HTS Continuing Disclosure Services
A Division of Hilltop Securities

(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated April 4, 2019

Ratings:
Moody's: Aa1"
S&P: "AAA"
(See "OTHER INFORMATION-Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described in "TAX MATTERS" herein.

THE BONDS ARE **NOT** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

Plano City of Excellence

$6,925,000
CITY OF PLANO, TEXAS
(Collin and Denton Counties)
MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE
REFUNDING AND IMPROVEMENT BONDS, SERIES 2019

Dated Date: April 1, 2019
Interest Accrues from Delivery Date

Due: May 15, as shown below

PAYMENT TERMS . . . Interest on the $6,925,000 City of Plano, Texas, Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2019 (the "Bonds") will accrue from the Delivery Date and will be payable November 15 and May 15 of each year commencing November 15, 2019, 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 Bonds 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 Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued by the City of Plano, Texas (the "City") pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 552 of the Texas Local Government Code, as amended, Chapters 1207 and 1371 Texas Government Code, as amended, Section 9.22 of the City's Home Rule Charter and an ordinance passed by the City Council on March 19, 2019 (the "Bond Authorization"), in which the City Council delegated pricing of the Bonds and certain other matters to "Pricing Officers" who approved a "Pricing Certificate" for the Bonds which contained the final terms of sale and completed the sale of the Bonds (the Bond Authorization and the Pricing Certificate are jointly referred to as the "Ordinance"). The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of all income of the City's Municipal Drainage Utility System (the "System") and amounts held in each account established for the benefit of Parity Obligations (as hereinafter defined), including, specifically, earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Bonds, the Previously Issued Bonds (defined herein) and other obligations payable solely from and secured only by a lien on and pledge of the Revenues of the System, but excluding restricted gifts and grants and any amounts received from drainage charges that are dedicated by ordinance for funding future system projects (collectively, the "Revenues"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation (see "THE BONDS - Authority for Issuance" and "THE BONDS – Security and Source of Payment").**

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) fund various drainage and erosion projects throughout the City, (ii) refund a portion of the City's outstanding municipal drainage utility system revenue debt described in Schedule I attached to this Official Statement (the "Refunded Bonds") for debt service savings, (iii) fund a debt service reserve fund, and (iv) pay costs of issuance associated with the sale of the Bonds.

MATURITY SCHEDULE

CUSIP Prefix (1): 727219

Principal Amount	Maturity (5/15)	Interest Rate	Price or Yield	CUSIP Suffix (1)	Principal Amount	Maturity (5/15)	Interest Rate	Price or Yield	CUSIP Suffix (1)
$ 280,000	2020	2.000%	1.530%	NB9	$ 370,000	2029	4.000%	2.190% (2)	NL7
285,000	2021	2.000%	1.570%	NC7	325,000	2030	4.000%	2.330% (2)	NM5
290,000	2022	3.000%	1.620%	ND5	335,000	2031	3.000%	2.620% (2)	NN3
305,000	2023	3.000%	1.680%	NE3	345,000	2032	3.000%	2.740% (2)	NP8
310,000	2024	3.000%	1.730%	NF0	355,000	2033	3.000%	2.840% (2)	NQ6
320,000	2025	3.000%	1.780%	NG8	390,000	2036	3.000%	3.050%	NT0
330,000	2026	4.000%	1.850%	NH6	400,000	2037	3.000%	3.100%	NU7
340,000	2027	4.000%	1.910%	NJ2	415,000	2038	3.000%	98.000	NV5
360,000	2028	4.000%	2.000%	NK9	425,000	2039	3.125%	3.200%	NW3

$745,000 3.00% TERM BONDS DUE MAY 15, 2035 PRICED TO YIELD 3.000% - CUSIP #727177NS2

(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. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield shown is the yield to first optional redemption date of May 15, 2028.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after May 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on May 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption"). In addition, the Bonds maturing May 15, 2035 (the "Term Bonds") are also subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "THE BONDS – Mandatory Redemption").

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser 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 B, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on May 15, 2019 (the "Delivery Date").

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

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

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

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

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

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES 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 STATEMENT.

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The cover page hereof, this page, the schedule, the 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 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY .... The City of Plano, Texas (the "City") is a political subdivision and home-rule municipal corporation of the State of Texas (the "State"), located in Collin and Denton Counties, Texas. The City covers approximately 72 square miles (see "INTRODUCTION - Description of the City").

THE BONDS .... The $6,925,000 Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2019 will mature serially on May 15 of each year in the years 2020 through 2033 and 2036 through 2039 and as Term Bonds maturing on May 15, 2035 (see "THE BONDS - Description of the Bonds ").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Delivery Date, and is payable November 15, 2019, and each May 15 and November 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds", "THE BONDS - Optional Redemption" and “THE BONDS – Mandatory Redemption”).

AUTHORITY FOR ISSUANCE........... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 552 of the Texas Local Government Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, Section 9.22 of the City’s Home Rule Charter and an ordinance passed by the City Council on March 19, 2019 (the "Bond Authorization"), in which the City Council delegated pricing of the Bonds and certain other matters to "Pricing Officers" who approved a "Pricing Certificate" for the Bonds which contained the final terms of sale and completed the sale of the Bonds (the Bond Authorization and the Pricing Certificate are jointly referred to as the "Ordinance").

SECURITY FOR THE BONDS .... The Bonds constitute special obligations of the City, payable, both as to principal and interest, solely from and, together with the outstanding Parity Obligations (defined herein), secured by a first lien on and pledge of the Revenues of the City's Municipal Drainage Utility System (the "System"). The Revenues pledged to secure the Bonds and other Parity Obligations include all income of the System and amounts held in each account established for the benefit of the Parity Obligations, including, specifically, earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Bonds, the Previously Issued Bonds (defined herein) and other obligations payable solely from and secured only by a lien on and pledge of the Revenues of the System, but excluding restricted gifts and grants and any amounts received from drainage charges that are dedicated by ordinance for funding future System projects. **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after May 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on May 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). In addition, the Bonds maturing May 15, 2035 (the “Term Bonds”) are also subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see “THE BONDS – Mandatory Redemption”).

TAX EXEMPTION............................. In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described in "TAX MATTERS".

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used to (i) fund various drainage and erosion projects throughout the City, (ii) refund a portion of the City’s outstanding municipal drainage utility system revenue debt described in Schedule I attached to this Official Statement (the "Refunded Bonds") for debt service savings (iii) fund a debt service reserve fund, and (iv) pay costs of issuance associated with the sale of the Bonds.

RATINGS .... The Bonds and the presently outstanding municipal drainage utility system revenue debt of the City are rated "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"), and "Aa1" by Moody’s Investors Service, Inc. ("Moody’s") (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM....... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the Beneficial Owners ("Beneficial Owner") thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

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

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires
Harry LaRosiliere Mayor, Place 6	May, 2021
Ron Kelley Mayor Pro Tem, Place 5	May, 2019
Angela Miner Deputy Mayor Pro Tem, Place 1	May, 2019
Anthony Ricciardelli Councilmember, Place 2	May, 2021
Rick Grady Councilmember, Place 3	May, 2019
Kayci Prince Councilmember, Place 4	May, 2021
Tom Harrison Councilmember, Place 7	May, 2019
Rick Smith Councilmember, Place 8	May, 2021

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service	Total Governmental Service
Bruce D. Glasscock (1)	City Manager	8 Years	50 Years
Lisa C. Henderson	City Secretary	5 Years	16 Years
Denise Tacke	Director of Finance	11 Years	19 Years
Paige Mims	City Attorney	5 Years	23 Years

(1) Bruce Glasscock will retire and the City's current Senior Deputy City Manager, Mark Israelson, will become the new City Manager on May 1, 2019.

CONSULTANTS AND ADVISORS

Auditors .... Weaver and Tidwell LLP
Dallas, Texas

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

Financial Advisor .... Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Denise Tacke Director of Finance City of Plano P.O. Box 860358 Plano, TX 75086 (972) 941-5233	or	Laura Alexander Adam LanCarte Hilltop Securities Inc. 777 Main Street, Suite 1200 Fort Worth, TX 76102 (817) 332-9710

OFFICIAL STATEMENT

RELATING TO

$6,925,000
CITY OF PLANO, TEXAS
MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2019

INTRODUCTION

This Official Statement, which includes the Schedule and the Appendices hereto, provides certain information regarding the issuance of $6,925,000 City of Plano, Texas, Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2019 (the "Bonds"). The Bonds are authorized for issuance under an ordinance adopted by the City Council of the City of Plano, Texas (the "City") on March 19, 2019 (the "Bond Authorization"). In the Bond Authorization, as permitted by the provisions of Chapters 1207 and 1371, Texas Government Code, as amended ("Chapter 1207" and "Chapter 1371", respectively), the City Council delegated the authority to designated officers (the "Pricing Officers") of the City to establish the terms and details of the Bonds and to effect the sale of the Bonds through the Pricing Officers' execution of a "Pricing Certificate" for the Bonds (the Bond Authorization and Pricing Certificate for the Bonds are jointly referred to as the "Ordinance"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Reference is made to "SELECTED PROVISIONS OF THE ORDINANCE" which contains defined terms and selected provisions of the Ordinance that are summarized under "THE BONDS."

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and home rule municipal corporation of the State of Texas, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Charter on June 10, 1961, and operates under the Council/Manager form of government with a City Council comprised of the Mayor and seven Council Members. At an election held on November 8, 2011, City of Plano voters approved a charter amendment revising Council Member terms of office to four years and establishing staggered, odd-numbered year elections. Council Members in office at the time of the election were held over. The Mayor and three other Council Members' terms expire in 2021 and the other four Council Members' terms expire in 2019. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: police, fire and emergency medical services, including all facilities, equipment and personnel, highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population of the City was 259,841 and the City's estimated 2019 population is 283,700. The City covers approximately 72 square miles.

PLAN OF FINANCING

PURPOSE . . Proceeds from the sale of the Bonds will be used to (i) fund various drainage and erosion projects throughout the City, (ii) refund a portion of the City's outstanding municipal drainage utility system revenue debt described in Schedule I attached to this Official Statement (the "Refunded Bonds") for debt service savings, (iii) fund a debt service reserve fund, and (iv) pay costs of issuance associated with the sale of the Bonds.

REFUNDED BONDS . . . A description and identification of the Refunded Bonds appears on Schedule I attached hereto. The Refunded Bonds are being called for redemption on May 15, 2019 (the "Redemption Date"). The principal and interest due on the Refunded Bonds are to be paid on the Redemption Date from funds to be deposited with the paying agent/registrar for the Refunded Bonds (the "Refunded Bonds Paying Agent"). The Ordinance will provide that with respect to the Refunded Bonds, a portion of the proceeds from the sale of the Bonds, will be irrevocably deposited with the Refunded Bonds Paying Agent on the Redemption Date. The Bank of New York Mellon Trust Company, in its capacity as Paying Agent for the Refunded Bonds, will certify as to the sufficiency of the amounts initially deposited with the Escrow Agent to pay the principal of and interest on the Refunded Bonds when due at the scheduled date of redemption. Such funds will be held uninvested by the Refunded Bonds Paying Agent in a trust clearing account pending their disbursement to redeem the Refunded Bonds on the Redemption Date. By the deposit with the Refunded Bonds Paying Agent in such trust clearing account, the City will have effected the defeasance of all the Refunded Bonds in accordance with the applicable law.

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

Sources of Funds	
Par Amount of Bonds	$ 6,925,000.00
Cash Premium Bid	269,759.51
Total Sources of Funds	$ 7,194,759.51
Uses of Funds	
Deposit to Escrow Fund	$ 550,000.00
Deposit to Project Fund	6,300,000.00
Deposit to Debt Service Reserve Fund	267,573.79
Costs of Issuance	77,185.72
Total Uses of Funds	$ 7,194,759.51

THE BONDS

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

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, particularly, Chapter 552 of the Texas Local Government Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, Section 9.22 of the City's Home Rule Charter and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . In the Ordinance, the City has irrevocably pledged to the payment of the Bonds, all income of the City's Municipal Drainage Utility System (the "System") and amounts held in each account established for the benefit of Parity Obligations (as hereinafter defined), including, specifically, earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Bonds, the Previously Issued Bonds (defined herein) and other obligations payable solely from and secured only by a lien on and pledge of the Revenues of the System, but excluding restricted gifts and grants and any amounts received from drainage charges that are dedicated by ordinance for funding future system projects (collectively, the "Revenues"). The Bonds are secured on a parity with the currently outstanding bonded indebtedness of the System (the "Previously Issued Bonds") and any additional parity obligations issued or incurred by the System in the future and secured by a first lien on the Revenues (the "Additional Bonds", and, collectively with the Bonds and the Previously Issued Bonds, the "Parity Obligations"). The lien created on the Revenues shall be prior in right and claim as to any other indebtedness, liability or obligation of the System. The City has outstanding Previously Issued Bonds secured by and payable from Revenues on a parity with the Bonds as follows:

Dated Date	Outstanding Debt [(1)]	Issue Description
1/15/2009	$ 80,000	Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2009
1/15/2010	3,815,000	Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2010
5/1/2015	4,160,000	Municipal Drainage Utility System Revenue Refunding Bonds, Series 2015
2/1/2017	7,510,000	Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2017
Total	$ 15,565,000	

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(1) As of February 1, 2019. Excludes the Refunded Bonds.

The Bonds are not a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except with respect to the Revenues, and any judgment against the System may not be enforced by levy and execution against any property owned by the City.

THE RESERVE FUND . . . The City has covenanted to maintain a debt service reserve fund (the "Reserve Fund") for the Previously Issued Bonds, the Bonds and any Additional Bonds issued after the issuance of the Bonds for so long as the Previously Issued Bonds dated on or before May 1, 2010 are outstanding. While the City is required to maintain the Reserve Fund, such Reserve Fund shall be maintained in an amount at least equal to the average annual debt service requirements of the outstanding Parity Obligations (the "Required Reserve"). The amounts on deposit in the Reserve Fund shall be used to pay principal of and interest on the Parity Obligations when due to the extent that other funds available for such purposes are insufficient. No payment will be required to be made into the Reserve Fund while there is on deposit therein a sum equal to the Required Reserve; except that whenever the Reserve Fund is reduced below the Required Reserve, payments into the Reserve Fund shall be made on or before the 10th day of each month from the Revenues in amounts sufficient to restore to the Required Reserve within 60 months. In the Ordinance, the City has reserved the right to discontinue the Reserve Fund for the Previously Issued Bonds dated May 1, 2015 and thereafter, and any Additional Bonds issued after the issuance of the Bonds at such time as the Previously Issued Bonds dated on or before May 1, 2010 are no longer outstanding. See "SELECTED PROVISIONS OF THE ORDINANCE – SECURITY FOR THE BONDS – Reserve Fund".

ISSUANCE OF ADDITIONAL PARITY INDEBTEDNESS . . . The Ordinance provides that the City may issue Additional Bonds if it meets certain conditions specified in the Ordinance, including the following: (i) the officer of the City then having primary responsibility for the financial affairs of the City must execute a certificate stating (a) that, to the best of such officer's knowledge and belief, the City is not in material default with respect to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable from and secured by a lien on and pledge of the Revenues and (b) either (1) payments into all special funds maintained for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Revenues of the System have been made and that the amounts on deposit in such special funds equal or exceed the amounts then required to be on deposit therein; or (2) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency; (ii) the Additional Bonds shall be scheduled to mature or be payable as to principal on May 15 or November 15 (or both) in each year; (iii) the City shall provide a certificate or opinion of a Certified Public Accountant to the effect that, according to the books and records of the City, the Net Revenues for the last completed Fiscal Year, or for 12 consecutive months out of the last 18 months immediately preceding the month in which the ordinance authorizing the issuance of the then proposed Additional Bonds is passed, are at least equal to 1.25 times the Average Annual Debt Service for all Outstanding Parity Obligations; and (iv) the Reserve Fund will contain the Required Reserve amount on the date of issuance of the proposed Additional Bonds. If the City discontinues the Reserve Fund as provided in the Ordinance, the requirement in (iv) in the preceding sentence shall not apply. To the extent the City issues Additional Bonds for the purpose of achieving debt service savings, the requirement in (iii) shall not apply. See "SELECTED PROVISIONS OF THE ORDINANCE" for complete terms and conditions to be satisfied for the issuance of Additional Bonds.

