Public safety	2,708,450	2,592,612	2,388,456	2,146,619	1,810,286
Municipal court	235,626	240,157	209,394	229,863	221,829
Parks and recreation	359,524	338,578	360,057	320,027	290,430
Planning	215,738	209,121	171,726	204,426	171,614
Code enforcement	173,739	180,728	193,923	174,394	147,152
Storm water	30,315	10,606	28,729	13,223	19,699
Executive	37,709	48,149	-	-	-
Finance	279,684	243,816	-	-	-
Information Technology	6,322	-	-	-	-
Bond issuance costs	-	-	-	-	175,836
Interest on long-term debt	554,587	578,793	585,738	583,969	179,780
<b>Total expenses</b>	<u>\$ 6,683,695</u>	<u>\$ 6,411,677</u>	<u>\$ 5,940,853</u>	<u>\$5,576,428</u>	<u>\$4,818,076</u>
<u>Special Items:</u>					
Loss on disposal of assets	\$ -	\$ -	\$ -	\$ -	\$ (31,050)
Excess (deficiency) before transfers	18,272,708	6,136,150	2,092,785	1,342,809	1,558,833
Net assets - beginning balance	16,578,739	10,442,589	8,349,804	7,006,995	5,448,162
Net assets - ending balance	<u>\$34,851,447</u>	<u>\$ 16,578,739</u>	<u>\$ 10,442,589</u>	<u>\$8,349,804</u>	<u>\$7,006,995</u>

(1) Unaudited.

**TABLE 11A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Years Ended September 30,				
	2018 <sup>(1)</sup>	2017	2016	2015	2014
<u>Revenues:</u>					
Property Taxes	\$ 2,782,409	\$ 2,604,621	\$ 2,729,820	\$ 2,476,505	\$ 2,330,838
Sales Taxes	1,464,645	1,379,699	1,227,976	1,039,539	1,304,783
Franchise Fees	404,497	368,996	326,253	329,494	290,318
Fines and Forfeits	287,697	243,469	228,141	247,699	282,470
Licenses, Permits and Fees	718,527	841,620	487,163	246,062	204,084
Charges for services	438,192	444,657	325,158	207,457	-
Interest	43,373	23740	20603	18980	30,469
Contributions	2,400	6,850	6,186	4,700	9,808
Other Income	54,709	30,308	155,737	72,853	97,148
<b>Total Revenues</b>	<b>\$ 6,196,449</b>	<b>\$ 5,943,960</b>	<b>\$ 5,507,037</b>	<b>\$ 4,643,289</b>	<b>\$ 4,549,918</b>
<u>Expenditures:</u>					
General Government	\$ 653,045	\$ 637,184	\$ 902,103	\$ 941,266	\$ 967,099
Public Services	255,902	326,210	258,105	236,893	166,085
Public Works	272,131	264,804	221,540	174,448	242,509
Community Development	276,699	271,754	212,749	215,234	212,380
Public Safety	2,500,772	2,313,389	2,106,108	1,907,319	1,622,246
Municipal Court	242,058	240,077	209,233	229,774	221,740
Parks and Recreation	327,811	309,080	330,105	293,631	263,950
Planning	220,886	209,041	171,646	204,426	171,614
Code Enforcement	171,333	171,564	183,989	174,394	147,152
Storm water	8,389	8,780	28,729	13,223	19,699
Information Technologies	6,322	-	-	-	-
Finance	283,377	243,816	-	-	-
Executive	37,709	48,149	-	-	-
Debt service:					
Principal	-	-	55,011	-	-
Interest	-	-	9,334	-	-
Capital outlay	155,153	155,548	265,802	190,267	131,993
<b>Total Expenditures</b>	<b>\$ 5,411,587</b>	<b>\$ 5,199,396</b>	<b>\$ 4,954,454</b>	<b>\$ 4,580,875</b>	<b>\$ 4,166,467</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 784,862	\$ 744,564	\$ 552,583	\$ 62,414	\$ 383,451
<u>Other Financing Sources (Uses)</u>					
Interfund transfers	\$ (429,498)	\$ (131,588)	\$ -	\$ (280,933)	\$ (15,903,320)
Proceeds from note payable	-	-	211,572	-	-
Proceeds from bond certificates	-	-	-	-	14,675,000
Proceeds from bond issuance premiums	-	-	-	-	532,500
Proceeds from line-of-credit	-	-	-	-	100,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (429,498)</b>	<b>\$ (131,588)</b>	<b>\$ 211,572</b>	<b>\$ (280,933)</b>	<b>\$ (595,820)</b>
Net Change in Fund Balances	\$ 355,364	\$ 612,976	\$ 764,155	\$ (218,519)	\$ (212,369)
Beginning Fund Balance	2,806,867	2,193,891	1,429,736	1,648,255	2,288,553
Ending Fund Balance	<b>\$ 3,162,231</b>	<b>\$ 2,806,867</b>	<b>\$ 2,193,891</b>	<b>\$ 1,429,736</b>	<b>\$ 2,076,184</b>

(1) Unaudited.

**TABLE 12 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Revenues from this source, for the years shown, has been:

Fiscal Year Ended	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2015	\$ 1,555,019	48.37%	\$0.2071	\$ 80.60
2016	1,832,810	54.60%	0.2470	94.73
2017	2,055,965	55.20%	0.2709	105.10
2018	2,183,949 <sup>(1)</sup>	56.46%	0.2768	111.64
2019	981,588 <sup>(2)</sup>	23.32%	0.1146	50.18

(1) Unaudited.

(2) As of 2/28/2019.

**FINANCIAL POLICIES . . .** See Appendix B – Excerpts from the City’s Annual Financial Report for the year ended September 30, 2017, Notes to Financial Statements.

Government-wide and Fund Financial Statements . . . The governmental-wide financial statement (the statement of net assets and the statement of activities) report information on all activities of the City. The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenue.

Aggregate non-major governmental funds are reported as a separate column in the fund financial statements. The City has four governmental funds.

Measurement Focus, Basis of Accounting and Basis of Presentation . . . The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on all general long-term debt, which is recognized when due.

Grants and entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the City receives cash.

## INVESTMENTS

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

**LEGAL INVESTMENTS . . .** Under State law, the City is authorized to invest in obligations meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the “PFIA”), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a

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

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

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

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

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

**TABLE 13 - CURRENT INVESTMENTS**

As of February 28, 2019, the City’s investable funds were invested in the following categories:

Description	Percent Market Value	Market Value	Book Value
Certificates of Deposit	100.00%	\$ 2,100,193	\$ 2,100,193
	100.00%	\$ 2,100,193	\$ 2,100,193

All investments will mature within 24 months, and the market value of the investments is approximately 100.00% of its purchase price.

## TAX MATTERS

**TAX EXEMPTION.** . . The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), 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 form of Bond Counsel's opinion is reproduced in Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of "arbitrage" profits from the investment of proceeds 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.

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 City 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 tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City 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 City 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.

Except as described above, Bond Counsel expresses 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. 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, 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, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("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. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders 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.

**TAX ACCOUNTING TREATMENT OF DISCOUNT ON THE CERTIFICATES . . .** Each of the Certificates will be deemed to be issued with original issue discount for federal income tax purposes (a "Discount Certificate") because the initial interest payment date is more than twelve months after the Certificates will be delivered to the initial purchasers. The amount of original issue discount will further vary if 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) differs from the amount payable on such Discount Certificate at its maturity. A portion of the original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax 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, 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 and downward for the payments denominated as interest allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

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## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 13 and in Appendix B. The City will update and provide the information in Tables 1 through 5 and 7 through 13 within six months after the end of each fiscal year ending in and after 2019. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2019. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC"). While the City will not be obligated to provide financial statements until twelve months after fiscal year end, it intends to attempt to do so within six months after year end.

The City's current fiscal year end is September 30. Accordingly, the City must provide the information under Tables numbered 1 through 5 and 7 through 13 by March 31 in each year and the audited financial statements (or unaudited financial statements if the audit is not available) by September 30 of each year. If the City changes its fiscal year, it will notify the MSRB of the change.

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

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

**AVAILABILITY OF INFORMATION . . .** The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided,



except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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 continuing disclosure agreement or from any statement made pursuant to its agreement, although holders 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 from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the respective outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent a purchaser from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS.** . . In the past 5 years the City has been in compliance with SEC Rule 15c2-12 with the exception of the following events. The City became obligated to file annual reports and audited financial statements with the MSRB in an offering that took place in 2014. Due to an administrative oversight, the annual reports and audited financial statements for the City's fiscal year end September 30, 2014 through September 30, 2017 were not timely filed with the MSRB. All information has since been filed on the MSRB's EMMA system including a notice of late filing. The City has implemented procedures, including the retention of a third-party disclosure service agent, to ensure timely filing of all future financial information.

## **OTHER INFORMATION**

### **RATINGS**

S&P Global Ratings, a division of S&P Global, Inc. ("S&P") is expected to assign a municipal bond rating of "AA" (stable outlook) to this issue of Certificates, with the understanding that upon delivery of the Certificates, a municipal bond insurance policy guaranteeing the timely payment of principal of and interest on the Certificates will be issued by Assured Guaranty Municipal Corp. The underlying credit rating for the Certificates and the City's outstanding revenue debt are rated "A+" by S&P, without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either of such rating company, if in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

### **LITIGATION**

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

### **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 City 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 provisions.

### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, 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. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other 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 capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

#### **LEGAL MATTERS**

The City will furnish to the Underwriter a complete transcript of proceedings relating to the authorization and issuance of the Certificates, including the approving legal opinion of the Attorney General of the State to the effect that the Initial Certificate is a valid and binding obligation of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of 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 City. A form of such opinion is attached hereto as Appendix C. Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement under the caption "THE CERTIFICATES" (except for the subcaptions "Book-Entry-Only System" and "Certificate holders' Remedies" and "Sources and Uses of Certificate Proceeds"), "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Certificates for Sale", "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" (except for the last sentence of the first paragraph thereof) under the caption "OTHER INFORMATION", and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by Bracewell LLP, Counsel to the Underwriter.

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 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.

#### **FINANCIAL ADVISOR**

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Hilltop Securities Inc. will not submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. Hilltop Securities Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

## **UNDERWRITING**

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at an underwriting discount of \$\_\_\_\_\_. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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

## **FORWARD-LOOKING STATEMENTS DISCLAIMER**

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. The City's actual results could differ materially from those discussed in such forward-looking statements.

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

## **MISCELLANEOUS**

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

The Ordinance will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Certificates by the Underwriter.

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Mayor  
Town of Horizon City, Texas

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

## THE CITY

**LOCATION AND HISTORY . . .** The Town of Horizon City (the “City”) is located in far West Texas in El Paso County, Texas 17 miles east of the City of El Paso, close to the international boundary between the United States and the Republic of Mexico, and is the lowest altitude, all-weather pass through the Rocky Mountains. It is approximately equidistant from the Cities of Houston, Texas, Denver, Colorado, and Los Angeles, California.

**PARKS. . .** The City has three parks it maintains for public use. Horizon Mesa Park, located off Desert Mist Drive in the northeast portion of the City, includes playground equipment, green area and walking path. Desmond Corcoran Park, located off Rodman Street and Veny Webb Street in the central portion of the City, includes a lighted baseball diamond, soccer field, basketball court, playground equipment and covered picnic area. Golden Eagle Park, located off Golden Eagle Drive, next to Frank Macias Elementary School is located in the southeastern portion of the City, includes a walking path, green area and playground equipment.

**UTILITIES . . .** The City does not manage or provide Utilities services to its residents. Water, sewer and trash service is provided by Horizon Regional Municipal Utility District, electric service is provided by El Paso Electric Company, and gas service is provided by Texas Gas Service.

**EDUCATION . . .** The City is served by the Clint Independent School District and the Socorro Independent School District. Schools in the City include:

- Horizon High School (9<sup>th</sup> to 12<sup>th</sup>)
- Horizon Middle School (6<sup>th</sup> to 8<sup>th</sup>)
- Ricardo Estrada Junior High School (6<sup>th</sup> to 8<sup>th</sup>)
- Carroll T. Welch Intermediate School (Pre-K to 5<sup>th</sup>)
- Desert Hills Elementary School (Pre-K to 5<sup>th</sup>)
- Frank Macias Elementary School (Pre-K to 5<sup>th</sup>)
- Region 19 Head Start
- Eastlake High School (9<sup>th</sup> to 12<sup>th</sup>)
- Col. John O. Ensor Middle School (6<sup>th</sup> to 8<sup>th</sup>)
- Horizon Heights Elementary School (Pre-K to 5<sup>th</sup>)
- Dr. Sue Shook Elementary School (Pre-K to 5<sup>th</sup>)

Many excellent junior colleges, colleges and universities are located within the area. Among these are: El Paso Community College (City of El Paso, Texas); University of Texas at El Paso (City of El Paso, Texas); New Mexico State University (Las Cruces, New Mexico); Sul Ross State College (Alpine, Texas); Western New Mexico University (Silver City, New Mexico); New Mexico School of Mines (Socorro, New Mexico); Eastern New Mexico University (Portales, New Mexico); and New Mexico Military Institute (Roswell, New Mexico).

The University of Texas at El Paso (the “University”) was established in 1914, and attracts thousands of visitors to seminars, conferences, convocations, sport contests and other events. The University offers degrees in nine schools: Engineering, Business Administration, Science, Education, Health Sciences, Liberal Arts, Nursing, Multidisciplinary Studies and Graduate. The enrollment was approximately 23,922 for the academic year 2016-2017.

The Texas Tech University Health Sciences Center (the “Health Sciences Center”) is an educational multi-campus institution created under Chapter 110 of the Texas Education Code and is governed by the Texas Tech University Board of Regents. The Health Sciences Center's administrative center is located in Lubbock, Texas, and one of its regional centers, the Paul L. Foster School of Medicine at El Paso (the “School of Medicine”), is located nearby in the City of El Paso. In February 2008, the School of Medicine received accreditation as a four-year medical school by the Liaison Committee on Medical Education. The Health Sciences Center's facilities operated in the City of El Paso include a Health Sciences Center Building, a recently expanded Clinic Building, and a recently completed Medical Sciences Research Building and Medical Education Building. The El Paso campus also includes a nursing school. A dental school is scheduled to open in the near future.

El Paso Community College, which offers a wide range of studies for both daytime and evening classes, had a fall 2017 enrollment of approximately 28,993.

**AGRICULTURE . . .** Agriculture is an important activity in El Paso County with crop production in the lowlands and livestock in upland areas adding a vital dimension to El Paso's versatile economy. Major farm products include beef and dairy cattle, cotton, alfalfa, grain, and pecans. As reported in the Texas Almanac, the average annual income from El Paso County farm products sold is about \$41 million.

EMPLOYMENT STATISTICS <sup>(1)</sup>

	El Paso County				
	Average Annual				February
	2015	2016	2017	2018	2019
Civilian Labor Force					
Total Employment	341,302	349,153	353,387	359,136	364,548
Total Unemployment	17,614	17,251	16,275	15,221	15,797
Percentage Unemployed	5.2%	4.9%	4.6%	4.2%	4.3%

(1) Source: Texas Workforce Commission, Labor Market Information Department.

**APPENDIX B**

EXCERPTS FROM THE  
TOWN OF HORIZON CITY, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

The information contained in this Appendix consists of excerpts from the Town of Horizon City, Texas Annual Financial Report for the Year Ended September 30, 2017, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

**INDEPENDENT AUDITORS' REPORT**

To Honorable Mayor Ruben Mendoza  
and Members of Town Council  
Town of Horizon City, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Horizon City, Texas ("the Town") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Horizon City, Texas' basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

221 N. KANSAS, STE 1300

EL PASO, TX 79901

WWW.SBNGCPA.COM

(Continued)



To Honorable Mayor Ruben Mendoza  
and Members of Town Council  
Town of Horizon City, Texas

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Horizon City, Texas, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 14 and 54 through 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Horizon City, Texas' basic financial statements. The combining aggregate non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

(Continued)

To Honorable Mayor Ruben Mendoza  
and Members of Town Council  
Town of Horizon City, Texas

**Other Matters (Continued)**

*Other Information (Continued)*

The combining aggregate non-major fund financial statements and the schedule of expenditures of federal and state awards 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 aggregate non-major fund financial statements and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of Town of Horizon 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 Town of Horizon City, Texas' 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 Town of Horizon City, Texas' internal control over financial reporting and compliance.

SBNG, P.C.