ISSUANCE OF OBLIGATIONS OF INFERIOR LIEN AND PLEDGE . . . The City has the right to issue obligations payable from and secured by a lien on and pledge of the Revenues of the System, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds and the Previously Issued Bonds, as may be authorized by the laws of the State.

RATES . . . The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System sufficient to pay all Operating and Maintenance Expenses of the System, to pay interest on and the principal of the Parity Obligations, and to establish and maintain the special funds provided for the benefit of the Parity Obligations in the Ordinance and in the ordinances authorizing the issuance of the Parity Obligations. The City has further covenanted that, if the System should become legally liable for any other indebtedness, it will fix and maintain rates and collect charges for the services of the System sufficient to discharge such indebtedness.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after May 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on May 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY REDEMPTION . . . The Bonds maturing on May 15, 2035 (the "Term Bonds"), are subject to mandatory sinking fund redemption in part prior to their scheduled maturity, and will be redeemed by the City at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

Term Bonds Maturing May 15, 2035	
Redemption Date	Principal Amount
May 15, 2034	$ 365,000
May 15, 2035*	380,000
	$ 745,000

*Maturity

The Term Bonds to be redeemed shall be selected by lot or other customary random method of the Paying Agent/Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds of the same maturity and like series which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds 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 is 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, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DEFEASANCE . . . The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds, as applicable, to pay principal and interest thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Bonds to maturity or redemption (if applicable) or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption (if applicable) of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable 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, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption (if applicable) of the Bonds, as the case may be.

If any of the Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Bonds at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinance.

Under current State law, after such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

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, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

PAYMENT . . . Interest on the Bonds 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 (defined below), and such interest shall be paid (i) by check sent 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 Bonds will be paid to the registered owner at their stated maturity or prior redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds 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.

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

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Obligation 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.

REMEDIES . . . The Ordinance does not specify events of default with respect to the Bonds. If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or Bonds set for in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is governed by equitable principles, and within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinance would be successful. Some Texas case law suggests that mandamus relief may not be available to enforce a non-legislatively mandated contract. The opinion of Bond Counsel will state that all opinions relative to the enforceability of the Bonds are qualified with respect to customary rights of debtors relative to their creditors. See "APPENDIX B – Form of Bond Counsel's Opinion." The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016 the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W. 3d 427 (Tex. 2016)("Wasson")* 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. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. 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, bondholders may not be able to bring such a suit against the City for breach of the Bonds or 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 Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce remedies 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

THE SYSTEM

Municipal Drainage Utility System . . . Chapter 552 of the Texas Local Government Code (formerly codified as Chapter 402 of the Texas Local Government Code) provides the authority for municipalities to establish a drainage utility system and to develop a schedule of drainage charges within the City. This enabling legislation was created in order to provide municipalities a funding source to address Environmental Protection Agency ("EPA") mandated stormwater quality requirements, as well as local drainage system operating and maintenance costs. Additionally, the revenue from drainage fees can also be pledged against the issuance of bonds for drainage improvement purposes.

The City established a Municipal Drainage Utility Fund in August 1992, to capture revenues and expenditures for services related to management of the municipal drainage activity, in response to EPA-mandated stormwater runoff and treatment requirements. The City's municipal drainage utility system (the "System") consists of catch basins, channels, conduits, creeks, culverts, detention ponds and similar methods to carry and divert surface water into natural or artificial watercourses. Funds of the System are reported as an individual enterprise funds of the City.

Rates . . . A rate structure was designed to fund on-going maintenance of stream channels and drainageways and a comprehensive stormwater management study. The primary source of revenue for the System is a drainage fee which is the charge imposed to recover the cost of the service furnishing drainage for any benefitted property. The City may charge a lot or tract of benefitted property for drainage service on any basis other than the value of the property, but the basis must be directly related to drainage and the terms of the charge, and any classification of the benefitted properties in the City must be nondiscriminatory, equitable, and reasonable. Drainage fee revenues for fiscal year ended September 30, 2018 amounted to $7,724,220 and total System operating expenses, excluding depreciation, equaled $3,638,071. The adopted budget of the City for fiscal year 2019 projects System revenues of approximately $7.59 million and total operating expenditures (excluding payment of debt service) of approximately $4.4 million.

Billing . . . Although the System is an individual enterprise of the City, the City bills drainage charges, identified separately, with the City's other public utility billings including water charges, wastewater charges, and refuse collection fees. Customers must pay for all utility services tendered and billed. Nonpayment or partial payment of the customer's utility billing may result in the same penalties and collection procedures undertaken for any utility billing, including assessment of a 10% penalty against any unpaid balance after the 25th day after the billing date. After two months of nonpayment of the utility bill, a customer is subject to disconnection of service (i.e., water, sewer and refuse collection).

There is a three-tiered rate structure for residential properties based on the square footage of impervious area of the property; each tier contains a fixed monthly fee as shown on Table 1. Commercial drainage charge are currently set at $0.075 per one hundred square feet of total impervious area, with a minimum drainage charge of $3.10 per month.

Table 1 – Drainage Utility Rates (Effective November 1, 2014) (1)

Residential	Size of Impervious Areas(2)	Monthly Fee
R-1	Less than 4,750 Square Feet	$3.10
R-2	4,750 Square Feet to 6,450 Square Feet	$4.15
R-3	Greater than 6,450 Square Feet	$5.60
All Non-residential		$0.075 per 100 Square Feet of total impervious area of improved property. Includes 10% additional area for the street and sidewalk adjustment. The minimum fee shall be $3.10, per property.

(1) Source: City staff.
(2) Includes footprint of first floor, patio, garage, and a pro rata portion adjustment of three thousand (3,000) square feet for streets alleys, and sidewalks.

In setting the rates for drainage services, the City has based its calculations on an inventory of impervious areas of all improved properties within the service area. The inventory is stored in the City's Property Management System which is maintained in the office of the City Engineer.

DEBT INFORMATION

TABLE 2 MUNICIPAL DRAINAGE SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt (1) Principal	Outstanding Debt (1) Interest	Outstanding Debt (1) Total	The Bonds (2) Principal	The Bonds (2) Interest	The Bonds (2) Total	Total Outstanding Debt	% of Principal Retired
2019	$ 1,680,000	$ 578,063	$ 2,258,063	$ -	$ -	$ -	$ 2,258,063	
2020	1,490,000	507,650	1,997,650	280,000	219,881	499,881	2,497,531	
2021	1,535,000	458,700	1,993,700	285,000	214,281	499,281	2,492,981	
2022	1,280,000	409,275	1,689,275	290,000	208,581	498,581	2,187,856	
2023	1,315,000	369,313	1,684,313	305,000	199,881	504,881	2,189,194	37.62%
2024	1,070,000	326,138	1,396,138	310,000	190,731	500,731	1,896,869	
2025	1,105,000	287,538	1,392,538	320,000	181,431	501,431	1,893,969	
2026	905,000	243,338	1,148,338	330,000	171,831	501,831	1,650,169	
2027	830,000	207,138	1,037,138	340,000	158,631	498,631	1,535,769	
2028	760,000	174,650	934,650	360,000	145,031	505,031	1,439,681	65.76%
2029	620,000	143,956	763,956	370,000	130,631	500,631	1,264,588	
2030	605,000	118,544	723,544	325,000	115,831	440,831	1,164,375	
2031	355,000	96,281	451,281	335,000	102,831	437,831	889,113	
2032	370,000	84,300	454,300	345,000	92,781	437,781	892,081	
2033	385,000	65,800	450,800	355,000	82,431	437,431	888,231	83.84%
2034	405,000	50,400	455,400	365,000	71,781	436,781	892,181	
2035	420,000	34,200	454,200	380,000	60,831	440,831	895,031	
2036	435,000	17,400	452,400	390,000	49,431	439,431	891,831	
2037	-	-	-	400,000	37,731	437,731	437,731	
2038	-	-	-	415,000	25,731	440,731	440,731	98.11%
2039				425,000	13,281	438,281	438,281	100.00%
	$ 15,565,000	$ 4,172,681	$ 19,737,681	$ 6,925,000	$ 2,473,575	$ 9,398,575	$ 29,136,256	

(1) Excludes the Refunded Bonds.
(2) Average life of the issue – 11.148 years. Interest on the Bonds has been calculated at the rates stated on the cover page hereof.

ANTICIPATED ISSUANCE OF ADDITIONAL MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE BONDS. . . The City anticipates the issuance of an additional $4.8 million in additional municipal drainage utility system revenue bonds in 2020.

PENSION FUND . . . The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code.

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

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

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Plan provisions for the City were as follows:

Deposit rate	7%
Matching Ratio (City to Employee)	2:1
A member is vested after	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above

As of the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	1,191
Inactive Employees Entitled to But Not Yet Receiving Benefits	983
Active Employees	2,346
	4,520

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City from October 2017 through December 2017 was 18.11%, while January 2018 through September 2017 was 17.71%. The City's contributions to TMRS for fiscal year 2018, were $28,953,129, and were equal to the required contributions.

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

The TPL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.50%	4.55%
International equity	17.50%	6.35%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	3.90%
Real return	10.00%	3.80%
Real estate	10.00%	4.50%
Absolute return	10.00%	3.75%
Private equity	5.00%	7.50%
	100.00%	

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

Changes in the Net Pension Liability . . .

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	$ 953,581,082	$ 822,330,763	$ 131,250,319
Changes for the year:			
Service cost	28,866,767	-	28,866,767
Interest (on the total pension liability)	64,180,007	-	64,180,007
Difference between expected and actual experience	(4,550,911)	-	(4,550,911)
Benefit payments, including refunds of employee contributions	(34,399,087)	(34,399,087)	-
Contributions-employer	-	28,535,854	(28,535,854)
Contributions-employee	-	11,029,878	(11,029,878)
Net investment income	-	114,003,401	(114,003,401)
Administrative Expense	-	(590,653)	590,653
Other	-	(29,932)	29,932
Net Changes	54,096,776	118,549,461	(64,452,685)
Balance at December 31, 2017	$ 1,007,677,858	$ 940,880,224	$ 66,797,634

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

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
City's Net Pension Liability	$209,310,442	$ 66,797,634	$(50,268,610)

OTHER POST-EMPLOYMENT BENEFITS . . . The City of Plano Section 115 Trust (115 Trust or the Plan) was established on March 1, 2008 to comply with the requirements of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, for the purpose of funding and providing certain benefits to its eligible retirees and dependents, such as medical, dental and vision insurance benefits. It is a single-employer, defined-benefit other postemployment benefit plan (OPEB).

The 115 Trust was created by the City of Plano, Texas (the City) ordinance and is administered by the Risk Pool Trustees, (the Trustees) who meet at least four times a year. The Trustees consist of four City employees who are appointed by the City through the City Manager pursuant to the City of Plano Welfare Benefit Plan. The Trustees oversee the Plan and set policies for operations, including appointing management and directing investment decisions. Professional investment management and an investment consultant are used and a custodial bank retains the assets. Pursuant to Section 6.01 of the Welfare Benefit Plan and Resolution 2007-9-2(R), the City Council has set forth delegation to the City Manager, or his designee, the authority to amend each Plan in any and all respects, except for any amendment that would materially increase the costs of the Plan to the City.

The 115 Trust issued a separate publicly available financial report that includes financial statements and required supplementary information at the 115 Trust's fiscal year-end which is December 31.

The City offers its retired employees under age 65 health insurance coverage under the same plan as the active employees and Medicare supplementary insurance for retirees 65 and older. The number of retired participants receiving health insurance coverage for 2018 was 561 of which 247 were on the same plan as the active employees and 314 on Medicare supplementary insurance. Premiums are paid by the retired employees and claims are processed by the City's agent and paid through the Health Claims Fund. Expenditures for postretirement healthcare benefits are recognized as retirees report claims. Claims paid for retired employees for 2018 were $3,507,950.

As of December 31, 2017 biennial actuarial valuation, the Trust's membership consisted of the following:

Retirees and dependents currently receiving benefits	339
Terminated members entitled to benefits, but not yet receiving them	132
Active members	2,208
	2,679

The City has the authority to establish and amend the Plan contributions by resolution of the City Council. The City transfers retiree and City contributions to the 115 Trust on a monthly basis. Contributions by the City are established as part of the City budget process and are based on amounts determined in the actuarial study prepared biennially. Retirees and their dependents currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums.

The City's net OPEB liability was measured as of December 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2017.

A single discount rate of 6.75% was used to measure the total OPEB liability. Based on the stated assumptions and the projection of cash flows as of each Plan year, the OPEB plan's fiduciary net position and future contributions were sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

The discount rate as of December 2016 was 7.00%.

Changes in the Net OPEB Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	$ 108,017,765	$ 70,158,981	$ 37,858,784
Changes for the year:			
Service cost	2,631,472	-	2,631,472
Interest (on the total OPEB liability)	7,587,712	-	7,587,712
Difference between expected and actual experience	(1,889,319)	-	(1,889,319)
Changes of assumptions	(17,339,980)		(17,339,980)
Benefit payments	(2,505,768)	(2,505,768)	-
Contributions-employer	-	5,585,470	(5,585,470)
Net investment income	-	11,242,528	(11,242,528)
Administrative Expense	-	(10,951)	10,951
Net Changes	(11,515,883)	14,311,279	(25,827,162)
Balance at December 31, 2017	$ 96,501,882	$ 84,470,260	$ 12,031,622

For more detailed information concerning the City's Employee Benefit Plans, see Appendix A, "Excerpts from the City's Comprehensive Annual Financial Report" - Note IV.5.

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FINANCIAL INFORMATION

TABLE 3 - CONDENSED STATEMENT OF OPERATIONS (1)

	Fiscal Year Ended September 30,				
Revenues	2018	2017	2016	2015	2014
Drainage Fee Revenues	$ 7,567,719	$ 7,541,895	$ 7,307,311	$ 7,141,216	$ 7,397,607
Investment Income and Other	156,501	(28,082)	84,907	115,736	77,470
Gross Revenues	$ 7,724,220	$ 7,513,813	$ 7,392,218	$ 7,256,952	$ 7,475,077
Expenses					
Personnel Services	$ 2,529,826	$ 2,675,682	$ 2,579,177	$ 2,261,642	$ 1,920,656
Contractual Services	835,329	517,479	600,442	712,049	655,598
Supplies	229,020	185,862	315,614	279,489	265,114
Miscellaneous	43,896	26,247	28,516	30,636	10,923
Total Operating Expenses	$ 3,638,071	$ 3,405,270	$ 3,523,749	$ 3,283,816	$ 2,852,291
Net Income	$ 4,086,149	$ 4,108,543	$ 3,868,469	$ 3,973,136	$ 4,622,786

(1) Information derived from City records. Table 3 is intended to show System operating results each year. Expenses exclude debt service payments and depreciation (a non-cash expense).