El Paso, Texas  
May 15, 2018

**TOWN OF HORIZON CITY, TEXAS**

**STATEMENT OF NET POSITION**

**September 30, 2017**

<b><u>ASSETS</u></b>	<b>Governmental <u>Activities</u></b>
Cash and cash equivalents	\$ 12,325,426
Investments	1,497,088
Taxes receivable	235,960
Grants receivable	120,527
Other receivables, net	123,844
Prepaid expenses	61,137
Non-depreciable capital assets	11,113,016
Depreciable capital assets, net of accumulated depreciation	<u>7,537,965</u>
Total assets	<u>33,014,963</u>
 <b><u>LIABILITIES</u></b>	
Accounts payable	847,563
Accrued liabilities	248,873
Due within one year:	
Compensated absences	20,144
Bonds payable	480,000
Due in more than one year:	
Compensated absences	116,919
Bonds payable, net	<u>14,722,725</u>
Total liabilities	<u>16,436,224</u>
 <b><u>NET POSITION</u></b>	
Net position:	
Invested in capital assets, net of related debt	12,005,097
Restricted for State mandated funds	317,271
Unrestricted	<u>4,256,371</u>
Total net position	<u>\$ 16,578,739</u>

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

TOWN OF HORIZON CITY, TEXAS

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>Direct Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expenses) and Changes in Net Position</u>
		<u>Charges for Services, Fees, Fines and Forfeitures</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
Public safety - police	\$1,865,480	\$ 444,657	\$ 202,854	\$	\$ (1,217,969)
General government	837,612	841,620	6,850		10,858
Public safety - dispatch	727,132				(727,132)
Community development	528,933			4,544,227	4,015,294
Parks and recreation	338,578				(338,578)
Public services	333,459				(333,459)
Building services	269,113				(269,113)
Finance	243,816				(243,816)
Municipal court	240,157	243,469			3,312
Planning	209,121				(209,121)
Code enforcement	180,728				(180,728)
Executive	48,149				(48,149)
Storm water	10,606				(10,606)
Interest on long-term debt	<u>578,793</u>				<u>(578,793)</u>
Total governmental activities	<u>\$6,411,677</u>	<u>\$1,529,746</u>	<u>\$ 209,704</u>	<u>\$ 4,544,227</u>	<u>(128,000)</u>
		General revenues:			
					3,753,080
					2,055,965
					368,996
					56,311
					<u>29,798</u>
					6,264,150
					6,136,150
					<u>10,442,589</u>
					<u>\$ 16,578,739</u>

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

**TOWN OF HORIZON CITY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

September 30, 2017

	<b>General Fund</b>	<b>Special Revenue Fund - Safe Routes to School</b>	<b>Street Maintenance Fund</b>	<b>Debt Service Fund</b>	<b>Capital Improvements Fund</b>	<b>Aggregate Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>							
Cash and cash equivalents, non-pooled	\$ 2,231,370	\$	\$	\$	\$ 9,015,182	\$ 808,196	\$ 12,054,748
Pooled cash and cash equivalents	278,211			8,716		(16,249)	270,678
Investments						200,230	200,230
Pooled investments	405,760		850,837	2,324		37,937	1,296,858
Taxes receivable	179,530			56,430			235,960
Due from other funds				19,846	95,833	937	116,616
Grants receivable		96,866				23,661	120,527
Other receivables, net	123,844						123,844
Prepaid expenses	<u>61,137</u>						<u>61,137</u>
Total assets	<u>\$ 3,279,852</u>	<u>\$ 96,866</u>	<u>\$ 850,837</u>	<u>\$ 87,316</u>	<u>\$ 9,111,015</u>	<u>\$ 1,054,712</u>	<u>\$ 14,480,598</u>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>							
Liabilities:							
Accounts payable	\$ 206,982	\$ 58,114	\$ 24,250	\$	\$ 554,174	\$ 4,043	\$ 847,563
Accrued liabilities	167,264					7,940	175,204
Due to other funds	<u>20,783</u>	<u>38,752</u>				<u>57,081</u>	<u>116,616</u>
Total liabilities	<u>395,029</u>	<u>96,866</u>	<u>24,250</u>		<u>554,174</u>	<u>69,064</u>	<u>1,139,383</u>
Deferred inflows of resources:							
Deferred property taxes	<u>77,956</u>			<u>22,690</u>			<u>100,646</u>
Total deferred inflows of resources	<u>77,956</u>			<u>22,690</u>			<u>100,646</u>
Fund balances:							
Nonspendable	61,137						61,137
Restricted	315,058					2,213	317,271
Committed	1,006,748		826,587		8,556,841	1,002,579	11,392,755
Unassigned	<u>1,423,924</u>			<u>64,626</u>		<u>(19,144)</u>	<u>1,469,406</u>
Total fund balances	<u>2,806,867</u>		<u>826,587</u>	<u>64,626</u>	<u>8,556,841</u>	<u>985,648</u>	<u>13,240,569</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,279,852</u>	<u>\$ 96,866</u>	<u>\$ 850,837</u>	<u>\$ 87,316</u>	<u>\$ 9,111,015</u>	<u>\$ 1,054,712</u>	<u>\$ 14,480,598</u>

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

**TOWN OF HORIZON CITY, TEXAS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION**

**Year Ended September 30, 2017**

Total fund balances of governmental funds in the balance sheet	\$ 13,240,569
Amounts reported in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:	
Governmental capital assets	22,636,423
Accumulated depreciation	<u>(3,985,442)</u> 18,650,981
Certain property tax revenues will be collected after year-end but are not available soon enough to pay for the current period expenditures and, therefore, are deferred on the modified accrual basis in governmental funds:	
Deferred property taxes	100,646
Some liabilities applicable to the Town's governmental activity are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:	
Bonds payable	(15,202,725)
Compensated absences	(137,063)
Accrued interest	<u>(73,669)</u> (15,413,457)
Total net position of governmental activities	<u>\$ 16,578,739</u>

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

**TOWN OF HORIZON CITY, TEXAS**

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

Year Ended September 30, 2017

	<b>General Fund</b>	<b>Special Revenue Fund - Safe Routes to School</b>	<b>Street Maintenance Fund</b>	<b>Debt Service Fund</b>	<b>Capital Improvements Fund</b>	<b>Aggregate Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>							
Property taxes	\$ 2,604,621	\$	\$	\$ 1,146,739	\$	\$	\$ 3,751,360
Sales taxes	1,379,699		338,133			338,133	2,055,965
Grant income		469,426			4,074,801	202,854	4,747,081
Licenses, permits and fees	841,620						841,620
Charges for services	444,657						444,657
Franchise taxes	368,996						368,996
Fines and forfeitures	243,469						243,469
Interest income	23,740		1,349	5,081	22,933	3,208	56,311
Contributions	6,850						6,850
Other income	30,308	_____	_____	_____	_____	_____	30,308
Total revenues	<u>5,943,960</u>	<u>469,426</u>	<u>339,482</u>	<u>1,151,820</u>	<u>4,097,734</u>	<u>544,195</u>	<u>12,546,617</u>
<b><u>EXPENDITURES</u></b>							
Public safety - police	1,586,478					140,937	1,727,415
Public safety - dispatch	726,911					221	727,132
General government	637,184			1,265		99,067	737,516
Parks and recreation	309,080						309,080
Community development	271,754		17,954				289,708
Public services	326,210						326,210
Building services	264,804						264,804
Finance	243,816						243,816
Municipal court	240,077						240,077

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
(Continued)**

**Year Ended September 30, 2017**

	<b>General Fund</b>	<b>Special Revenue Fund - Safe Routes to School</b>	<b>Street Maintenance Fund</b>	<b>Debt Service Fund</b>	<b>Capital Improvements Fund</b>	<b>Aggregate Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b><u>EXPENDITURES (Continued)</u></b>							
Code enforcement	\$ 171,564	\$	\$	\$	\$	\$	\$ 171,564
Planning	209,041						209,041
Executive	48,149						48,149
Storm water	8,780						8,780
Debt service:							
Principal				616,325			616,325
Interest				603,361			603,361
Capital outlay	<u>155,548</u>	<u>575,290</u>	<u>21,550</u>	<u>        </u>	<u>7,801,258</u>	<u>81,820</u>	<u>8,635,466</u>
Total expenditures	<u>5,199,396</u>	<u>575,290</u>	<u>39,504</u>	<u>1,220,951</u>	<u>7,801,258</u>	<u>322,045</u>	<u>15,158,444</u>
Excess (deficit) of revenues over (under) expenditures	<u>744,564</u>	<u>(105,864)</u>	<u>299,978</u>	<u>(69,131)</u>	<u>(3,703,524)</u>	<u>222,150</u>	<u>(2,611,827)</u>

(Continued)



**TOWN OF HORIZON CITY, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
(Continued)**

**Year Ended September 30, 2017**

	<b>General Fund</b>	<b>Special Revenue Fund - Safe Routes to School</b>	<b>Street Maintenance Fund</b>	<b>Debt Service Fund</b>	<b>Capital Improvements Fund</b>	<b>Aggregate Non-Major Funds</b>	<b>Total Governmental Funds</b>
Other financial sources (uses):							
Interfund transfers	\$ (131,588)	\$ 105,864	\$ _____	\$ 92,787	\$ (105,864)	\$ 38,801	\$ _____
Total other financial sources (uses)	(131,588)	105,864	_____	92,787	(105,864)	38,801	_____
Net change in fund balance	612,976		299,978	23,656	(3,809,388)	260,951	(2,611,827)
Fund balance, beginning of the year	2,193,891	_____	526,609	40,970	12,366,229	724,697	15,852,396
Fund balance, end of the year	\$ 2,806,867	\$ _____	\$ 826,587	\$ 64,626	\$8,556,841	\$ 985,648	\$ 13,240,569

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

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2017**

Net change in fund balances – total governmental funds \$ (2,611,827)

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the government-wide statements, the cost of those assets are depreciated over their estimated useful lives:

Capital outlays	8,635,466	
Depreciation expense	<u>(499,305)</u>	8,136,161

Because some property taxes will not be collected for several months after the Town’s fiscal year ends, they are not considered as “available” revenues in the governmental funds. They are, however, recorded as revenues in the statement of activities.

This represents the increase in deferred property tax revenues.

Change in deferred property taxes	1,720
-----------------------------------	-------

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.

616,325

In the statement of activities, the outstanding balance of bond premium is reduced every time an interest payment is made. Bond premiums are amortized using the straight-line method over the term of the certificates of obligation. Interest expense in the statement of activities is reduced by bond amortization recognized every year.

22,270

The net effect of sales of capital assets is to decrease net assets.

(510)

Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in accrued interest payable	2,298	
Change in compensated absences payable	<u>(30,287)</u>	

Change in net position of governmental activities \$ 6,136,150

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

**TOWN OF HORIZON CITY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**

**September 30, 2017**

	<b><u>Agency Funds</u></b>
<b><u>ASSETS</u></b>	
Investments, at fair value	<u>\$1,016,305</u>
Total assets	<u>1,016,305</u>
<b><u>LIABILITIES</u></b>	
Deferred compensation payable	<u>1,016,305</u>
Total liabilities	<u>1,016,305</u>
<b><u>NET POSITION HELD IN TRUST</u></b>	
Net position held in-trust	<u>\$ _____</u>

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

## **TOWN OF HORIZON CITY, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

#### **ORGANIZATION AND OPERATIONS**

The Town of Horizon City, Texas, (“the Town”) operates under a Council-Mayor form of government. The Mayor and all council members are elected at large. The Town provides general administrative services, public safety, streets and roads maintenance, public service, municipal court, and community development. The Town’s Council (“the Council”) is responsible for legislative and fiscal control of the Town.

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Horizon City, Texas are discussed in subsequent sections of the notes to the financial statements. The remainder of the notes to the financial statements are organized to provide explanations including required disclosures, of the Town’s financial activities for the fiscal year ended September 30, 2017.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity – As required by generally accepted accounting principles, these financial statements present the activities of the Town, its component units and fiduciary activities. All activities of the Town are governmental in nature and are financed through taxes and other non-exchange transactions. Component units are legally separate organizations for which the Town is financially accountable or other organizations whose nature and significant relationship with the Town are such that exclusion would cause the Town’s financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either the Town’s ability to direct the organization or (ii) the potential for the organization to provide a financial benefit to or impose a financial burden on the Town. The Town’s fiduciary activities are accounted for in the Agency Fund.

Blended component units, although legally separate entities are, in substance, part of the Town’s operations. Accordingly, data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Further, the Town is not aware of any entity which would consider itself to be a discrete component unit of the Town.

(Continued)

## TOWN OF HORIZON CITY, TEXAS

### NOTES TO FINANCIAL STATEMENTS

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Blended Component Units –**

*Town of Horizon City Type 4B Economic Development Corporation* – Established to promote economic development activities within the Town of Horizon City, Texas in order to eliminate unemployment, encourage public welfare and develop projects of public interest related to sports, culture, tourism, amusement and commerce. The Corporation was established in 2011 and receives 0.25% of sales taxes collected by the Town, as designated by Council Ordinance. The Corporation meets the requirements for blending because its governing body is appointed by the Town's Council and is managed as a department of the Town under the direction of the Town's management. The Corporation's activities are reported in the Town's governmental activities as a special revenue fund. Separate financial statements are not prepared for the Corporation. The Corporation's fiscal year ends on September 30.

Government-Wide and Fund Financial Statements – The government-wide financial statements (the statement of net position and the statement of activities) report information on all activities of the Town. The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenue.

The Town has five major governmental funds. Aggregate non-major governmental funds are reported as a separate column in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property tax revenues are recognized in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued) – Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Grants and entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Town receives cash.

In addition to assets and liabilities, the government fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

Fund Accounting – The Town’s accounting system is operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts for recording its assets, liabilities, revenues, expenditures, and fund balances. The various funds are for the purpose of carrying on specific activities or to obtain certain objectives. The various funds are grouped by type in the financial statements.

The Town reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the Town. It is used to account for all financial resources of the general government, except those accounted for in another fund.

Special Revenue Fund - Safe Routes to School – This Special Revenue Fund is used to account for the expenditures of federal grant awards that have been restricted for use in the development of safer school zones. Grant revenue is recognized when compliance with the various contract requirements is achieved.

Special Revenue Fund – Street Maintenance – This Special Revenue Fund is used to account for the expenditures of sales taxes reserved for maintaining existing streets. The Fund receives 0.25% of sales tax revenue every year as determined by voter referendum.

Debt Service Fund – Accounts for the accumulation of financial resources for the payment of principal and interest on the Town’s general obligation debt.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Accounting (Continued)

*Capital Improvements Fund* – Accounts for the capital expenditures of Combination Tax and Revenue Certificates of Obligation proceeds designated for use in infrastructure and commercial development projects.

Additionally, the Town reports the following non-major governmental funds:

*Special Revenue Fund – Economic Development* – This Special Revenue Fund is used to account for the expenditures of sales taxes reserved for fostering economic growth in the Town. The Fund receives 0.25% of sales tax revenue every year as determined by voter referendum. Expenditures for economic growth are determined by the Economic Development Corporation, a blended component unit of the Town, and approved by the Town Council.

*Special Revenue Fund – State and Local Grants* – This Special Revenue Fund is used to account for the expenditures of state and local awards that have been restricted to be used in public service. Grant revenue is recognized when compliance with the various contract requirements is achieved.

*Special Revenue Fund – Stonegarden* – This Special Revenue Fund is used to account for the expenditures of federal awards that have been restricted to be used in public service. Grant revenue is recognized when compliance with the various contract requirements is achieved.

*Special Revenue Fund - Transportation Reinvestment Zone* – This Special Revenue Fund is used to account for tax revenues generated from the incremental tax values on the Transportation Reinvestment Zone Number Two created by Town Ordinance pursuant to Section 222.106 of the Texas Transportation Code (“Municipal TRZ Act”). TRZ Number Two Revenues are restricted for the development of the Eastlake Blvd. Expansion Project.

*Special Revenue Fund - Keep Horizon Beautiful* – This Special Revenue Fund is used to account for donations committed for environment work.

The Town reports the following fiduciary fund:

*Agency Fund* – The Agency Fund is used to account for the Town’s 457(b) Deferred Compensation Fund, which is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. A fiduciary statement of net position is presented. The Agency funds are accounted for on a spending or “economic resources” measurement focus.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Accounting (Continued)

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, interest and charges for services are considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the Town receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures – On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

(Continued)



**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgets and Budgetary Accounting – The Town is required by the Texas Constitution to adopt an annual balanced budget. The Town Council officially adopts the annual budget ordinance and all project ordinances and has the authority to amend such ordinances. All budgets are prepared on the budgetary basis of accounting as required by Texas law.