TABLE 4 - COVERAGE AND FUND BALANCES (1)

Average Annual Principal and Interest Requirements, 2019 - 2039	$ 1,387,441
Coverage of Average Annual Requirements by Net Income Fiscal Year Ending September 30, 2018	2.95 Times
Coverage of Average Annual Requirements by Gross Revenues Fiscal Year Ending September 30, 2018	5.57 Times
Bond Fund, 2-1-19	$ 1,310,430
Reserve Fund, 2-1-19	$ 1,119,867

(1) Projected, includes the Bonds, excludes the Refunded Bonds.

TABLE 5 - VALUE OF THE SYSTEM (1)

	Fiscal Year Ended September 30,				
	2018	2017	2016	2015	2014
Land	$ 121,030	$ 115,616	$ 103,548	$ 94,548	$ 91,496
Buildings	52,921	52,921	52,921	52,921	52,921
Drainage Improvements	48,844,338	42,294,731	37,775,933	37,705,157	37,694,242
Equipment	15,048	15,048	15,048	-	-
Furniture and Fixtures	4,421	4,421	4,421	4,421	4,421
Construction in Progress	726,851	1,575,990	4,419,585	3,650,455	515,255
Value of Plant	$ 49,764,609	$ 44,058,727	$ 42,371,456	$ 41,507,502	$ 38,358,335
Less Accumulated Depreciation	10,192,731	9,278,694	8,457,855	7,697,462	6,973,770
Total Non Current Assets Value	$ 39,571,878	$ 34,780,033	$ 33,913,601	$ 33,810,040	$ 31,384,565

(1) Information derived from City records.

TABLE 6 - CITY'S EQUITY IN SYSTEM (1)

	Fiscal Year Ended September 30,				
Resources	2018	2017	2016	2015	2014
Net System Value	$ 39,571,878	$ 34,780,033	$ 33,913,601	$ 33,810,040	$ 31,384,565
Construction Fund	-	7,653,411	2,384,260	3,976,070	3,784,960
Debt Service and Reserve Fund	3,769,664	3,758,222	3,691,079	3,661,942	3,644,456
Cash Investments and Receivables	6,319,807	4,401,033	3,514,743	3,192,069	5,406,713
Total Resources	$ 49,661,349	$ 50,592,699	$ 43,503,683	$ 44,640,121	$ 44,220,694
Obligations					
Revenue Bonds Payable	$ 15,316,686	$ 17,052,171	$ 12,458,005	$ 14,279,894	$ 16,116,042
Current Liabilities	254,809	717,303	175,607	735,068	167,902
Restricted Liabilities	2,024,756	2,181,919	2,047,735	2,449,009	2,171,576
Liability - Compensated Absences	189,150	293,563	281,678	276,969	200,388
Total Obligations	$ 17,785,401	$ 20,244,956	$ 14,963,025	$ 17,740,940	$ 18,655,908
City's Equity in System	$ 31,875,948	$ 30,347,743	$ 28,540,658	$ 26,899,181	$ 25,564,786
Percentage City's Equity in System	64.19%	59.98%	65.61%	60.26%	57.81%

(1) Information derived from City records.

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles for governmental entities as promulgated by the Governmental Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and pension trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary and trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined statement of net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net assets.

The modified accrual basis of accounting is used by all governmental funds types, pension trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the related fund liability is incurred. However, principal of and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Major revenue sources which have been treated as susceptible to accrual under the modified accrual basis of accounting include property taxes, charges for services, intergovernmental revenues, and investment of available funds.

The accrual basis of accounting is utilized by proprietary and trust funds. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Deferred outflows of resources are used to report consumptions of net position by the City that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net assets by the City that are applicable to future reporting periods. The deferred inflow is reclassified to revenue on the government-wide financial statements.

Fund Balances . . . It is the City's practice regarding the General Fund and Enterprise Funds that working capital resources should be maintained at 30 days of the Funds' operating expenses. The City maintains its various debt service funds in accordance with the covenants of applicable bond ordinances.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning each October l. Each year by the end of July, the City Manager, after review, submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to October 1 through passage of an ordinance. If the Council fails to adopt a budget then the prior year budget remains in effect.

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

INVESTMENTS

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

LEGAL INVESTMENTS . . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity 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 investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) 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 (II) a depository institution that has its main office or a 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, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission 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 fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with 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, (13) 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 U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City 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, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value 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.

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 7 - CURRENT INVESTMENTS [(1)]

As of February 1, 2019, the City's investable funds were invested in the following categories:

Description	Percent	Book Value
Local Government Investment Pools	13.24%	$ 82,073,993
Agency Debt	34.98%	216,774,852
NOW Accounts	8.24%	51,034,395
Certificates of Deposit/Fixed Term Products	11.66%	72,267,355
Municipal Debt	31.88%	197,561,719
	100.00%	$619,712,314

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

(1) Source: City Officials.

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SELECTED PROVISIONS OF THE ORDINANCE

The following are selected provisions of the Ordinance. These excerpts should be qualified by reference to the exact terms of the Ordinance. Unless otherwise indicated, any references to sections listed below are to sections contained in the Ordinance and section headings contained in the following excerpts are to sections contained in the Ordinance.

Section 1.01 Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance, the following terms shall have the meanings specified below:

"Act" means Subchapter C of Chapter 552 of the Texas Local Government Code, as amended (formerly codified as Subchapter C of Chapter 402 of the Texas Local Government Code).

"Accountant" means a certified public accountant.

"Additional Bonds" means revenue bonds or other evidences of indebtedness issued or entered into, as the case may be, in the future in accordance with the terms and conditions provided in Section 9.02 hereof and, by their terms, are equally and ratably secured by a parity lien on and pledge of the Revenues of the System.

"Average Annual Debt Service" means an amount which, at the time of computation, is derived by dividing the total amount of Debt Service to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

"Bonds" means the "City of Plano, Texas, Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2019" authorized by this Ordinance.

"City" means the incorporated municipality known as the City of Plano located in Collin and Denton Counties, Texas.

"Closing Date" means the date of the initial delivery of and payment for the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions.

"Credit Facility" means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on such obligations would rate such obligations which are fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Bonds would rate the Bonds in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds and the interest thereon.

"Debt Service" means as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with such applicable mandatory redemption.

"Designated Payment/Transfer Office" means the designated office of the initial Paying Agent/Registrar specified in the Pricing Certificate.

"DTC" shall mean The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" shall mean brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"EMMA" means the Electronic Municipal Market Access System.

"Escrow Agent" means the bank or other financial institution designated and appointed in the Pricing Certificate to serve as escrow agent for the Refunded Bonds.

"Escrow Agreement" shall have the meaning assigned to it in Section 12.02 hereof.

"Escrow Fund" shall have the meaning assigned to it in Section 12.02 hereof.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the twelve-month financial accounting period used by the City in connection with the operation of the System which may be any twelve consecutive month period established by the City.

"Initial Bond" means the initial bond authorized by Section 3.04(d) of this Ordinance.

"Interest Payment Date" means the date or dates for the payment of interest on the Bonds as set forth in the Pricing Certificate.

"Letter of Representations" means the Blanket Letter of Representation between the City and DTC.

"Maturity Date" means the dates on which the principal of the Bonds is due and payable as set forth in the Pricing Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Net Revenues" means, with respect to any period, Revenues of the System remaining after deducting the System's Operating and Maintenance Expenses for such period.

"Operating and Maintenance Expenses" means all current expenses of operating and maintaining the System, including all salaries, labor, materials, and administrative costs, allocable under generally accepted accounting principles, to the System. Depreciation charges and other costs and disbursements which may be capitalized under generally accepted accounting principles shall not be considered Operating and Maintenance Expenses.

"Outstanding" means when used in this Ordinance with respect to Bonds, Previously Issued Bonds or any Additional Bonds, as the case may be, as of the date of determination, all Bonds, Previously Issued Bonds and any Additional Bonds theretofore sold, issued and delivered by the City, except:

(1) Bonds, Previously Issued Bonds or any Additional Bonds cancelled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;

(2) Bonds, Previously Issued Bonds or any Additional Bonds paid or deemed to be paid in accordance with the provisions of Section 9.08 hereof; and

(3) Bonds, Previously Issued Bonds or any Additional Bonds that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof.

"Owner" means the person who is the registered owner of a Bond, a Previously Issued Bond, or an Additional Bond, as applicable.

"Paying Agent/Registrar" means the bank appointed to serve as the paying agent/registrar for the Bonds as set forth in the Pricing Certificate, or any successor thereto.

"Previously Issued Bonds" means the bonds of the following issues of the City to be outstanding upon the issuance of the Bonds herein authorized:

(1) Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2009, dated January 15, 2009 (to be refunded by the Bonds);

(2) Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2010, dated January 15, 2010;

(3) Municipal Drainage Utility System Revenue Refunding Bonds, Series 2015, dated May 1, 2015; and

(4) Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2017, dated February 1, 2017.

"Rating Agency" means any nationally recognized securities rating agency which has assigned a rating to the Bonds.

"Record Date" shall mean that record date set forth in the Pricing Certificate.

"Register" means the register specified in Section 3.06(a) of this Ordinance.

"Required Reserve" means the total amount required to be maintained in the Reserve Fund under the provisions of Section 7.04 hereof.

"Reserve Fund Obligations" means cash or investment securities of any of the type or types permitted under Section 7.06 of this Ordinance.

"Revenues" means all annual income, receipts and revenues of every nature derived or received from the operation and ownership (excluding restricted gifts, grants in aid of construction and any amounts received from drainage charges specifically provided by ordinance for contribution to the funding of future drainage system construction) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Bonds and the Previously Issued Bonds and other obligations payable solely from and secured only by a lien on and pledge of the Revenues of the System.

"Rule" means SEC Rule 15c2-12, as amended from time to time or officially interpreted by the SEC.

"SEC" means the United States Securities and Exchange Commission.

"Special Record Date" means the Special Record Date prescribed by Section 3.03(b).

"System" means all land, easements and interest in land, together with all structures, equipment and facilities used in draining benefited property (within the meaning of the Act), including, but not limited to, bridges, catch basins, channels, conduits, creeks, culverts, detention ponds, ditches, draws, flumes, pipes, pumps, sloughs, treatment works, and appurtenances to those items, whether natural or artificial, or using force or gravity, that are used to draw off surface water from land, carry the water away, collect, store, or treat the water, or divert the water into natural or artificial watercourses.

ARTICLE II
SECURITY FOR THE BONDS

Section 2.01 Pledge of Security.

The City hereby covenants and agrees that all of the Revenues of the System are hereby irrevocably pledged to the payment of the Bonds, the Previously Issued Bonds and Additional Bonds, if issued, and the interest thereon, including the establishment and maintenance of the special funds created and established by this Ordinance, all as hereinafter provided. It is hereby ordained that the Previously Issued Bonds, the Bonds and the interest thereon shall constitute a first lien on such Revenues of the System and be valid and binding in accordance with the terms hereof without any filing or recording thereof (except in the official records of the City), physical delivery of such Revenues or further act by the City, and the lien created on the Revenues for the payment and security of the Bonds shall be prior in right and claim as to any other indebtedness, liability or obligation of the City or the System.

Section 2.02 Rates and Charges.

For the benefit of the Owners of the Previously Issued Bonds and the Bonds and in accordance with the provisions of the Act and other applicable laws of the State of Texas, the City hereby expressly stipulates and agrees, while any of the Previously Issued Bonds and the Bonds are Outstanding, to establish, maintain and impose drainage charges for services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Revenues in each Fiscal Year sufficient to pay:

(1) Operating and Maintenance Expenses of the System;

(2) Debt Service on the Previously Issued Bonds, the Bonds and any Additional Bonds then Outstanding;

(3) any required deposits to the Reserve Fund and any contingency fund created for the payment and security of the Previously Issued Bonds, the Bonds and any Additional Bonds; and

(4) all other indebtedness payable from and/or secured in whole or in part by a lien on and pledge of the Revenues of the System.

Section 2.03 Bonds as Special Obligations.

The Bonds and the Previously Issued Bonds are special obligations of the City payable from the pledged Revenues and the Owners thereof shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

ARTICLE VII
FUNDS AND ACCOUNTS

Section 7.01 Creation of Funds.

All revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, creation of the following special Funds is hereby confirmed:

(a) "City of Plano, Texas Municipal Drainage Utility System Fund," hereinafter called the "System Fund."

(b) "City of Plano, Texas Municipal Drainage Utility System Reserve Fund," hereinafter called the "Reserve Fund."

(c) "City of Plano, Texas Municipal Drainage Utility System Bond Fund," hereinafter called the "Bond Fund."

Section 7.02 System Fund.

(a) The City hereby covenants and agrees that the Revenues of the System (excluding earnings and income derived from investments held in the Bond Fund and the Reserve Fund) shall be deposited as collected to the credit of the System Fund. All revenues deposited in the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

First: To the payment of the amounts required to be deposited in the Bond Fund for the payment of Debt Service on the Bonds and the Previously Issued Bonds as the same becomes due and payable.

Second: To the payment of the amounts required to be deposited in the Reserve Fund to maintain the Required Reserve in accordance with the provisions of this Ordinance or any other ordinance relating to the issuance of Additional Bonds.

(b) Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be transferred to the City's general fund or used for any lawful purpose including payment of Operating and Maintenance Expenses.

Section 7.03 Bond Fund.

(a) Moneys on deposit in the Bond Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds and the Previously Issued Bonds as the same becomes due and payable. The City hereby covenants that there shall be deposited into the Bond Fund from the System Fund an amount sufficient to pay the principal of and interest on the Bonds and the Previously Issued Bonds when due, either at maturity or prior redemption. Deposits to the Bond Fund shall be made in substantially equal monthly installments on or before the 10th day of each month, beginning the month next following the delivery of the Bonds to the Purchasers.

(b) The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Bond Fund and the Reserve Fund is equal to the amount required to fully pay and discharge all Outstanding Bonds or (ii) the Bonds are no longer Outstanding

(c) Accrued interest and premium, if any, received from the sale of the Bonds, as well as earnings derived from the investment of moneys in the Bond Fund, shall be deposited to the credit of the Bond Fund and taken into consideration in determining the amount of the monthly deposits hereinabove required to be deposited in the Bond Fund from the Revenues of the System.

Section 7.04 Reserve Fund.

i. The City covenants and agrees that it will continuously maintain in the Reserve Fund an amount of Reserve Fund Obligations equal to not less than the Average Annual Debt Service on the Bonds and the Previously Issued Bonds (the "Required Reserve"), and that upon issuance of Additional Bonds, the Required Reserve shall be increased, if required, to an amount equal to the lesser of (i) the Average Annual Debt Service (calculated on a Fiscal Year basis) for all bonds Outstanding, as determined on the date of issuance of each series of Additional Bonds, and annually following each principal payment date or redemption date for the Bonds, the Previously Issued Bonds and any Additional Bonds Outstanding, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Code and regulations promulgated thereunder. For so long as the funds on deposit in the Reserve Fund are equal to the Required Reserve, no additional deposit need be made therein, but should the Reserve Fund at any time contain less than the Required Reserve, then, subject and subordinate to making the required deposits to the credit of the Bond Fund, the City shall restore such deficiency by depositing additional Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/60th of the Required Reserve on or before the 10th day of each month following such deficiency, termination, or expiration. The money on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds, the Previously Issued Bonds and any Additional Bonds at any time there are not sufficient moneys on deposit in the Bond Fund.

ii. The City may, at its option, withdraw all surplus in the Reserve Fund over the Required Reserve and deposit the same in the System Fund; provided, however, that to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

iii. For the purpose of determining compliance with the requirements of subsection (g) of this Section, Reserve Fund Obligations shall be valued each year as of the last day of the City's fiscal year at their cost or market value, whichever is lower, except that any direct obligations of the United States (State and Local Government Series) held for the benefit of the Reserve Fund in book-entry form shall be continuously valued at their par value or face principal amount.

iv. To the extent permitted by, and in accordance with applicable law and upon approval of the Attorney General of the State of Texas, the City may replace or substitute a Credit Facility for cash or investment securities, of any of the type or types permitted by Section 7.06 hereof, on deposit in the Reserve Fund or in substitution or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or investment securities of any of the types permitted by Section 7.06 hereof, on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Required Reserve may be withdrawn by the City, at its option, and transferred to the System Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used. Any interest due on any reimbursement obligation under the Credit Facility shall not exceed the highest lawful rate of interest which may be paid by the City.

v. If the City is required to make a withdrawal from the Reserve Fund, the City shall promptly notify the issuer of such Credit Facility of the necessity for a withdrawal from the Reserve Fund, and shall make such withdrawal first from available moneys or investment securities then on deposit in the Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency.

vi. In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Required Reserve, then the City shall, after making required deposits to the Bond Fund in accordance with the terms of this Ordinance, satisfy the Required Reserve by depositing additional Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/60th of the Required Reserve on or before the 10th day of each month following such deficiency, termination or expiration.

vii. In the event of the redemption or defeasance of any of the Outstanding Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Required Reserve may be withdrawn and transferred, at the option of the City, to the System Fund, as a result of (i) the redemption of the Outstanding Bonds, or (ii) funds for the payment of the Outstanding Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in this Ordinance, the result of such deposit being that such Outstanding Bonds no longer are deemed to be Outstanding under the terms of this Ordinance. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

viii. In the event there is a draw upon the Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw in accordance with the terms of any agreement pursuant to which the Credit Facility is issued from Net Revenues; however, such reimbursement from Net Revenues shall be subject to the provisions of subparagraph (e) hereof, and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Bonds.

ix. Notwithstanding the foregoing, at such time as the Previously Issued Bonds dated on or before January 15, 2010 are no longer Outstanding, the City may discontinue the Reserve Fund for the Bonds and for any Additional Bonds issued after the issuance of the Bonds; provided however, the City may provide for the establishment of a Reserve Fund with respect to Additional Bonds to the extent specified in the ordinance authorizing such Additional Bonds. At such time as the Previously Issued Bonds dated on or before January 15, 2010 are no longer Outstanding, the City may withdraw and transfer monies relating to the Bonds in the Reserve Fund to the System Fund; provided that, to the extent such monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall be deposited to the Bond Fund.

Section 7.05 Deficiencies: Excess Revenues.

(a) If on any occasion there shall not be sufficient Revenues of the System to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Revenues of the System, or from any other sources available for such purpose.

(b) Subject to making the required deposits to the Bond Fund and the Reserve Fund in accordance with the provisions of this Ordinance, the ordinances authorizing the issuance of the Previously Issued Bonds, or any ordinance authorizing the issuance of Additional Bonds, the excess Revenues may be transferred to the City's general operating fund or used by the City for any lawful purpose.

Section 7.06 Security of Funds.

(a) Money in any Fund may, at the option of the City, be invested in funds and obligations authorized and identified in the Public Funds Investment Act, as amended (to the extent such funds and obligations are also authorized under the City's investment policy), or other applicable law. All deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 7.04 hereof, be credited to and deposited in the System Fund. All investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or any Previously Issued Bonds.

(b) To the extent amounts deposited to the credit of any Funds referenced herein are not invested, such uninvested amounts shall be secured in the manner and to the fullest extent required by laws of the State of Texas for the security of public funds.

ARTICLE IX
PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.01 Payment of Bonds.

While any of the Bonds are Outstanding, the Director of Finance (or other designated financial officer of the City) shall cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the last business day next preceding the date of payment for the Bonds.

Section 9.02 Issuance of Additional Parity Bonds.

Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the City reserves the right to issue, from time to time as needed, Additional Bonds for any authorized purpose, including the issuance of refunding bonds. Such Additional Bonds may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences or instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

i. The officer of the City then having the primary responsibility for the financial affairs of the City shall have executed a certificate stating (a) that, to the best of his or her knowledge and belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable from and secured by a lien on and pledge of the Revenues of the System that would materially affect the security or payment of such obligations and (b) either (i) payments into all special Funds maintained for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Revenues of the System have been made and that the amounts on deposit in such special Funds equal or exceed the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency;

ii. The Additional Bonds shall be scheduled to mature or be payable as to principal on May 15 or November 15 (or both) in each year the same are to be outstanding or during the term thereof;

iii. The Reserve Fund shall contain the Required Reserve amount on the date of issuance of the proposed Additional Bonds after giving effect to the issuance thereof; and

iv. The City has secured a certificate or opinion of an Accountant to the effect that, according to the books and records of the City, the Net Revenues for the last completed Fiscal Year, or for 12 consecutive months out of the 18 months immediately preceding the month in which the ordinance authorizing the issuance of the then proposed Additional Bonds is passed, are at least equal to 1.25 times the Average Annual Debt Service for all Outstanding Bonds, Outstanding Previously Issued Bonds and any Outstanding Additional Bonds after giving effect to the issuance of the Additional Bonds then being issued. In making a determination of the Net Revenues, the Accountant may take into consideration a change in the charges for services afforded by the System that became effective at least 60 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the above Net Revenues test, make a pro forma determination of the Net Revenues of the System for the period of time covered by his certification or opinion based on such change in charges being in effect for the entire period covered by the certificate or opinion of the Accountant.

If the Reserve Fund is no longer being maintained pursuant to the provisions of Section 7.04(i) of this Ordinance, the requirement of subparagraph (iii) shall not apply.

Section 9.03 Issuance of Obligations of Inferior Lien and Pledge.

The City hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Revenues of the System, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds and the Previously Issued Bonds, as may be authorized by the laws of the State of Texas.

Section 9.04 Refunding Bonds.

The City reserves the right to issue refunding bonds to refund all or any part of the Bonds and the Previously Issued Bonds (pursuant to any law then available) upon such terms and conditions as the City Council of the City may deem to be in the best interest of the City and its inhabitants, and if less than all of such Bonds and the Previously Issued Bonds then Outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Bonds) set forth in Section 9.02 hereof shall be satisfied and the certificate or opinion of the Accountant required in Section 9.02 shall give effect to the Debt Service of the proposed refunding bonds (and shall not give effect to the Debt Service on the bonds being refunded following their cancellation or provisions being made for their payment). Notwithstanding the foregoing, to the extent that the City issues refunding bonds to refund the Bonds or Additional Bonds issued after the issuance of the Bonds and such refunding will result in a net debt service savings to the City, the certificate or opinion of an Accountant set forth in Section 9.04(iv) above shall not be required to be provided as a condition precedent to the issuance of such Additional Bonds.

Section 9.05 Maintenance and Operation - Insurance.

In regard to the operations and properties of the System, the City agrees to carry and maintain liability and property damage insurance of the kind and in the amounts customarily carried by municipal corporations in Texas on such kind of properties; provided, however, the City, in lieu of and/or in combination with carrying such insurance, may self-insure against all perils and risks by establishing self-insurance reserves. Annually each year, not later than the end of each Fiscal Year, the City shall prepare or cause to be prepared by a person competent and knowledgeable in such matters a written evaluation of the adequacy of such self-insurance and/or insurance coverage and of any recommended changes in regard to the City's insurance/self-insurance policies, practices and procedures.

Section 9.06 Records - Accounts - Accounting Reports.

The City hereby covenants, reaffirms and agrees that so long as any of the Bonds, or any interest thereon, remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System separate and apart from all other records and accounts in which complete and correct entries shall be made of all transactions relating to said System, and that the Owner or Owners of any of such Bonds or any duly authorized agent or agents of such Owners shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that within 60 days following the close of each Fiscal Year it will cause an audit of such books and accounts to be initiated by an independent firm of Accountants, showing the receipts and disbursements for account of the System for the Fiscal Year.

Each such audit, in addition to whatever other matters may be thought proper by the firm of Accountants, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the System for such Fiscal Year.

(b) A balance sheet as of the end of such Fiscal Year.

(c) The Accountants' comments regarding the manner in which the City has carried out the requirements of this Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System.

(d) A list of the insurance policies in force at the end of the Fiscal Year on the System properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer, and the policy's expiration date.

Expenses incurred in making the audits above referred to are to be regarded as maintenance and operating expenses and paid as such. Copies of the aforesaid annual audit shall be furnished to the original purchasers of the Bonds and any subsequent Owner upon written request. At the close of the first six-month period of each Fiscal Year, the City Secretary of the City is hereby directed to furnish a copy of an operating and income statement in reasonable detail covering such period to any bondholder upon written request therefor, received not more than 30 days after the close of said six-month period. Any Owner shall have the right to discuss with the Accountant making the annual audit the contents thereof and to ask for such additional information as he may reasonably require.

Section 9.07 Sale or Lease of Properties.

The City, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair value thereof, as determined by the City Council of the City, any property of the System which is obsolete, damaged or worn out or otherwise unsuitable. The proceeds of any sale of properties of the System shall be deposited in the System Fund.

Section 9.08 Satisfaction of Obligation of City.

The Bonds may be defeased, discharged or refunded in any manner permitted by applicable law.

Section 9.09 Bonds as Negotiable Instruments.

Each of the Bonds shall be deemed and construed to be an "Investment Security" and, as such, a negotiable instrument, within the meaning of Article 8 of the Texas Uniform Commercial Code.

Section 9.10 Special Covenants.

The City further covenants and agrees by and through this Ordinance as follows:

It has the lawful power to pledge the Revenues of the System to the payment of the Bonds to the extent provided herein and has lawfully exercised said power under the Constitution and laws of the State of Texas, including the Act, and that the Bonds issued hereunder, together with the Previously Issued Bonds and any Additional Bonds, shall be ratably secured in such manner that no one bond shall have preference over any other bond of said issues.

The Revenues of the System have not been in any manner pledged or encumbered to the payment of any debt or obligation of the City or the System, save and except for the Bonds and the Previously Issued Bonds; provided that the City has reserved the right pursuant to Section 9.03 hereof to issue subordinate lien obligations.

To exercise and pursue with due diligence available remedies provided by law for the collection of delinquent drainage charges, including the power under Section 552.050 of the Act to discontinue all utility services, particularly water and sewer services provided by the City to a user of benefited property who is delinquent in the payment of drainage charges.

<u>Section 9.11</u> **<u>Ordinance a Contract - Amendments</u>**.

This Ordinance shall constitute a contract with the Owners from time to time, be binding on the City, and shall not be amended or repealed by the City while any Bond remains Outstanding except as permitted in this Section and Section 11.05. The City, may, without the consent of or notice to any Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners, to cure any ambiguity, inconsistency, or formal defect or omission herein and to provide additional security for the payment of the Bonds. In addition, the City may, with the written consent from the owners holding a majority in aggregate principal amount of the Bonds then Outstanding (excluding Bonds acquired by or held for the account of the City) affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the written consent of all Owners of Bonds then Outstanding, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held for consent to any such amendment, addition, or rescission.

ARTICLE X
DEFAULT AND REMEDIES

<u>Section 10.01</u> **<u>Remedies in Event of Default</u>**.

In addition to all rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City:

(a) defaults in payments to be made to the Bond Fund or the Reserve Fund as required by this Ordinance; or

(b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the Owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of property jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in this Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

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TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds 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. A form of Bond Counsel's opinion is reproduced as Appendix B. 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 Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds 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 Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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 Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds 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 Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds 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 Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, 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 Bonds 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 Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN BONDS . . . The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (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 Bonds 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 Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond 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 Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

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

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

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 Bonds. The City is required to observe the agreement while it remains obligated to advance funds to pay such Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 7 and in Appendix A. The City will update and provide this information in the numbered tables within six months after the end of each fiscal year ending in or after 2019 and audited financial statements 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 shall 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. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced tables must be provided by March 31 in each year, and audited financial statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

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 Bonds 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, 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 debt obligation or a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the City, or a guarantee of any such debt obligation or derivative instrument, 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 the preceding paragraphs (15) and (16) and the definition of "financial obligation" in these paragraphs 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.

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

The City's continuing disclosure agreements for the Bonds may be amended by the City 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, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of such Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of such Bonds. The City may also amend or repeal the provisions of the continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of such Bonds. If the City amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years the City believes it has complied in all material respects with its previous continuing disclosure undertakings entered into pursuant to the Rule.

OTHER INFORMATION

RATINGS

The Bonds and the outstanding municipal drainage utility revenue debt of the City are rated "Aa1" by Moody's and "AAA" by S&P. An explanation of the significance of such ratings 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 or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

In the opinion of City officials the City is not a party to any litigation or other proceeding pending or to their knowledge threatened, in or before any court, agency or other administrative body (either state or federal) which, if decided adversely to the City, would have a material adverse effect on the financial condition of the City.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before the Bonds are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Bonds will also be furnished. Though it represents the Financial Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City 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.

FINANCIAL ADVISOR

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

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

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the City accepted the bid of Raymond James & Associates, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium of $269,759.51. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

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

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 Pricing Certificate approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the offering of the Bonds by the Initial Purchaser.

DENISE TACKE
PRICING OFFICER
City of Plano, Texas

SCHEDULE OF REFUNDED BONDS **Schedule I**

Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2009

Original Dated Date	Original Maturity	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
1/15/2009	5/15/2020 (1)	4.250%	$ 45,000	$ 45,000
	5/15/2021 (1)	4.250%	45,000	45,000
	5/15/2022 (1)	4.250%	45,000	45,000
	5/15/2023 (2)	4.750%	50,000	50,000
	5/15/2024 (2)	4.750%	55,000	55,000
	5/15/2025 (2)	4.750%	55,000	55,000
	5/15/2026 (3)	5.000%	60,000	60,000
	5/15/2027 (3)	5.000%	60,000	60,000
	5/15/2028 (3)	5.000%	65,000	65,000
	5/15/2029 (3)	5.000%	70,000	70,000
			$ 550,000	$ 550,000

The 2020 – 2029 maturities will be redeemed prior to original maturity on May 15, 2019 at par plus accrued interest.

(1) Represents a Term Bond with a final maturity of May 15, 2022.
(2) Represents a Term Bond with a final maturity of May 15, 2025.
(3) Represents a Term Bond with a final maturity of May 15, 2029.

APPENDIX A

EXCERPTS FROM THE

CITY OF PLANO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2018

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

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Independent Auditor's Report

The Honorable Mayor and Members of the City Council
The City of Plano, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.
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CPAs AND ADVISORS | WEAVER.COM

The Honorable Mayor and Members of the City Council
The City of Plano, Texas

Emphasis of Matter

As discussed in Note I.C. to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are not modified with respect to this matter.