Cash and Cash Equivalents and Investments – Funds on deposit were maintained in interest bearing accounts and secured at the balance sheet date by the Federal Deposit Insurance Corporation and U.S. Government Securities.

The Town maintains and controls one major cash pool. The balance and activity in the cash pool is allocated to each individual fund of the Town. In addition, the Town holds non-pooled cash and investment accounts discretely presented in separate funds.

Statutes authorize the Town to invest in Certificates of Deposit, repurchase agreements, passbook, bankers' acceptances, and other available bank investments, provided that approved securities are pledged in an amount equal to the amount of funds on deposit.

For presentation in the financial statements, investments with an original maturity of three months or less, at the time they are purchased by the Town, are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments. Investments are recorded at fair value, which is based on quoted market prices.

Property Tax Calendar – The Town is responsible for the assessment, collection, and apportionment of property taxes. The Council levies property taxes on October 1. The certified tax roll from El Paso Central Appraisal District reflected a taxable value of \$757,021,376 for the year ended September 30, 2017. Taxes are due upon receipt of the tax bill and are delinquent if not paid by January 31, of the year following in which levied. On January 1, of each year, a tax lien attaches to property to secure the payment of tax revenues, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable in the current period. The Town's 2016-2017 tax rate was \$.491756, per \$100 of assessed valuation. The Town incurred expenditures of \$49,370 for the services provided by El Paso Central Appraisal District for the year ended September 30, 2017.

Grants and Contracts Receivable – Grants and contracts receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. At September 30, 2017, management determined all outstanding grants and contracts receivable to be fully collectable. Accordingly, no allowance has been established.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets – General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are recorded at cost (or estimated historical cost) if purchased or constructed and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of the donation. The Town maintains a capitalization threshold of \$2,500. The Town maintains infrastructure asset records consistent with all other capital assets. Infrastructure is capitalized upon completion of construction. Improvements are also capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Depreciation is determined using the straight-line method over the estimated useful lives of the capital assets.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	40
Machinery and equipment	7
Office furniture and equipment	7
Infrastructure	25

Compensated Absences – The Town's regular employees are granted compensated absence pay in varying amounts based on length of service. Earned compensated absences may be carried over up to a specified number of hours. Compensated absences are reported as accrued liabilities in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages and benefits payable.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond discounts and premiums are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bonds payable are reported net of the applicable bond discounts or premiums. Bond issuance costs, with the exception of prepaid bond insurance, are reported as expenses in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issue costs. Bond proceeds are reported as another financing source net of applicable premium or discount. Issue costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows of Resources and Deferred Inflows of Resources – In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

Fund Balance – Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained. At September 30, 2017, nonspendable fund balance consists of prepaid expenses in the amount of \$61,137.

Restricted fund balance – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors). Restricted fund balance in the amount of \$317,271 at September 30, 2017 represents amounts mandated by the State of Texas.

Committed fund balance – amounts that can be spent only for specific purposes determined by a resolution of the Town Council, the Town’s highest level of decision-making authority. The committed fund balance of \$11,392,755 is composed of funds for street development and maintenance, economic development and capital improvement.

Assigned fund balance – amounts the Town intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. Amounts may be assigned by Town Council by resolution.

Unassigned fund balance – amounts that are available for any purpose; these amounts are reported in the Town’s General Fund and Debt Service Fund.

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position – Net position is displayed in three components:

- 1) Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position – consists of net position with constraints placed on their use either by a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Net Position/Fund Balance Flow Assumptions – Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements and restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted balances to have been depleted before unrestricted balances are applied.

Internal Balances – Amounts reported in the fund financial statements as interfund receivables, payables and advances, if any, are eliminated in the government-wide governmental columns of the statement of net position.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Allowance for Doubtful Accounts – Accounts receivable are stated net of an allowance for doubtful accounts. Management periodically evaluates the collectability of its accounts receivable. The allowance for doubtful accounts amounted to \$769 at September 30, 2017.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**DEPOSITS**

At September 30, 2017, the reported amount of the Town's deposits was \$12,325,426 and the bank balance was \$12,325,524. These deposits are held in deposit accounts and money market funds. Cash held in the Capital Improvement Plan Fund has been committed through Town Ordinance to be used in infrastructure projects. Cash held in the General Fund totaling \$441,700 has been reserved as a stabilization amount through Council Ordinance.

Statutes require the classification of funds held by the Town into three categories:

Category 1 consists of "active" funds – those funds required to be kept in "cash" or "near cash" status for immediate use by the Town. Such funds must be maintained as cash, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts. At September 30, 2017, all deposits held by the Town were classified as Category 1.

Category 2 consists of "inactive" funds – those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds – those funds not needed for immediate use, but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 1) Commercial paper;
- 2) Bankers' acceptances;
- 3) Repurchase agreements;
- 4) Certificates of deposit; and
- 5) Obligation of, or Guaranteed by Governmental Agencies, such as letters of credit or direct obligations.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's investment policy requires deposits to be 100% secured by collateral valued at market less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Collateral agreements must be approved prior to deposit of funds. The Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**DEPOSITS (Continued)**

The investment of surplus funds is governed by a policy of the Town. Investments in collateral mortgage obligations are prohibited. The maximum allowable stated maturity of any authorized investment type cannot exceed three months to maturity.

The Town's investments are categorized to give an indication of the level of risk assumed by the Town at fiscal year-end. The categories are described as follows:

- Category A: Insured, registered, or securities held by the Town or its agent in the Town's name.
- Category B: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- Category C: Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent, but not in the Town's name.

Investments consist of the following at September 30, 2017:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
General Fund	A	\$ 405,760	\$ 405,760
Street Maintenance Fund	A	850,837	850,837
Debt Service Fund	A	2,324	2,324
Aggregate Non-Major Funds	A	<u>238,167</u>	<u>238,167</u>
Total		<u>\$1,497,088</u>	<u>\$1,497,088</u>

The Town's investments consisted of certificates of deposit. Investments are reported at fair value which approximates cost. All investments are maintained with Wells Fargo Advisors in the name of the Town. All certificates of deposit are fully insured by the FDIC.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**DEPOSITS (Continued)**

*Concentration of Credit Risk* - The Town places no limit on the amount the Town may invest in any one issuer. At September 30, 2017, the Town had the following investments in single issuers representing more than five percent of the total investments on-hand:

Issuer A	\$200,230
Issuer B	199,788
Issuer C	199,774
Issuer D	199,162
Issuer E	100,123
Issuer F	99,971
Issuer G	99,829
Issuer H	99,655
Issuer I	99,588
Issuer J	99,484
Issuer K	<u>99,484</u>
Total	<u>\$1,497,088</u>

*Custodial Credit Risk - Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Deposits were insured by the FDIC up to \$250,000. The Town has an investment policy which requires collateralizations for certain types of investments. Management evaluates the exposure to credit risk for deposits exceeding the amount insured by the FDIC by comparing the amounts of cash on-hand to collateral funds. At September 30, 2017, pledged collateral funds securing the Town's deposits had a fair market value of \$11,109,064. Management does not believe the Town is exposed to any significant credit risk.

**GRANTS RECEIVABLE**

Grants receivable arise from amounts due to the Town from granting agencies for allowable expenditures not reimbursed at year-end. Grants receivable consisted of the following at September 30, 2017:

State of Texas – Safe Routes to Schools	\$96,866
Stone Garden	10,210
Border Star	<u>13,451</u>
Total	<u>\$120,527</u>

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**INTERFUND RECEIVABLES AND PAYABLES**

The composition of the Town's interfund balances as of September 30, 2017 is as follows:

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	<b><u>Amount</u></b>
Capital Improvements Fund	Special Revenue – Transportation Reinvestment Zone No. 2	\$ 57,081
Capital Improvements Fund	Special Revenue – Safe Routes to School	38,752
Debt Service	General Fund	19,846
Aggregate Non-Major Funds	General Fund	<u>937</u>
Total		<u>\$116,616</u>

**PROPERTY TAX AND OTHER RECEIVABLES**

Property tax and other receivables consist of the following at September 30, 2017:

	<b><u>Gross</u></b>	<b><u>Allowance for Uncollectible Accounts</u></b>	<b><u>Net</u></b>
Governmental activities:			
Property taxes, current	\$135,314	\$	\$135,314
Property taxes, delinquent	<u>100,646</u>	<u>          </u>	<u>100,646</u>
Property taxes, total	235,960		235,960
Other	<u>124,613</u>	<u>(769)</u>	<u>123,844</u>
Total governmental activities	<u>\$360,573</u>	<u>\$(769)</u>	<u>\$359,804</u>