Other Matters

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

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

The combining and individual nonmajor fund financial statements and the individual fund budgetary comparison schedule 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 accompanying combining and individual nonmajor fund financial statements and the individual fund budgetary comparison schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

The Honorable Mayor and Members of the City Council
The City of Plano, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 3, 2019

Plano

City of Excellence

MANAGEMENT'S DISCUSSION & ANALYSIS


2018



FOR FISCAL YEAR ENDED

SEPTEMBER 30, 2018

CITY OF PLANO, TEXAS

Plano

City of Excellence

Our discussion and analysis of the City's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $1.5 billion (net position). Of this amount, $1.2 billion (81.6 percent) is net investment in capital assets. The amount of net position restricted for a specific purpose is $57.6 million (3.9 percent). The remaining $215.1 million (14.5 percent) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The City's total net position increased by $57.7 million. Property tax revenues are higher over prior year by $18.2 million as a result of higher assessed property values in the current year. For fiscal year 2019, the total appraised value will include an increase in new property coming on-line of $1.5 billion while existing property values are expected to increase by $2.2 billion. Sales tax revenues increased over prior year by $4.0 million partially due to the State of Texas Tax Amnesty Program, which allows for payment of delinquent sales tax without further penalty. Hotel/Motel tax revenues are higher over prior year by $524 thousand primarily due to the addition of new hotels in the current year resulting in higher occupancy rates. Water and sewer service charges are higher over prior year by $25.9 million attributable to increased water and sewer rates implemented November 1, 2017 in addition to increased consumption during the summer months. Economic Development Incentive fund expenditures are higher over prior year by $11.0 million. The increase is attributed to payments made for incentive obligations which stimulate economic development for the City through usage of Chapter 380 agreements as authorized by the Texas Local Government Code.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $327.6 million, an increase of $23.1 million in comparison with the prior year. Within this total, $139.2 million (42.5 percent) is restricted by specific legal requirements and $139.0 million (42.4 percent) has been committed and assigned to specific types of expenditures. Unassigned fund balance is $46.0 million (14.1 percent) and can be used for any lawful purpose. The remaining $3.4 million (1.0 percent) is nonspendable.

- The City's total debt increased by $58.2 million primarily due to issuance in the current year of general obligation debt and waterworks and sewer system revenue bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The Statement of Net Position presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Net Position combines and consolidates current financial resources (short-term spendable resources) with capital assets and long-term obligations of governmental and business-type funds. In order to assess the overall health or financial condition of the City, other non-financial factors should also be taken into consideration. These include changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.).

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

In the Statement of Net Position and the Statement of Activities, the City is divided into three types of activities:

- Governmental activities – Most of the City's basic services are reported here, including police, fire, libraries, development, public services and operations, parks and recreation, public works, technology services and general administration. Property taxes, sales taxes and franchise fees finance most of these activities. Additionally, the City has three blended component units that are detailed in the accompanying footnotes.

- Business-type activities – The City charges a fee to customers in order to cover all or most of the cost of certain services the City provides. The City's water and sewer system, sustainability and environmental waste system, municipal drainage system, convention and tourism, municipal golf course, recreation revolving and downtown center development are reported as business-type activities.

- Component unit – The City includes one separate legal entity in its report – Tax Increment Financing District (TIF) East Side. Although legally separate, the City is financially accountable for the TIF.

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

Fund Financial Statements

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

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

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

The City maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital maintenance fund, street improvements fund, municipal facilities fund, park improvements fund and economic development incentive fund, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22-28.

- **Proprietary funds**. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, sustainability and environmental waste services, municipal drainage, convention and tourism, golf course, recreation revolving centers and downtown development. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its fleet services, risk management, employee health and disability programs, municipal warehouse and its information systems. Because these services predominately benefit government rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

  Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains seven individual enterprise funds. The proprietary fund financial statements provide separate information for the water and sewer, sustainability and environmental waste services and municipal drainage functions, as they are considered major funds. Data from the remaining four enterprise funds are combined into a single, aggregated presentation, as other Enterprise Funds. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

  The basic proprietary fund financial statements can be found on pages 30-37 of this report.

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

  The basic fiduciary fund financial statements can be found on pages 38 and 39 of this report.

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

  The notes to the financial statements can be found on pages 41-83 of this report.

- **Other information**. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the general fund's budget

to actual performance and the City's progress in funding its obligation to provide pension and health benefits to its employees and retirees.
The required supplementary information can be found on pages 85-92 of this report.

The combining statements referred to earlier in connection with nonmajor governmental, nonmajor enterprise, internal service, agency, and component unit funds can be found on pages 93-133 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position was $1.5 billion as of September 30, 2018. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

By far the largest portion of the City's net position (81.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Table 1
Net Position
(in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Current and other assets	$ 446,399	$ 422,668	$ 143,257	$ 124,142	$ 589,656	$ 546,810
Capital assets	1,142,671	1,084,471	422,337	417,985	1,565,008	1,502,456
Total assets	1,589,070	1,507,139	565,594	542,127	2,154,664	2,049,266
Deferred outflows	38,659	73,775	4,606	8,114	43,265	81,889
Noncurrent liabilities	529,189	531,498	69,726	65,166	598,915	596,664
Other liabilities	36,367	30,403	18,897	19,606	55,264	50,009
Total liabilities	565,556	561,901	88,623	84,772	654,179	646,673
Deferred inflows	54,468	4,608	7,074	554	61,542	5,162
Net position:						
Invested in capital assets, net of related debt	831,253	790,688	378,270	377,622	1,209,523	1,168,310
Restricted	53,021	59,810	4,592	6,107	57,613	65,917
Unrestricted	123,431	163,907	91,641	81,186	215,072	245,093
Total net position	$ 1,007,705	$ 1,014,405	$ 474,503	$ 464,915	$ 1,482,208	$ 1,479,320

An additional portion of the City's net position (3.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (14.5 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's net position increased by $57.7 million during the current fiscal year. Property tax revenues are higher over prior year by $18.2 million as a result of higher assessed property values in the current year and new property coming on-line. For fiscal year 2019, the total appraised value will include an increase in new property coming on-line of $1.5 billion while existing property values are expected to increase by $2.2 billion. Sales tax revenues increased over prior year by $4.0 million partially due to the State of Texas Tax Amnesty Program, which allows for payment of delinquent sales tax without further penalty. Hotel/Motel tax revenues are higher over prior year by $524 thousand primarily due to the addition of new hotels in the current year resulting in higher occupancy rates.

Water and sewer service charges are higher over prior year by $25.9 million attributable to increased water and sewer rates implemented November 1, 2017 in addition to increased consumption during the summer months. This increase in revenue is offset by an increase in wastewater treatment and water supply expense of $7.9 million due to increased contractual payments to North Texas Municipal Water District (NTMWD). Economic Development Incentive fund expenditures are higher over prior year by $11.0 million. The increase is attributed to payments made for incentive obligations which stimulate economic development for the City through usage of Chapter 380 agreements as authorized by the Texas Local Government Code.

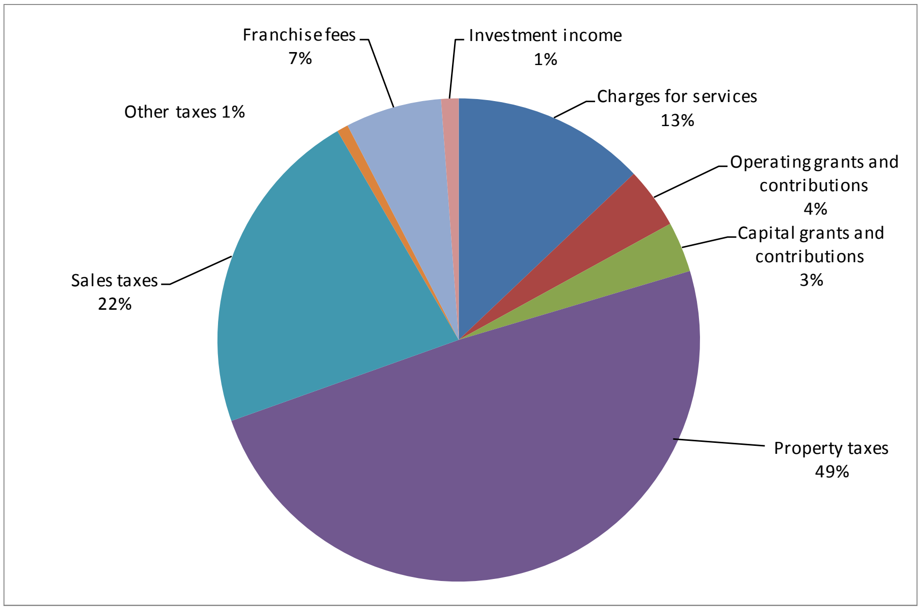
Governmental Activities

Governmental activities increased the City's net position by $43.4 million. Key elements of this increase are as follows (Table 2):

Table 2
Change in Net Position
(in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 50,303	$ 54,350	$ 202,699	$ 176,157	$ 253,002	$ 230,507
Operating grants and contributions	15,901	12,736	-	-	15,901	12,736
Capital grants and contributions	13,150	12,042	4,444	7,779	17,594	19,821
General revenues:						
Property taxes	191,237	173,005	-	-	191,237	173,005
Sales taxes	85,790	81,795	-	-	85,790	81,795
Other taxes	2,967	2,263	9,209	8,685	12,176	10,948
Franchise fees	25,088	24,553	8,631	8,754	33,719	33,307
Investment income	4,548	3,019	797	454	5,345	3,473
Total revenues	388,984	363,763	225,780	201,829	614,764	565,592
Expenses:						
General government	26,305	27,353	-	-	26,305	27,353
Administrative services	11,465	11,730	-	-	11,465	11,730
Police	90,322	88,408	-	-	90,322	88,408
Fire	61,043	63,105	-	-	61,043	63,105
Libraries	11,436	12,381	-	-	11,436	12,381
Development	47,861	38,018	-	-	47,861	38,018
Public services and operations	7,972	8,350	-	-	7,972	8,350
Parks and recreation	33,855	36,070	-	-	33,855	36,070
Public works	35,969	33,752	-	-	35,969	33,752
Technology services	19,216	18,193	-	-	19,216	18,193
Other	-	-	-	-	-	-
Interest on long-term debt	12,725	10,897	-	-	12,725	10,897
Water and sewer	-	-	153,118	144,380	153,118	144,380
Sustainability and environmental waste services	-	-	26,932	26,767	26,932	26,767
Municipal drainage	-	-	5,308	4,978	5,308	4,978
Convention and tourism	-	-	8,937	8,662	8,937	8,662
Municipal golf course	-	-	1,174	1,221	1,174	1,221
Recreation revolving	-	-	3,433	3,574	3,433	3,574
Downtown center development	-	-	27	17	27	17
Total expenses	358,169	348,257	198,929	189,599	557,098	537,856
Increase in net position before transfers	30,815	15,506	26,851	12,230	57,666	27,736
Transfers	12,560	13,573	(12,560)	(13,573)	-	-
Increase (decrease) in net position	43,375	29,079	14,291	(1,343)	57,666	27,736
Net position – October 1	-	985,326	-	466,258	-	1,451,584
Net position – October 1, as adjusted (Footnote I.C.)	964,330	-	460,212	-	1,424,542	-
Net position – September 30	$ 1,007,705	$ 1,014,405	$ 474,503	$ 464,915	$ 1,482,208	$ 1,479,320

Revenues by Source – Governmental Activities



Program revenues were $79.4 million, compared to $79.1 million in fiscal year 2017. The breakdown of the increase is as follows:

- Charges for services for governmental activities decreased $4.0 million. General government charges for services decreased over prior year by $3.2 million primarily due to insurance receipts received in the prior year as the result of a severe storm in 2017. Development charges for services decreased $1.7 million as building permit revenues declined due to higher valued permits issued for corporations relocating to Plano in the prior fiscal year.

- Operating grants and contributions increased $3.2 million primarily due to Economic Development Incentive fund revenues being higher over prior year by $928 thousand. This revenue is generated as a transfer from the general fund and is two-cents of the property tax rate dedicated for incentives. The Fire department also received increased reimbursement over prior year of $511 thousand for deployments. Additionally, the City provided additional Resource Officers at Plano Independent School District facilities in the current fiscal year increasing revenue $493 thousand.

- Capital grants increased $1.1 million primarily due to increased contributions of $7.6 million from external agencies related to streets projects. However, this increase is offset by a decrease in developers' contributions of $7.0 million.

General revenues increased from $284.6 million in fiscal year 2017 to $309.6 million in fiscal year 2018. Property tax revenues increased by $18.2 million due to an increase in assessed valuations. For fiscal year 2019, the total appraised value will include an increase in new property coming on-line of $1.5 billion while existing property values are expected to increase by $2.2 billion.

Overall, governmental activities expenses were $358.2 million, an increase of $9.9 million over the prior year primarily as a result of Economic Development Incentive fund expenditures being higher over prior year by $11.0 million. The increase is attributed to payments made for incentive obligations, which stimulate economic development for the City through usage of Chapter 380 agreements as authorized by the Texas Local Government Code.

Business-Type Activities

Revenues of the City's business-type activities were $225.8 million for the fiscal year ended September 30, 2018. Revenues increased approximately $24.0 million or 11.9 percent as compared to the prior fiscal year. Expenses for the City's business-type activities increased $9.3 million or 4.9 percent. The increase in net revenues is the result of several factors, including the following:

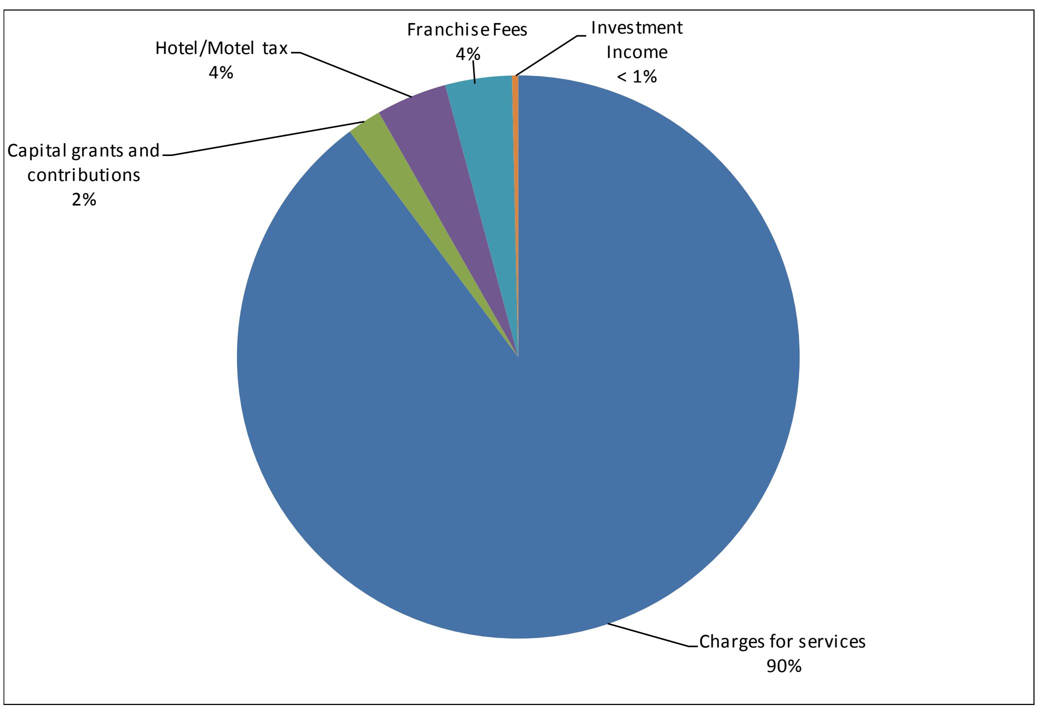
- The City's water and sewer system recorded charges for services of $169.9 million, an increase of $25.9 million or 18.0 percent from the prior year primarily attributable to increased water and sewer rates implemented November 1, 2017 in addition to increased consumption during the summer months. The increase in revenue is offset by an increase in expense of $8.7 million due to increased contractual payments to NTMWD as the result of a rate increase.

- The City's sustainability and environmental waste services activities operated with program expenses exceeding program revenues by $9.2 million compared to $8.9 million in fiscal year 2017. Franchise fee revenue decreased $122 thousand due to a change in the commercial franchise agreement.