(Continued)



**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**CAPITAL ASSETS**

Capital asset activity for the Town for the year ended September 30, 2017, was as follows:

	<b>September</b>				<b>September</b>
	<b><u>30, 2016</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Transfers</u></b>	<b><u>30, 2017</u></b>
Non-depreciable capital assets:					
Land	\$ 745,140	\$	\$	\$	\$ 745,140
Construction in progress	<u>3,528,871</u>	<u>8,416,267</u>	<u>          </u>	<u>(1,577,262)</u>	<u>10,367,876</u>
Total non-depreciable capital assets	\$ <u>4,274,011</u>	\$ <u>8,416,267</u>	\$ <u>          </u>	\$ <u>(1,577,262)</u>	\$ <u>11,113,016</u>
Depreciable capital assets:					
Building and improvement	\$ 851,522	\$	\$	\$	\$ 851,522
Equipment	2,506,252	145,174	(28,031)		2,623,395
Infrastructure	<u>6,400,203</u>	<u>74,025</u>	<u>(3,000)</u>	<u>1,577,262</u>	<u>8,048,490</u>
	<u>9,757,977</u>	<u>219,199</u>	<u>(31,031)</u>	<u>1,577,262</u>	<u>11,523,407</u>
Less accumulated depreciation for:					
Building and improvements	(272,793)	(27,191)			(299,984)
Equipment	(1,821,548)	(204,982)	28,031		(1,998,499)
Infrastructure	<u>(1,422,317)</u>	<u>(267,132)</u>	<u>2,490</u>	<u>          </u>	<u>(1,686,959)</u>
Total accumulated depreciation	<u>(3,516,658)</u>	<u>(499,305)</u>	<u>30,521</u>	<u>          </u>	<u>(3,985,442)</u>
Depreciable capital assets, net	<u>6,241,319</u>	<u>(280,106)</u>	<u>(510)</u>	<u>1,577,262</u>	<u>7,537,965</u>
Total capital assets, net	\$ <u>10,515,330</u>	\$ <u>8,136,161</u>	\$ <u>(510)</u>	\$ <u>          </u>	\$ <u>18,650,981</u>

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**CAPITAL ASSETS (Continued)**

Depreciation expense was charged to function/programs of the government for the year ended September 30, 2017 as follows:

Community development	\$ 239,225
Public safety – police	138,065
General government	69,809
Parks and recreation	29,498
Code enforcement	9,164
Public services	7,249
Building services	4,309
Storm water	1,826
Municipal court	80
Planning	<u>80</u>
Total provisions for depreciation	<u>\$499,305</u>

**LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	<b><u>Balance at</u></b>			<b><u>Balance at</u></b>		<b><u>Due Within</u></b>
	<b><u>September</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>September</u></b>		<b><u>One Year</u></b>
	<b><u>30, 2016</u></b>			<b><u>30, 2017</u></b>		
Compensated absences	\$ 106,776	\$201,028	\$(170,741)	\$ 137,063		\$ 20,144
Note payable	156,561		(156,561)			
Bonds payable, net	<u>15,684,759</u>	<u>          </u>	<u>(482,034)</u>	<u>15,202,725</u>		<u>480,000</u>
	<u>\$15,948,096</u>	<u>\$201,028</u>	<u>\$(809,336)</u>	<u>\$15,339,788</u>		<u>\$500,144</u>

***Compensated absences***

The Town’s leave policy allows employees to accumulate paid-time-off up to 80 hours per year with a maximum accumulation of 800 hours. Upon termination, any accumulated paid-time-off will be paid to the employee. As of September 30, 2017, employees had approximately 7,105 hours of accumulated paid-time-off.

Total accrued compensated absences	<u>\$137,063</u>
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(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**LONG-TERM DEBT (Continued)**

***Bonds Payable***

The Town issued \$750,000 of Public Improvement Revenue Bonds, Series 2005 to finance the cost of rehabilitation and improvements to infrastructure. Interest only payments are due at an interest rate of 3.95% from date of issuance through February 23, 2007. Varying principal and interest payments are due semi-annually beginning August 15, 2007 through 2029. \$ 495,000

The Town issued \$14,675,000 of Combination Tax and Revenue Bonds, Series 2014 to finance the cost of rehabilitation and improvements to infrastructure. Interest only payments are due at 4% of face value from the date of issuance through February 2017. Interest rate varies from 3.25% to 4.0% over the term of the bonds. Varying principal and interest payments are due semi-annually beginning August 15, 2017 through 2038. The original bond issue included a \$532,500 offering premium to be amortized over the life of the bond. The effective yield rate is approximately 3.65%. 14,245,000

Total bonds payable outstanding 14,740,000

Unamortized bond premium 462,725

Total bonds payable, net 15,202,725

Total long-term debt \$15,339,788

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**LONG-TERM DEBT (Continued)**

Annual debt service for the outstanding bonds is as follows:

<b><u>Year Ending September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2018	\$ 480,000	\$ 579,016	\$ 1,059,016
2019	495,000	559,831	1,054,831
2020	520,000	540,045	1,060,045
2021	540,000	519,263	1,059,263
2022	565,000	497,681	1,062,681
2023-2027	3,180,000	2,131,698	5,311,698
2028-2032	3,675,000	1,480,864	5,155,864
2033-2037	4,315,000	725,600	5,040,600
2038	<u>970,000</u>	<u>38,800</u>	<u>1,008,800</u>
Totals	\$ <u>14,740,000</u>	<u>\$7,072,798</u>	<u>\$ 21,812,798</u>

Totals of principal and interest components equal required minimum payments for periods shown, and total principal equals the net present value of these bonds and notes.

The portion of Series 2014 bond certificates having a stated maturity of August 15, 2036 and August 15, 2038 are subject to mandatory sinking fund redemption prior to maturity at face value plus any accrued interest at the redemption date on the respective dates and in principal amounts as follows:

4% Term Certificates due August 15, 2036, priced to yield 4.05%:

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
August 15, 2035	\$860,000
August 15, 2036	\$895,000

4% Term Certificates due August 15, 2038, priced to yield 4.09%:

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
August 15, 2037	\$935,000
August 15, 2038	\$970,000

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenues in the amount of \$100,646 at September 30, 2017, represent property tax revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unavailable revenue received after 60 days is fully recognized as revenue on the government-wide statements. Unavailable revenue at the government-wide level arises only when the Town receives resources before it has a legal claim to them.

**RESTRICTED NET POSITION AND RESTRICTED FUND BALANCE**

Restricted net position and restricted fund balance consist of those funds that are restricted for use as mandated by the State of Texas, and include the following:

Security Fund	\$ 97,750
Technology Fund	95,599
Children's Fund	64,740
PEG Capital Fund	47,960
Time Payments	8,202
Stone Garden Grant	2,213
STDS	714
Truancy	<u>93</u>
Total	<u>\$317,271</u>

**COMMITTED FUND BALANCE**

Committed fund balance consists of those funds that can be spent only for specific purposes as determined by the Town Council, and includes the following:

Capital Improvements Plan Fund	\$ 8,556,841
Economic Development	1,001,254
Other Capital Improvements	566,373
Street Construction and Maintenance	826,587
Stabilization by City Charter	<u>441,700</u>
Total	<u>\$ 11,392,755</u>

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEFERRED COMPENSATION PLAN**

All Town employees who have been employed for 90 days or more, are eligible to participate in the Town's Deferred Compensation Plan ("the Plan") adopted under the provisions of Internal Revenue Code 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments), GASB Statement No. 32, "Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans" and GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Under these provisions, all assets and income of the Plan are not reported within the Town's financial statements. The assets of the Plan are in the custody of the Town and are reported as an Agency Fund in the accompanying financial statements.

Under the terms of the Plan, employees may contribute from their earnings up to the maximum amount allowed by the Internal Revenue Service annually. The Town will match three percent of all the participating employees' annual base salary to the Plan. In addition, the Town provides an additional match of up to 3% for all elective contributions made by employees every year. In fiscal year ended September 30, 2017, the Town matched 3% of the participants' contributions into the Plan. Town contributions amounted to \$100,725 while employee contributions totaled \$86,845 for the year ended September 30, 2017. Total assets of the Plan amounted to \$1,016,305 at September 30, 2017.