- The City's municipal drainage activity operated with charges for services exceeding expenses by $2.3 million, compared to $2.6 million in the prior year. The municipal drainage system recorded charges for services of $7.6 million, which is comparable to the prior year as rates have remained constant.

- The City's convention and tourism activity operated with expenses exceeding charges for services by $6.2 million as compared to $6.8 million in the prior fiscal year. Charges for services are reported at $2.7 million, an increase of $859 thousand, due to renovations completed at Plano Event Center resulting in increased reservations.

Revenues by Source – Business-Type Activities

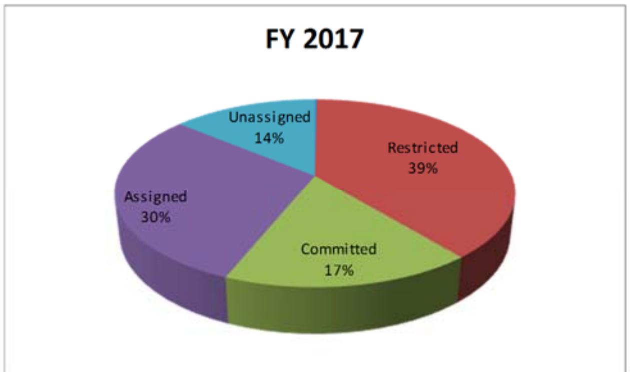


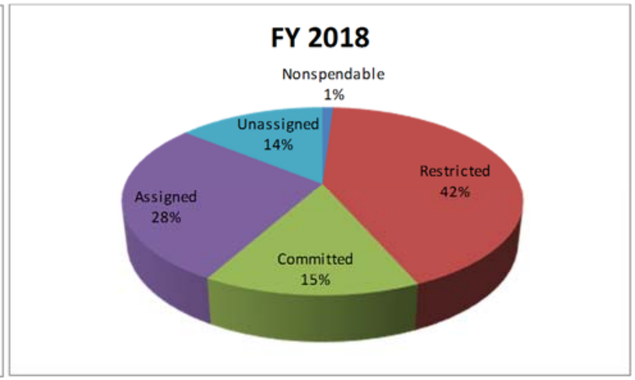
Financial Analysis of the City's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $327.6 million. Within this total $139.2 million is restricted by specific legal requirements, such as by debt covenants, and $139.0 million has been committed and assigned to specific types of expenditures. Unassigned fund balance is $46.0 million and can be used for any lawful purpose. The remaining $3.4 million is nonspendable.





The general fund is the chief operating fund of the City. The fund balance of the City's general fund increased by $578 thousand during the current fiscal year. Key factors in this increase are as follows:

- Expenditures increased $12.9 million primarily due to a 3% across the board pay increase for non-civil and civil service employees.

- The increases to expenditures are offset by increased revenue primarily related to higher property tax revenues of $12.9 million as a result of increased property valuations.

The debt service fund has a total fund balance of $6.6 million, all of which is restricted for the payment of debt service. The debt service fund increased by $2.1 million primarily because of increased property tax revenues.

The capital maintenance fund balance of $35.8 million is assigned for replacement and renewals of the City's infrastructure. The capital maintenance fund balance decreased $10.2 million from the prior year as the result of capital outlay expenditures of $41.5 million offset by $29.8 million of transfers in.

The street improvements fund has a total balance of $46.1 million, which has $31.5 million in restricted and $14.6 million in assigned fund balance. The street improvements fund balance decreased $1.4 million primarily due to expenditures of $26.9 million exceeding other financing sources related to debt issuance of $20.1 million.

The municipal facilities fund has a total balance of $42.1 million, which has $39.1 million in restricted and $3.0 million in assigned fund balance. The municipal facilities fund balance increased $17.3 million due to $27.7 million in other financing sources related to debt issuance exceeding net expenditures of $9.5 million.

The park improvements fund has a total fund balance of $48.8 million, which has $2.9 million in nonspendable, $18.9 million in restricted and $27.0 million in assigned fund balance. The park improvements fund balance increased over prior year $17.4 million due to $34.5 million in other financing sources related to debt issuance, as well as $830 thousand transfer from the Municipal Facilities Fund and a $1.0 million donation transferred from the Plano Improvement Corporation for construction of a new park. Net expenditures are reported at $18.9 million in the current year.

The economic development incentive fund balance of $48.2 million decreased over prior year by $3.9 million as a result of expenditures being higher over prior year by $11.0 million. The expenditure increase is attributed to payments made for incentive obligations which stimulate economic development for the City through usage of Chapter 380 agreements as authorized by the Texas Local Government Code. The portion of the fund balance obligated but unpaid for potential incentives on signed economic development agreements totals $19.8 million.

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

- The City's Water and Sewer fund net position of $418.3 million increased by $12.7 million over the prior year. In the current fiscal year, total operating revenues are $169.5 million while operating expenses are $151.7 million. Revenue is higher primarily attributable to increased water and sewer rates implemented November 1, 2017 in addition to increased consumption during the summer months. Contractual payments to NTMWD are $103.8 million of the total operating expense and increased compared to prior year.

- The City's Sustainability and Environmental Waste Services fund net position of $365 thousand decreased by $1.1 million over the prior year. Total operating expenses are $27.7 million which exceed total operating revenues of $26.5 million.

- The City's Municipal Drainage fund net position increased over the prior year by $1.5 million. Drainage rates remained constant in fiscal year 2018 with revenues reported at $7.6 million and operating expenses and transfers out of $5.6 million.

General Fund Budgetary Highlights

During the current year, the actual expenditures on a budgetary basis were $277.0 million compared to the final budget amount of $281.9 million. Actual expenditures on a budgetary basis were $71 thousand lower than the original budget and $4.9 million lower as compared to the final budget. Decreases were due to continued prudent spending by the various departments, as well as salary savings.

For fiscal year 2018, the actual revenues on a budgetary basis were $290.7 million as compared to the final budget amount and original budget amount of $283.7 million and $282.4 million, respectively. The primary reason for the variance in actual revenue compared to the final budget relates to a $7.5 million overage in sales tax revenue. The City Council has capped the amount that can be budgeted for sales tax revenue based upon a rolling three-year average, which is $78.1 million. Sales tax in excess on this cap is used for one-time expenditures or a transfer to the Capital Maintenance Fund.

The City has an actual budgetary basis general fund balance of $47.1 million as of the fiscal year-end, compared to the final budget fund balance and original budget fund balance of $35.4 million and $38.8 million, respectively. The variance in fund balance is primarily due to the aforementioned variance in sales tax and continued prudent spending by the departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2018, the City had $1.6 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines (Table 3). This amount represents a net increase (including additions and deductions) of $62.6 million over the prior fiscal year.

Table 3
Capital Assets at Year-end
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Land	$ 153,331	$ 152,099	$ 6,771	$ 6,765	$ 160,102	$ 158,864
Buildings and improvements	261,145	215,935	369,957	356,601	631,102	572,536
Equipment	50,218	48,384	1,056	786	51,274	49,170
Construction in progress	51,974	61,821	5,800	20,768	57,774	82,589
Public art	1,768	1,762	50	-	1,818	1,762
Infrastructure	624,235	604,470	-	-	624,235	604,470
Drainage improvements	-	-	38,703	33,065	38,703	33,065
Totals	$ 1,142,671	$ 1,084,471	$ 422,337	$ 417,985	$ 1,565,008	$ 1,502,456

This year's major capital outlay additions for governmental capital projects included (in millions):

Renovations to Fire Station No. 1	$ 6.1
Construction of intersection improvements - Preston Road and Plano Parkway	3.3
Pavement maintenance	8.5
Expansion of the Sam Johnson Recreation Center	4.1
Renovation of Carpenter Recreation Center	4.2
Residential street and alley repair	4.8
Sidewalk repairs	3.6
Arterial concrete repairs	4.7
	$ 39.3

The City's fiscal year 2019 general obligation capital budget includes $106.1 million for capital projects, principally for four major categories: street improvements and enhancements, parks and recreation, municipal facilities and public infrastructure improvements. An additional $64.0 million in general obligation bond proceeds will be required to support the entire 2018-2019 general obligation capital investment program.

Street Improvements and Enhancements. The City plans to spend $64.9 million on street improvements and enhancements including $4.1 million for Park Boulevard corridor improvements, $3.2 million for 18th Street and Rigsbee Drive rehabilitation, $3.1 for Wood Park I and Dallas North Estates paving improvements, $3.1 million for screening walls at Independence, Legacy, Coit and Rainier Roads, $3.0 million for Dallas North Estates #2, $3.0 million for arterial concrete street reconstruction, $2.4 million for Legacy Drive corridor improvements, $2.3 million at Spring Creek north and south service roads, $2.3 million for Coit Road screening walls from Bonita to Malton, $2.0 million for intersection improvements at Preston Road and State Highway 190, $2.0 million City-wide signal retiming and $2.0 million at West Plano Estates and Hunters Glen Phase I. The remaining funds for street improvements are for a variety of projects.

Parks and Recreation. Estimated expenditures for parks and recreation facilities are $31.5 million including $5.5 million for Carpenter Park renovations phase II, $5.0 million for land acquisitions, $4.4 million at High Point Tennis Center, $4.2 million for artificial turf fields, $2.9 million for High Point Park maintenance facility, $2.5 million for Windhaven Meadows Park, $2.2 million for maintenance facilities work, $1.1 million for Liberty Recreation Center renovations, $1.5 million for Windhaven Meadows Park development, $1.1 million for Liberty Recreation Center renovations and $1.0 million for Carpenter Park renovations. The remaining funds for park improvements are for a variety of projects.

Municipal Facilities. Estimated expenditures for municipal facilities are $5.2 million including $4.6 million for the Davis Library expansion and $600 thousand for an expansion at Harrington Library.

Public Infrastructure Improvement. Estimated expenditures of $4.5 million are to improve publicly owned infrastructure that serves commercial areas, such as streets, utilities and open spaces, in coordination with private development and reinvestment in commercial properties. Funds are intended to improve older areas of Plano by enhancing existing infrastructure so further economic development becomes attractive to private firms and investors.

More detailed information about the City's capital asset activity is presented in Note 4 to the financial statements.

Debt

At year-end, the City had $468.0 million in bonds and tax anticipation notes outstanding as compared to $409.8 million at the end of the prior fiscal year, an increase of 14.2 percent – as shown in Table 4.

Table 4
Outstanding Debt at Year-end
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds and tax anticipation notes (backed by the City)	$ 411,906	$ 363,534	$ -	$ -	$ 411,906	$ 363,534
Revenue bonds (backed by fee revenues)	-	-	56,065	46,217	56,065	46,217
Totals	$ 411,906	$ 363,534	$ 56,065	$ 46,217	$ 467,971	$ 409,751

During the current fiscal year, the City issued $77.9 million in new general obligation bonds. Additionally, the City issued $11.4 million in water and sewer revenue bonds in fiscal year 2018.

The City's general obligation bonds and tax notes continue to carry an "AAA" rating issued by Moody's Investor Service, Standard & Poor's and Fitch, Inc., the highest rating possible. This rating has been assigned to the City's tax-supported debt since February 2000. The City's water and sewer revenue bonds carry an AAA rating, as assigned by two of the national rating agencies. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

The City maintains a self-insurance program for general liability, public officials' errors and omission, police professional liability, property loss and workers' compensation. The City has claims and judgments of $7.3 million outstanding at year-end compared with $6.9 million at the end of the prior fiscal year. Claims and judgements of $4.8 million relate to property/liability losses while $2.5 million relate to health claims. Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities and self-insurance is presented in Notes 6 and 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

In addition to the economy, the City's elected and appointed officials address a variety of factors, departmental requests and public input when setting the budget and tax rates for fiscal year 2019. Within our strategic goal to deliver outstanding operational analysis and effectiveness, the City of Plano is committed to providing exceptional city services at the greatest possible value. This is reinforced by consistently offering one of the lowest tax rates in the region, which includes a tax rate reduction of 0.83 cents from 46.86 cents to 46.03 cents per $100 of assess property valuation. This is the third consecutive year the City Council has passed along a tax rate decrease. The 2018-19 Combined Budget solely includes enhancements to current services in response to continued growth in the City, which in turn places higher demands on service levels. No new programs are included in the adopted budget. The revenues available in 2018-19 as a result of increased property values presents the City an opportunity to increase funding to the City's Capital Maintenance Fund. This increase of funding is needed in order to offset escalating project construction costs and to continue the rehabilitation and maintenance of the city's aging infrastructure and facilities. If funding for this purpose is not increased and instead continues at this current level, Plano will face the difficult decision between delaying necessary projects to repair and maintain existing assets or increasing the use of debt to provide project funding.

In order to address rising construction costs and increased demands to maintain and renovate existing assets, a May 2019 bond referendum is currently under development. In this bond election, voters will decide whether or not to grant the City of Plano the ability to issue additional bonds for street maintenance, park maintenance and facility maintenance and renovation projects that were originally planned in the Capital Maintenance Fund with an expected life span of 20+ years.

The largest single revenue source in the fiscal year 2019 general fund Budget is property taxes, which account for 47.7% of total revenues. Assessed property values in Plano increased 9.4% from the prior year, including $1.5 billion in new property entering the tax roll for the first time. As mentioned, the 2018-19 Budget does include a 0.83 cent tax rate decrease from 46.86 cents to 46.03 cents per $100 of assessed property valuation in order to recognize taxpayers concerns over increasing assessed property values. Sales tax revenue remains the City's second largest revenue source, making up 26.0% of General Fund revenues.

The North Texas Municipal Water District (NTMWD) is projecting both water and sewer rate increases for 2018-19. Wholesale water purchased from the district is projected to increase by 5.0% per thousand gallons and is based on the full take-or-pay contract volume of 26.7 billion gallons. The increased costs are directly tied to payments for the NTMWD debt service associated with the pipeline that brings raw water from Lake Texoma to the Wylie treatment plant and the North Texas Municipal Lake (formerly known as Lower Bois d'Arc Creek Reservoir) project. With the expected increase from NTMWD in both water and sewer wholesale rates, the City of Plano remains committed to minimizing the financial impact to the citizen.

A wastewater rate increase will also be required to offset the $3.7 million in increased contract cost from NTMWD. The increase in the wastewater rate is to pay for increased NTMWD debt service costs along with requirements by the Environmental Protection Agency (EPA) for Capacity Management, Operations and Maintenance (CMOM).

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Accounting Office, at City of Plano, 1520 Avenue K, Suite 370, Plano, Texas 75074.

Plano

City of Excellence

BASIC FINANCIAL STATEMENTS

2018

FOR FISCAL YEAR ENDED

SEPTEMBER 30, 2018

CITY OF PLANO, TEXAS

Plano
City of Excellence

CITY OF PLANO, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Unit**
ASSETS				
Cash and cash equivalents	$ 99,095,681	$ 20,358,413	$ 119,454,094	$ 2,451,232
Investments	322,764,145	62,408,487	385,172,632	8,101,354
Receivables (net of allowance for uncollectibles)	21,141,635	25,593,615	46,735,250	-
Internal balances	(14,327,194)	14,327,194	-	-
Due from other government	7,635,924	-	7,635,924	-
Inventories	1,200,248	279,956	1,480,204	-
Prepaids and other assets	3,843,568	3,408,871	7,252,439	-
Restricted assets:				
Cash and cash equivalents	-	3,790,412	3,790,412	-
Investments	-	12,479,776	12,479,776	-
Receivables	-	47,591	47,591	-
Net pension asset	5,045,229	562,232	5,607,461	-
Capital assets:				
Nondepreciable	207,072,824	12,620,595	219,693,419	3,180,296
Depreciable (net)	935,598,197	409,716,539	1,345,314,736	-
Total assets	1,589,070,257	565,593,681	2,154,663,938	13,732,882
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	28,633,405	3,823,592	32,456,997	-
Deferred outflows from other post employment benefits	3,144,024	510,542	3,654,566	-
Deferred charges on refunding	6,881,763	272,137	7,153,900	-
	38,659,192	4,606,271	43,265,463	-
LIABILITIES				
Accounts payable	5,764,377	7,241,104	13,005,481	2,700
Accrued liabilities	9,591,460	3,326,022	12,917,482	-
Accrued interest payable	1,518,951	845,867	2,364,818	-
Contracts payable	8,527,291	696,722	9,224,013	-
Customer deposits	-	3,974,203	3,974,203	-
Escrow liability	-	231,320	231,320	-
Unearned revenue	5,625,372	2,059,960	7,685,332	-
Due to other governments	2,651,209	-	2,651,209	-
Retainage payable	2,550,785	521,516	3,072,301	-
Seized assets payable	137,784	-	137,784	-
Noncurrent liabilities				
Due within one year:				
Compensated absences	4,907,767	525,383	5,433,150	-
Bonds and notes payable	35,292,194	3,743,545	39,035,739	-
Liability for insurance claims	7,319,554	-	7,319,554	-
Due in more than one year:				
Compensated absences	35,732,575	3,629,280	39,361,855	-
Bonds and notes payable	376,613,874	52,321,613	428,935,487	-
Net pension liability	58,972,098	7,825,536	66,797,634	-
Net other post employment benefit liability	10,350,804	1,680,818	12,031,622	-
Total liabilities	565,556,095	88,622,889	654,178,984	2,700
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	35,588,632	4,007,791	39,596,423	-
Deferred inflows from other post employment benefits	18,879,754	3,065,793	21,945,547	-
	54,468,386	7,073,584	61,541,970	-
NET POSITION				
Net investment in capital assets	831,253,007	378,270,126	1,209,523,133	3,180,296
Restricted for:				
Capital projects	4,547,109	-	4,547,109	-
Special revenue:				
Public safety	39,177,333	-	39,177,333	-
Public services and operations	1,880,193	-	1,880,193	-
Other	711,107	-	711,107	-
Component unit	133,637	-	133,637	10,549,886
Debt service	6,571,577	4,591,766	11,163,343	-
Unrestricted	123,431,005	91,641,587	215,072,592	-
Total net position	$ 1,007,704,968	$ 474,503,479	$ 1,482,208,447	$ 13,730,182

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

CITY OF PLANO, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues		
Function/Program Activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General government	$ 26,304,530	$ 6,906,381	$ 363,058	$ 326,406
Administrative services	11,464,812	49,074	11,634	-
Police	90,322,013	17,637,778	2,556,563	151,994
Fire	61,042,750	6,138,787	1,125,987	-
Libraries	11,436,405	323,969	185,642	-
Development	47,861,153	7,588,183	10,877,259	-
Public services and operations	7,972,290	1,578,599	256,308	-
Parks and recreation	33,854,714	6,200,769	316,737	321,805
Public works	35,968,999	89,655	207,383	12,349,619
Technology services	19,215,958	3,789,685	-	-
Interest on long-term debt	12,725,258	-	-	-
Total governmental activities	358,168,882	50,302,880	15,900,571	13,149,824
Business-type Activities:				
Water and sewer	153,117,762	169,851,498	-	4,443,912
Sustainability and environmental waste services	26,932,415	17,707,463	-	-
Municipal drainage	5,308,525	7,618,351	-	-
Convention and tourism	8,937,082	2,720,286	-	-
Municipal golf course	1,173,724	977,664	-	-
Recreation revolving	3,432,942	3,728,889	-	-
Downtown center development	26,836	94,393	-	-
Total business-type activities	198,929,286	202,698,544	-	4,443,912
Total primary government	$ 557,098,168	$ 253,001,424	$ 15,900,571	$ 17,593,736
Component unit:				
TIF East Side	$ 3,443,743	$ -	$ 50,000	$ -

General revenues:
Property taxes
Sales taxes
Mixed drink taxes
Hotel/Motel tax
Other taxes
Franchise fees based upon gross receipts
Investment income
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning as adjusted (see Footnote I.C.)
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
$ (18,708,685)		$ (18,708,685)	
(11,404,104)		(11,404,104)	
(69,975,678)		(69,975,678)	
(53,777,976)		(53,777,976)	
(10,926,794)		(10,926,794)	
(29,395,711)		(29,395,711)	
(6,137,383)		(6,137,383)	
(27,015,403)		(27,015,403)	
(23,322,342)		(23,322,342)	
(15,426,273)		(15,426,273)	
(12,725,258)		(12,725,258)	
(278,815,607)		(278,815,607)	
	$ 21,177,648	21,177,648	
	(9,224,952)	(9,224,952)	
	2,309,826	2,309,826	
	(6,216,796)	(6,216,796)	
	(196,060)	(196,060)	
	295,947	295,947	
	67,557	67,557	
	8,213,170	8,213,170	
(278,815,607)	8,213,170	(270,602,437)	
			$ (3,393,743)
191,237,106	-	191,237,106	2,036,092
85,790,057	-	85,790,057	-
2,322,487	-	2,322,487	-
-	9,209,353	9,209,353	-
644,540	-	644,540	-
25,088,152	8,631,271	33,719,423	-
4,548,178	797,183	5,345,361	-
12,559,897	(12,559,897)	-	-
322,190,417	6,077,910	328,268,327	2,036,092
43,374,810	14,291,080	57,665,890	(1,357,651)
964,330,158	460,212,399	1,424,542,557	15,087,833
$ 1,007,704,968	$ 474,503,479	$ 1,482,208,447	$ 13,730,182

CITY OF PLANO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2018

	General	Debt Service	Capital Maintenance	Street Improvements
ASSETS				
Cash and cash equivalents	$ 12,604,837	$ 1,521,192	$ 9,196,392	$ 12,028,725
Investments	41,437,343	5,008,461	30,278,737	39,604,073
Receivables (net of allowance for uncollectibles):				
Taxes	15,342,104	285,721	-	-
Accounts	1,656,072	-	-	-
Accrued interest	158,019	19,099	115,466	151,028
Assessments	-	-	-	1,366,121
Other	-	-	-	-
Due from other funds	1,046,573	-	108,000	-
Due from other governments	658,874	-	-	5,252,145
Inventories	116,045	-	-	-
Prepaid items and other assets	336,093	-	-	-
Total assets	$ 73,355,960	$ 6,834,473	$ 39,698,595	$ 58,402,092
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 3,113,928	$ -	$ -	$ -
Accrued liabilities	9,220,851	-	-	-
Contracts payable	-	-	2,992,748	2,267,834
Unearned revenue	228,097	-	-	4,940,601
Due to other funds	-	-	-	-
Due to other governments	211,599	-	-	-
Retainage payable	-	-	874,006	1,253,020
Seized assets payable	-	-	-	-
Total liabilities	12,774,475	-	3,866,754	8,461,455
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	8,367,961	262,896	-	3,889,645
Fund Balance:				
Nonspendable:				
Prepaid items and inventories	452,138	-	-	-
Restricted for:				
Debt service	-	6,571,577	-	-
Street improvements	-	-	-	31,429,147
Municipal facilities	-	-	-	-
Park improvements	-	-	-	-
Special revenue	-	-	-	-
Blended component unit	-	-	-	-
Committed to:				
Economic development incentive	-	-	-	-
Assigned to:				
General government	117,523	-	-	-
Administrative services	275,089	-	-	-
Police	397,680	-	-	-
Fire	447,643	-	-	-
Libraries	172,395	-	-	-
Development	1,460,957	-	-	-
Public services and operations	25,108	-	-	-
Parks and recreation	1,120,841	-	-	-
Public works	1,116,644	-	-	-
Capital maintenance	-	-	35,831,841	-
Street improvements	-	-	-	14,621,845
Municipal facilities	-	-	-	-
Park improvements	-	-	-	-
Other capital projects	-	-	-	-
Other purposes	264,164	-	-	-
Unassigned	46,363,342	-	-	-
Total fund balance	52,213,524	6,571,577	35,831,841	46,050,992
Total liabilities, deferred inflows, and fund balance	$ 73,355,960	$ 6,834,473	$ 39,698,595	$ 58,402,092

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

Municipal Facilities	Park Improvements	Economic Development Incentive	Other Governmental Funds	Total Governmental Funds
$ 9,839,725	$ 11,418,589	$ 11,191,580	$ 13,046,884	$ 80,847,924
32,396,882	37,595,226	36,847,808	39,515,640	262,684,170
-	-	-	-	15,627,825
-	-	-	348,564	2,004,636
123,543	143,367	140,517	150,632	1,001,671
-	-	-	-	1,366,121
34,477	-	-	821,490	855,967
-	-	-	-	1,154,573
-	215,565	-	1,509,340	7,635,924
-	-	-	-	116,045
-	2,887,925	-	26,201	3,250,219
$ 42,394,627	$ 52,260,672	$ 48,179,905	$ 55,418,751	$ 376,545,075
$ -	$ -	$ -	$ 1,177,325	$ 4,291,253
-	-	-	53,396	9,274,247
276,273	2,918,061	-	72,375	8,527,291
-	-	-	1,822,795	6,991,493
-	-	-	1,046,573	1,046,573
-	-	-	2,439,610	2,651,209
36,349	361,897	-	25,513	2,550,785
-	-	-	137,784	137,784
312,622	3,279,958	-	6,775,371	35,470,635
-	215,565	-	693,316	13,429,383
-	2,887,925	-	26,201	3,366,264
-	-	-	-	6,571,577
-	-	-	-	31,429,147
39,119,360	-	-	1,759,523	40,878,883
-	18,852,235	-	-	18,852,235
-	-	-	41,377,370	41,377,370
-	-	-	124,277	124,277
-	-	48,179,905	-	48,179,905
-	-	-	-	117,523
-	-	-	-	275,089
-	-	-	-	397,680
-	-	-	-	447,643
-	-	-	-	172,395
-	-	-	-	1,460,957
-	-	-	-	25,108
-	-	-	-	1,120,841
-	-	-	-	1,116,644
-	-	-	-	35,831,841
-	-	-	-	14,621,845
2,962,645	-	-	-	2,962,645
-	27,024,989	-	-	27,024,989
-	-	-	5,018,829	5,018,829
-	-	-	-	264,164
-	-	-	(356,136)	46,007,206
42,082,005	48,765,149	48,179,905	47,950,064	327,645,057
$ 42,394,627	$ 52,260,672	$ 48,179,905	$ 55,418,751	$ 376,545,075

CITY OF PLANO, TEXAS
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet	$	327,645,057
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,100,765,932
Deferred outflows represent a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources until then. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.		6,881,763
Net pension asset and deferred outflows related to pensions and other post employment benefits.		36,822,658
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,366,121
Internal service funds are used by management to charge the costs of fleet management, property liability loss, health claims and municipal warehouse to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		97,988,801
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(453,403,459)
Deferred inflows represent an acquisition of net position that applies to future periods. The amount is unavailable and deferred at the fund level but recognized as revenue in the governmental activities.		13,429,383
Net pension other post employment benefit liability and deferred inflows related to pensions and other post employment benefits		(123,791,288)
Net position of governmental activities	$	1,007,704,968

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

Plano
City of Excellence

CITY OF PLANO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General	Debt Service	Capital Maintenance	Street Improvements
REVENUES				
Taxes:				
Property taxes	$ 132,974,743	$ 45,071,476	$ -	$ -
Sales taxes	85,592,104	-	-	-
Other taxes	2,422,242	-	-	-
Franchise fees	24,354,134	-	-	-
Fines and forfeitures	6,304,020	-	-	-
Contributions	-	-	-	5,682
Rollback taxes	-	-	775,587	-
Licenses and permits	9,521,069	-	-	-
Intragovernmental	12,366,054	-	-	-
Intergovernmental	1,526,803	-	291,929	4,789,200
Fees for services	13,765,830	-	-	-
Assessed taxes	-	-	-	-
Loan repayments	-	-	-	-
Investment income	890,026	322,477	412,338	503,307
Miscellaneous	1,803,509	151,994	81,381	53,936
Total revenues	291,520,534	45,545,947	1,561,235	5,352,125
EXPENDITURES				
Current operating:				
General government	29,285,243	-	-	-
Administrative services	11,242,058	-	-	-
Police	82,593,694	-	-	-
Fire	60,502,261	-	-	-
Libraries	11,232,288	-	-	-
Development	33,470,968	-	-	-
Public services and operations	6,956,478	-	-	-
Parks and recreation	25,293,952	-	-	-
Public works	7,427,734	-	-	-
Technology services	1,000,000	-	-	-
Capital outlay	3,599,793	-	41,542,150	26,767,678
Interest and fiscal charges	-	-	-	141,760
Debt service:				
Principal retirement	-	28,765,000	-	-
Interest and fiscal charges	-	14,650,303	-	-
Total expenditures	272,604,469	43,415,303	41,542,150	26,909,438
Excess (deficiency) of revenues over (under) expenditures	18,916,065	2,130,644	(39,980,915)	(21,557,313)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	19,057,111
Premium on sale of bonds	-	-	-	1,086,860
Transfers in	8,627,163	-	29,809,000	-
Transfers out	(26,964,827)	-	-	-
Total other financing sources (uses)	(18,337,664)	-	29,809,000	20,143,971
Net change in fund balances	578,401	2,130,644	(10,171,915)	(1,413,342)
Fund balances-beginning	51,635,123	4,440,933	46,003,756	47,464,334
Fund balances-ending	$ 52,213,524	$ 6,571,577	$ 35,831,841	$ 46,050,992

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

Municipal Facilities	Park Improvements	Economic Development Incentive	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 178,046,219
-	-	-	-	85,592,104
-	-	-	-	2,422,242
-	-	-	-	24,354,134
-	-	-	7,165,196	13,469,216
34,477	-	7,729,679	1,494,905	9,264,743
-	-	-	-	775,587
-	-	-	-	9,521,069
-	-	-	-	12,366,054
-	6,240	-	3,211,957	9,826,129
-	-	-	3,466,364	17,232,194
-	-	-	79,560	79,560
-	-	-	26,190	26,190
356,153	391,068	481,170	456,245	3,812,784
-	100,000	558,014	8,900	2,757,734
390,630	497,308	8,768,863	15,909,317	369,545,959
-	-	-	-	29,285,243
-	-	-	-	11,242,058
-	-	-	8,477,695	91,071,389
-	-	-	957,584	61,459,845
-	-	-	114,698	11,346,986
-	-	12,666,375	2,221,924	48,359,267
-	-	-	981,459	7,937,937
-	-	-	-	25,293,952
-	-	-	-	7,427,734
-	-	-	-	1,000,000
9,735,341	19,180,024	-	1,578,967	102,403,953
194,991	242,835	-	-	579,586
-	-	-	-	28,765,000
-	-	-	-	14,650,303
9,930,332	19,422,859	12,666,375	14,332,327	440,823,253
(9,539,702)	(18,925,551)	(3,897,512)	1,576,990	(71,277,294)
26,213,057	32,644,832	-	-	77,915,000
1,494,976	1,861,791	-	-	4,443,627
-	1,830,000	-	552,897	40,819,060
(830,000)	-	-	(1,013,085)	(28,807,912)
26,878,033	36,336,623	-	(460,188)	94,369,775
17,338,331	17,411,072	(3,897,512)	1,116,802	23,092,481
24,743,674	31,354,077	52,077,417	46,833,262	304,552,576
$ 42,082,005	$ 48,765,149	$ 48,179,905	$ 47,950,064	$ 327,645,057