**INTERFUND TRANSFERS**

The Town's interfund transfers were made to provide matching funds for the Safe Routes to School grant, provide debt service payments, establish Special Revenue Fund – Transportation Reinvestment Zone, and provide funds for Special Revenue Fund - State and Local Grants and were as follows for the year ended September 30, 2017:

<b><u>From</u></b>	<b><u>To</u></b>	<b><u>Amount</u></b>
Capital improvements	Special Revenue Fund - Safe Routes to School	\$105,864
General	Debt service	92,787
General	Special Revenue Fund - Transportation Reinvestment Zone	37,864
General	Special Revenue Fund - State and Local Grants	<u>937</u>
		<u>\$237,452</u>

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**RISK POOL**

The Town is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; and natural disaster. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amounts of loss can be reasonably estimated. The Town is a participant in an intergovernmental risk pool for its workers' compensation, liability, and property insurance. Participants in this pool are required to pay "premiums" on the insurance selected. Should a loss occur, the Town is liable only for the deductible. The risk pool purchases reinsurance to cover future losses. At September 30, 2017, Claim No. AU14761 was pending with Texas Municipal League – Intergovernmental Risk Pool involving a collision with the Town's official vehicle. Subsequently, a judgment was rendered; however, the actual amount is pending. Therefore, no liability has been accrued at September 30, 2017.

The Town had no changes in insurance coverage from the prior year, and there were no settlements that exceeded insurance coverage in the last three years.

**COMMITMENTS AND CONTINGENCIES**

**County of El Paso and Camino Real Regional Mobility Authority**

The Town entered into an interlocal agreement with the County of El Paso ("the County") and the Camino Real Regional Mobility Authority ("the Authority"), to provide funding for improvements to Eastlake Blvd. referred to as the "Eastlake Blvd. Phase 2 Roadway Improvement Project". The Project is defined in the Town's Ordinance No. 0219 and includes design and reconstruction of the existing roadway, with the possibility of adding new connections between other existing roadways, pedestrian improvements, and aesthetic improvements such as landscaping and public arts.

The Authority has been designated as a regional mobility authority to which the County remits revenue collected from Special Vehicle Registration Fees. In addition, the Authority has issued its Senior Lien Vehicle Registration Fee Revenue Bonds, Series 2014 ("2014 VRF 2014 Bonds") to finance various transportation projects within the County, including developing and constructing such projects at the County's request. The County and the Authority have included the Town in their interlocal agreement for the Eastlake Blvd. Phase 2 Roadway Improvement Project in order to define the Town's responsibilities and to repay the Authority for the Town's proportionate share of the costs of the project.

The Authority has procured and managed the design services and had procured and will manage construction services for the project. The Town and the County have acknowledged their responsibility for their proportionate share of project costs, including environmental costs, planning, procurement, utility relocation, design and construction management. The total budget for the project has been established at \$19,055,090, of which the Town has committed to \$4,325,505 or 22.7% of the actual costs. Responsibility for any budget overruns will be resolved between the three parties in future contract amendments, as considered necessary. Any change orders proposed for the project will be reviewed and signed by both the Authority and the Town.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES (Continued)**

**County of El Paso and Camino Real Regional Mobility Authority (Continued)**

The Town’s proportionate share for the costs of the project will be determined at project completion, at the time of the project’s final acceptance by the three parties. The Town shall pay the amounts agreed to the Authority with annual payments commencing on May 1, 2020, and each year thereafter until the final payment date in 2038, when any outstanding balance shall be due and payable. The Town’s annual interest costs will be at the same rate as the interest rate for 2014 VRF 2014 Bonds. In the event that the project is funded using the Authority’s surplus funds, the interest rate will then be 3.73% per annum. Interest shall accrue and be paid on the outstanding balance of the Town’s obligation until its maturity or earlier repayment, with interest to begin to accrue on the Project’s Final Acceptance date. Future minimum payments are as follows:

<b><u>Year Ending September 30,</u></b>	
2021	\$ 29,011
2022	60,097
2023	92,622
2024	128,440
2025	168,241
Thereafter	<u>7,197,760</u>
	<u>\$7,676,171</u>

Moreover, the Town has assigned the incremental tax revenue from the Transportation Reinvestment Zone No. 2 (“TRZ2”) to provide funding for this project for the term necessary to fully reimburse the funds advanced by the Authority. Upon final acceptance of the project, the Town shall have the exclusive obligation to maintain and operate the improvements.

The Town is responsible for the acquisition of right-of-way, including any specific easements and rights of entry necessary for project design, development and construction. As of September 30, 2017, the Town has entered into various easement agreements with various property owners in connection with the project.

(Continued)



**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES (Continued)**

**Texas Department of Transportation**

The Town entered into a Local Transportation Project Advance Funding Agreement with the Texas Department of Transportation (“TXDOT”) for the Widening of Darrington Road. The agreement provides access to federal and state funds for the construction of two additional lanes on Darrington Road, one of the Town’s principal arteries. Funding for construction and supervision is provided by the U.S. Department of Transportation and passed through TXDOT on a reimbursement basis. TXDOT is responsible for managing federal and state funds committed to this project. Accordingly, all federal and state funds expended for this project are recognized by the Town as an in-kind donation. Estimated budgets for the project are established in the Advance Funding Agreement and total \$13,304,173. The Agreement stipulates the Town’s participation (match) in the project’s budget, which is not to exceed \$780,615. In addition, any costs incurred for the project in excess of federal and state budget caps are to be matched by the Town. As stipulated in the agreement, the Town is to make an upfront match payment for engineering and environmental costs totaling \$90,275. Upon the completion of the project’s design phase, the Town is required to make a second match payment for construction costs totaling \$558,031. Moreover, the Town is also responsible for 20% of the cost of any purchases of land required for the project and 20% of the cost of any utility relocation. Total matching payments made by the Town from inception of the project through September 30, 2017 amount to \$648,306.

At the end of the project, any unused matching funds may be used to cover any cost in excess of federal or state budget caps. Remaining matching funds, if any, are to be returned to the Town at the completion of the project. The Town’s policy is to recognize any matching funds returned as a reduction of total cost of infrastructure at the end of the project. During the fiscal year ended September 30, 2017, the Town recognized an in-kind grant award for this project totaling \$4,074,801, of which \$3,429,400 represents federal funds and \$645,401 represents state funds.

The Town entered into two Local Transportation Project Advance Funding Agreements with TXDOT to provide access to federal funds for the construction of two Safe Routes to Schools infrastructure projects on Eastlake Blvd. and Col. John O. Ensor Middle and Carroll T. Welch Elementary Schools. The agreements stipulate the Town as the responsible party for providing design and engineering services for the two projects. Funding for construction and supervision is provided by the U.S. Department of Transportation and passed to the Town by the Texas Department of Transportation on a reimbursement basis. Estimated budgets for each project are established in the Advance Funding Agreement and total \$1,276,564 and \$1,432,835, respectively. The Town’s participation is budgeted to be \$243,087 and \$272,844, respectively. The Town is also responsible for any construction costs in excess of the budgets established in the Advance Funding Agreements.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES (Continued)**

**Texas Department of Transportation (Continued)**

During the year ended September 30, 2017, the Town incurred \$529,318 for construction costs related to Col. John O. Ensor Middle and Carroll T. Welch Elementary Schools. The Town received federal assistance for this project totaling \$423,455. In addition, the Town received in-kind construction supervision services from TXDOT valued at approximately \$45,971. Safe Route to Schools Project on Col. John O. Ensor Middle and Carroll T. Welch Elementary Schools was completed in the year ended September 30, 2017 and two reimbursement requests were outstanding at September 30, 2017. The Town began the construction phase for the project on Eastlake Blvd. in October 2017.

The Town entered into an Advance Funding Agreement for Voluntary Maintenance with the Texas Department of Transportation for the maintenance of landscape and pavement on the Horizon Blvd. Bike/Walk Path. The Town is required to furnish all necessary maintenance required for the Bike/Walk Path. The Texas Department of Transportation will not be responsible for reimbursing the Town for any costs incurred in providing maintenance to the Walk/Bike Path.

The Town entered into an Advance Funding Agreement for Voluntary Maintenance with the Texas Department of Transportation for the maintenance of landscaping and an irrigation system placed on the area between the Horizon Blvd. Bike Walk Path and Crocker Dr. intersection and the Horizon Blvd. Bike Walk Path and Rifton Ct. intersection. The Town is required to furnish all necessary maintenance required for the improvements made in the area. The Texas Department of Transportation will not be responsible for reimbursing the Town for any costs incurred in providing maintenance to the landscaping and irrigation system.

**City of El Paso**

The Town entered into an interlocal agreement with the City of El Paso in which the Town will receive animal shelter service from the City. The period of the contract began on September 1, 2016 for a year and the contract automatically renews every year. Total compensation for the services provided by the City is \$128,447, and is to be paid by the Town in equal monthly installments.

The Town entered into an interlocal agreement with the City of El Paso in which the Town will receive environmental services from the City, including but not limited to vector control and air control. The period of the contract begins on September 1, 2017 and ends on August 31, 2018. Total compensation for the services provided by the City is \$14,094, and is to be paid by the Town in equal quarterly installments.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES (Continued)**

**City of El Paso (Continued)**

The Town entered into an interlocal agreement with the City of El Paso in which the Town will receive public health services from the City, including but not limited to providing food handling permits, disease control and immunization services. The period of the contract begins in September 1, 2017 and ends on August 31, 2018. Total compensation for the services provided by the City is \$126,257, and is to be paid by the Town in equal quarterly installments.

**County of El Paso**

The Town entered into an interlocal agreement with the County of El Paso in which the Town will receive animal control services by and through the El Paso County Sheriff's Office. The period of the contract begins on March 1, 2017 and ends on February 28, 2018. Total compensation for the services provided by the County is \$42,129, and is to be paid by the Town in three monthly installments.

**Horizon Regional Municipal Utility District**

The Town entered into an interlocal agreement with the Horizon Regional Municipal Utility District ("District") in which the Town will grant the Town's property as consideration for an easement on District's property for the Darrington Drainage Project. In addition, the Town will collaborate with the District on the District Backfill Project by transporting fill dirt removed from the District property during the Darrington Drainage project as backfill on the designated District site.

**Other Commitments**

The Town entered into an interlocal agreement with the El Paso Emergency Services District #1 ("ESD#1") in which the Town's public safety department will provide dispatching services to ESD#1, including but not limited to providing staff 24 hours a day, 7 days a week, to answer emergency services and dispatch responses to ESD#1 personnel. The period of the contract began October 1, 2014 and ended September 30, 2015. At the end of the term, the contract will be renewed every year unless both parties agree to terminate the agreement. Total compensation for the services provided by the Town during the year ended September 30, 2017 was \$108,058. The agreement requires the annual contract amount to be revisited every year and approved by both parties. The service amount for fiscal year 2017-2018 has been agreed to totaling \$106,587, to be received quarterly.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES (Continued)**

**Other Commitments (Continued)**

The Town entered into an interlocal agreement with the El Paso Emergency Services District #2 (“ESD#2”) in which the Town’s public safety department will provide dispatching services to ESD#2, including but not limited to providing staff 24 hours a day, 7 days a week, to answer emergency services and dispatch responses to ESD#2 personnel. The period of the contract began on March 1, 2015 and ended on September 30, 2015. At the end of the term, the contract will be renewed every year unless both parties agree to terminate the agreement. Total compensation for the services provided by the Town during the year ended September 30, 2017 was \$336,599. The agreement requires the annual contract amount to be revisited every year and approved by both parties. The service amount for fiscal year 2017-2018 has been agreed to totaling \$331,605, to be received quarterly.

The Town entered into an agreement with the Horizon Regional Municipal Utility District (“District”) in order to establish collaborative efforts with respect to the relocation or reconstruction of various water lines that are deemed necessary for the construction roadway improvements. Pursuant to the agreement, certain water lines and sanitary sewer lines must be relocated and constructed as they conflict with the Town’s Industrial Park project. Both parties have agreed that the Town will provide funding for the required relocation and construction costs for the identified water lines. Upon completion of construction, the Town shall determine the actual cost of construction for the portion of the project attributable to District infrastructure constructed by the Town, for which the District will be obligated to repay the Town.

In connection with its Capital Improvements Plan, the Town has contracts with general contractors and professional engineering providers for the design, construction and supervision of various infrastructure projects. The Town expects the contracts to be completed or renewed within a one-year term.

**Litigation**

The Town is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town and, therefore, no liability was accrued at September 30, 2017.

**Post-retirement benefits**

The Town provides no post-retirement benefits to retired employees.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**RELATED PARTY**

Economic Development Corporation was established in 2011 and receives 0.25% of sales taxes collected by the Town, as designated by Council Ordinance. The Corporation is reported as a blended component unit as its governing body is appointed by the Town’s Council and it is managed as a department of the Town under the direction of the Town’s management. The Corporation’s activities are reported in the Town’s governmental activities as a special revenue fund.

**FEDERAL AND STATE GRANTS**

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, 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.

**MAJOR FEDERAL PROGRAM**

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (“the Uniform Guidance”), defines a major program as a program with expenditures of federal funds in excess of \$750,000, unless other standards are established by funding sources. The total awards received from the Texas Department of Transportation are considered pass-through funds from the Department of Transportation under the Highway Planning and Construction Cluster. The total awards expended by the Town under this Federal award totaled \$3,852,855 for the year ended September 30, 2017; therefore, the program is considered a major program for the purpose of the Uniform Guidance.

**CONCENTRATION OF REVENUE**

The Town receives a substantial amount of its in-kind support from government grants.

Approximately 36% of support and revenues came from the following sources for year ended September 30, 2017:

Texas Department Transportation – Darrington Widening	32%
Texas Department Transportation – Safe Routes to School	<u>4%</u>
	<u>36%</u>

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**LEASE AGREEMENTS**

In November 2017, the Town extended its lease agreement for the court and police department building for an additional 26 month period. Future minimum lease payments are as follows:

**Year Ending September 30,**

2018	\$ 55,434
2019	54,850
2020	<u>41,703</u>
	<u>\$151,987</u>

Total rental expense under this agreement was \$59,420 for the year ended September 30, 2017.

**SUBSEQUENT EVENTS**

Effective October 16, 2017, the Town entered into a contract with Del Mar Contracting, Inc. for the N. Darrington Drainage Improvement. The total contract amount is established at \$1,301,553.

Effective October 19, 2017, the Town entered into a contract with Del Mar Contracting, Inc. for Eastlake Safe Route to School Project. The total contract amount is established at \$712,614.

Effective January 1, 2018, the Town enrolled in the Texas Municipal Retirement System (TMRS) through ordinance No. 236. All employees whose position requires more than 1,000 hours per year becomes a member of the System as a condition of their employment. In accordance with the provision of the TMRS Act, employees contribute 5% of their earnings and the Town contributes 5.93%. This rate will remain in effect for the year and throughout 2019. The System's actuary shall determine the annual contribution rate necessary to fund within the amortization period determined as applicable to the Town under the TMRS Act. In addition, the Town elected to participate in the Supplemental Death Benefits Fund of the System for each of the Town's employees who are members of the system for the purpose of providing in-service death benefits and post-retirement death benefits. Due to the enrollment in the TMRS, the existing 457B plan was terminated as of December 31, 2017. Participants in 457B plan are fully vested in all employer contributions at termination. Funds in 457B plan accounts must be liquidated in full within 12 months of termination of the plan. Participants were provided with options of a personal IRA rollover or withdrawals after tax payment.

Subsequent events were evaluated through May 15, 2018 which is the date the financial statements were available to be issued.

**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

[Closing Date]

Norton Rose Fulbright US LLP  
2200 Ross Avenue, Suite 3600  
Dallas, Texas 75201-7932  
United States

Tel +1 214 855 8000  
Fax +1 214 855 8200  
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the “Town of Horizon City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2019,” dated May 1, 2019, in the principal amount of \$\_\_\_\_\_ (the “Certificates”), we have examined into their issuance by the Town of Horizon City, Texas (the “Town”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Town, the disclosure of any financial or statistical information or data pertaining to the Town and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on August 15 in each of the years specified in the ordinance adopted by the City Council of the Town authorizing the issuance of the Certificates (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the Town (which we found to be in due form and properly executed); (ii) certifications of officers of the Town relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the Town and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the Town and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the Town, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the Town, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the System (as defined in the Ordinance) in the manner and to the extent provided in the Ordinance, 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 the general principles of equity.



Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "Town of Horizon City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2019"

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the Town with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO 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 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.

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.

**APPENDIX D**

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Financial Advisory Services  
Provided By