CITY OF PLANO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	$ 23,092,481
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	53,234,391
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,388,973
The issuance of long-term debt (e.g., bonds, tax anticipation notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(53,593,627)
Other long-term liabilities related to pension net expense and contributions, are not due and payable in the current period and, therefore, are not reported in governmental funds.	4,757,229
Other long-term liabilities related to pension net expense in internal service funds	260,375
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	133,431
Internal service funds are used by management to charge the costs of fleet management, property liability loss, health claims and municipal warehouse to individual funds. The net expenses of certain activities of internal service funds are reported within governmental activities.	7,864,143
Grant revenues included in the special revenue funds which are used for the benefit of business-type activities. The net expenses of certain activities are reported within the business-type activities.	237,414
Change in net position of governmental activities	$ 43,374,810

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

Plano

City of Excellence

CITY OF PLANO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2018

	Business-type Activities Enterprise Funds					
	Water and Sewer	**Sustainability and Environmental Services**	**Municipal Drainage**	**Other Enterprise Funds**	**Total**	**Governmental Activities- Internal Service Funds**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 15,915,277	$ 972,299	$ 1,276,558	$ 2,194,279	$ 20,358,413	$ 18,247,757
Investments	47,796,107	3,199,837	4,203,011	7,209,532	62,408,487	60,079,975
Receivables (net of allowance for uncollectibles):						
Accounts	21,307,271	1,291,047	824,210	575,495	23,998,023	56,404
Accrued interest	182,267	12,202	16,028	27,493	237,990	229,011
Other	9,994	1,330,252	-	17,356	1,357,602	-
Inventories	279,956	-	-	-	279,956	1,084,203
Prepaid expenses and other assets	2,468,756	472,220	270	467,625	3,408,871	593,349
Net pension asset	235,397	181,388	36,950	108,497	562,232	271,402
Restricted assets:						
Revenue bond debt service-						
Cash and cash equivalents	190,964	-	875,645	-	1,066,609	-
Investments	628,740	-	1,747,100	-	2,375,840	-
Accrued interest receivable	2,398	-	10,994	-	13,392	-
Revenue bond reserve fund-						
Investments	-	-	1,135,925	-	1,135,925	-
Revenue bond construction fund-						
Cash and cash equivalents	2,723,803	-	-	-	2,723,803	-
Investments	8,968,011	-	-	-	8,968,011	-
Accrued interest receivable	34,199	-	-	-	34,199	-
Total current assets	100,743,140	7,459,245	10,126,691	10,600,277	128,929,353	80,562,101
Capital assets:						
Land	3,657,667	-	121,030	2,992,154	6,770,851	62,522
Public art	-	-	-	50,000	50,000	-
Buildings	2,748,029	569,023	52,921	13,782,224	17,152,197	5,975,294
Improvements other than buildings	662,511,158	-	-	3,519,353	666,030,511	-
Equipment	111,445	470,301	15,048	1,785,307	2,382,101	43,203,658
Furniture and fixtures	129,460	2,448	4,421	269,974	406,303	316,835
Rolling equipment	2,417	-	-	-	2,417	57,907,241
Drainage improvements	-	-	48,844,338	-	48,844,338	-
Construction in progress	5,072,893	-	726,851	-	5,799,744	-
Less accumulated depreciation	(297,506,012)	(199,780)	(10,192,731)	(17,202,805)	(325,101,328)	(65,560,461)
Total capital assets (net of accumulated depreciation)	376,727,057	841,992	39,571,878	5,196,207	422,337,134	41,905,089
Total noncurrent assets	376,727,057	841,992	39,571,878	5,196,207	422,337,134	41,905,089
Total assets	477,470,197	8,301,237	49,698,569	15,796,484	551,266,487	122,467,190
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows from pensions	1,846,464	1,040,786	340,999	595,343	3,823,592	1,707,757
Deferred outflows from other post employment benefits	232,065	153,857	39,469	85,151	510,542	164,091
Deferred charges on refunding	-	-	272,137	-	272,137	-
	2,078,529	1,194,643	652,605	680,494	4,606,271	1,871,848

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

(continued)

CITY OF PLANO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2018
(continued)

	Business-type Activities Enterprise Funds					
	Water and Sewer	Sustainability and Environmental Services	Municipal Drainage	Other Enterprise Funds	Total	Governmental Activities- Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	$ 6,761,667	$ 108,232	$ 149,689	$ 221,516	$ 7,241,104	$ 1,473,124
Accrued liabilities	289,144	2,769,752	45,984	221,142	3,326,022	317,213
Unearned revenue	160	-	-	2,059,800	2,059,960	-
Due to other funds	-	-	-	-	-	108,000
Customer deposits	3,784,754	-	-	189,449	3,974,203	-
Escrow liability	231,320	-	-	-	231,320	-
Liability for compensated absences	255,573	205,661	59,136	5,013	525,383	165,937
Liability for insurance claims	-	-	-	-	-	7,319,554
Total current liabilities	11,322,618	3,083,645	254,809	2,696,920	17,357,992	9,383,828
Current liabilities payable from restricted assets:						
Contracts payable	696,722	-	-	-	696,722	-
Current portion of long-term debt	2,008,060	-	1,735,485	-	3,743,545	-
Accrued interest payable	594,246	-	251,621	-	845,867	-
Retainage payable	483,866	-	37,650	-	521,516	-
Total current liabilities payable from restricted assets	3,782,894	-	2,024,756	-	5,807,650	-
Total current liabilities	15,105,512	3,083,645	2,279,565	2,696,920	23,165,642	9,383,828
Noncurrent liabilities:						
Bonds payable	37,004,927	-	15,316,686	-	52,321,613	-
Net pension liability	3,729,021	2,175,716	658,024	1,262,775	7,825,536	3,403,407
Net other post employment benefit liability	764,008	506,531	129,942	280,337	1,680,818	540,220
Liability for compensated absences	1,509,015	1,184,982	189,150	746,133	3,629,280	495,965
Total noncurrent liabilities	43,006,971	3,867,229	16,293,802	2,289,245	65,457,247	4,439,592
Total liabilities	58,112,483	6,950,874	18,573,367	4,986,165	88,622,889	13,823,420
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows from pensions	1,743,577	1,256,355	307,871	699,988	4,007,791	1,907,416
Deferred inflows from other post employment benefits	1,393,542	923,908	237,012	511,331	3,065,793	985,356
	3,137,119	2,180,263	544,883	1,211,319	7,073,584	2,892,772
NET POSITION						
Net investment in capital assets	349,440,083	841,992	22,791,844	5,196,207	378,270,126	41,905,089
Restricted for:						
Debt service	822,102	-	3,769,664	-	4,591,766	-
Unrestricted	68,036,939	(477,249)	4,671,416	5,083,287	77,314,393	65,717,757
Total net position	$ 418,299,124	$ 364,743	$ 31,232,924	$ 10,279,494	$ 460,176,285	$ 107,622,846

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

CITY OF PLANO, TEXAS
RECONCILIATION OF THE STATEMENT OF NET POSITION
OF PROPRIETARY FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018

Amounts reported for business-type activities in the statement of net position are different because:

Total net position of proprietary funds	$ 460,176,285
Internal service funds are used by management to charge the costs of fleet management, property liability loss, health claims and municipal warehouse to individual funds.	
The net receivable due from activities of the internal service funds which is reported within business-type activities.	14,327,194
Net position of business-type activities	$ 474,503,479

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

Plano
City of Excellence

CITY OF PLANO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities Enterprise Funds					
	Water and Sewer	**Sustainability and Environmental Services**	**Municipal Drainage**	**Other Enterprise Funds**	**Total**	**Governmental Activities- Internal Service Funds**
OPERATING REVENUES:						
Charges for sales and services:						
Service charges	$ 167,908,267	$ 14,192,229	$ 7,567,719	$ 7,416,865	$ 197,085,080	$ 84,138,355
Franchise fees	-	8,631,271	-	-	8,631,271	-
Compost products	-	2,469,513	-	-	2,469,513	-
Subrogation receipts	-	-	-	-	-	1,581,032
Intergovernmental	1,002,227	53,085	-	-	1,055,312	-
Contributions	-	109,733	-	-	109,733	-
Miscellaneous charges	616,887	1,082,378	-	65,890	1,765,155	107,594
Total operating revenues	169,527,381	26,538,209	7,567,719	7,482,755	211,116,064	85,826,981
OPERATING EXPENSES:						
Personnel services	11,301,764	7,460,436	2,583,419	5,086,734	26,432,353	10,935,613
Pension expense (net)	(314,190)	(217,249)	(53,593)	(120,005)	(705,037)	(260,375)
Contractual services	8,434,595	8,715,816	835,329	7,517,323	25,503,063	16,516,281
Supplies	1,279,735	667,866	229,020	976,244	3,152,865	9,053,818
Claims expense	-	-	-	-	-	33,923,553
Depreciation	15,846,714	36,548	914,037	382,435	17,179,734	9,469,632
Solid waste disposal	-	8,604,886	-	-	8,604,886	-
Wastewater treatment	31,430,015	-	-	-	31,430,015	-
Charges in lieu of taxes	10,126,729	2,239,325	-	-	12,366,054	-
Water supply	72,334,642	-	-	-	72,334,642	-
Miscellaneous	1,243,753	178,860	43,896	141,791	1,608,300	168,170
Total operating expenses	151,683,757	27,686,488	4,552,108	13,984,522	197,906,875	79,806,692
Operating income (loss)	17,843,624	(1,148,279)	3,015,611	(6,501,767)	13,209,189	6,020,289
NONOPERATING REVENUES (EXPENSES):						
Investment income	574,665	33,461	105,869	83,188	797,183	735,394
Loss on property disposition	-	-	-	(15,075)	(15,075)	993,181
Interest and fiscal charges	(1,248,722)	-	(651,381)	-	(1,900,103)	-
Hotel/Motel tax	-	-	-	9,209,353	9,209,353	-
Intergovernmental revenues	-	-	-	-	-	169,028
Miscellaneous	324,117	37,939	50,632	38,477	451,165	550,644
Total nonoperating revenue (expenses)	(349,940)	71,400	(494,880)	9,315,943	8,542,523	2,448,247
Income (loss) before contributions and transfers	17,493,684	(1,076,879)	2,520,731	2,814,176	21,751,712	8,468,536
Contributions from developers	4,443,912	-	-	-	4,443,912	-
Transfers in	-	-	-	-	-	798,749
Transfers out	(9,262,230)	-	(1,028,073)	(2,269,594)	(12,559,897)	(250,000)
Change in net position	12,675,366	(1,076,879)	1,492,658	544,582	13,635,727	9,017,285
Total net position-beginning as adjusted (Footnote I.C.)	405,623,758	1,441,622	29,740,266	9,734,912	446,540,558	98,605,561
Total net position-ending	$ 418,299,124	$ 364,743	$ 31,232,924	$ 10,279,494	$ 460,176,285	$ 107,622,846

CITY OF PLANO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION OF PROPRIETARY FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Amounts reported for business-type activities in the statement of activities are different because:

Net change in net position - total proprietary funds	$ 13,635,727
Internal service funds are used by management to charge the costs of fleet management, property liability loss, health claims and municipal warehouse to individual funds.	
The net revenues of certain activities of internal service funds are reported within business-type activities.	892,767
The net revenues of grant activities of special revenue funds are reported within business-type activities.	(237,414)
Change in net position of business-type activities	$ 14,291,080

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

CITY OF PLANO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities Enterprise Funds					
	Water and Sewer	**Sustainability and Environmental Services**	**Municipal Drainage**	**Other Enterprise Funds**	**Total**	**Governmental Activities- Internal Service Funds**
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 168,686,877	$ 17,735,853	$ 7,553,004	$ 9,203,208	$ 203,178,942	$ 84,411,596
Cash received from subrogation	-	-	-	-	-	1,581,032
Franchise fees	-	8,631,271	-	-	8,631,271	-
Charges in lieu of taxes	(10,126,729)	(2,239,325)	-	-	(12,366,054)	-
Cash payments to suppliers for goods and services	(116,043,616)	(18,995,019)	(1,579,393)	(8,508,441)	(145,126,469)	(59,819,791)
Cash paid to or on behalf of employees for services	(11,147,591)	(7,299,470)	(2,679,448)	(5,037,555)	(26,164,064)	(10,805,587)
Net cash provided (used) by operating activities	31,368,941	(2,166,690)	3,294,163	(4,342,788)	28,153,626	15,367,250
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Hotel/Motel tax	-	-	-	9,209,353	9,209,353	-
Transfers to other funds	(9,262,230)	-	(1,028,073)	(2,269,594)	(12,559,897)	(250,000)
Transfers from other funds	-	-	-	-	-	798,749
Intergovernmental receipts	-	-	-	-	-	169,028
Net cash provided (used) by noncapital financing activities	(9,262,230)	-	(1,028,073)	6,939,759	(3,350,544)	717,777
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(13,317,321)	(39,243)	(5,693,213)	(387,114)	(19,436,891)	(10,872,516)
Bond proceeds	12,509,709	-	-	-	12,509,709	-
Bond issuance costs paid	(750)	-	(3,000)	-	(3,750)	-
Proceeds from sale of equipment	-	-	-	-	-	1,002,034
Principal paid on long-term debt	(855,000)	-	(1,840,000)	-	(2,695,000)	-
Interest and fees paid on long-term debt	(980,400)	-	(624,288)	-	(1,604,688)	-
Proceeds from insurance damages	324,117	37,939	50,632	38,477	451,165	550,644
Net cash used by capital and related financing activities	(2,319,645)	(1,304)	(8,109,869)	(348,637)	(10,779,455)	(9,319,838)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investment securities	(57,392,858)	(3,199,837)	(7,086,036)	(7,209,532)	(74,888,263)	(60,079,975)
Proceeds from sale and maturities of investment securities	46,995,983	5,404,747	12,856,492	6,079,504	71,336,726	60,889,324
Interest on investments	554,623	44,124	133,238	81,416	813,401	763,983
Net cash provided (used) by investing activities	(9,842,252)	2,249,034	5,903,694	(1,048,612)	(2,738,136)	1,573,332
Net increase in cash and cash equivalents	9,944,814	81,040	59,915	1,199,722	11,285,491	8,338,521
Cash and cash equivalents - beginning of year	8,885,230	891,259	2,092,288	994,557	12,863,334	9,909,236
Cash and cash equivalents - end of year	$ 18,830,044	$ 972,299	$ 2,152,203	$ 2,194,279	$ 24,148,825	$ 18,247,757
Classified as:						
Current assets	$ 15,915,277	$ 972,299	$ 1,276,558	$ 2,194,279	$ 20,358,413	$ 18,247,757
Restricted assets	2,914,767	-	875,645	-	3,790,412	-
Total	$ 18,830,044	$ 972,299	$ 2,152,203	$ 2,194,279	$ 24,148,825	$ 18,247,757
Noncash disclosures:						
Developers' contributions	$ 4,443,912	$ -	$ -	$ -	$ 4,443,912	$ -
Premium amortization	183,060	-	55,485	-	238,545	-
Amortization of deferred charge on refunding	-	-	(89,410)	-	(89,410)	-
Loss on property disposition	-	-	-	(15,075)	(15,075)	(8,853)
Decrease in fair value of investments	(485,747)	(11,279)	(19,939)	(60,019)	(576,984)	(442,129)
Transfer in (out) of capital assets	(1,018)	(746,067)	(28,570)	(40)	(775,695)	3,483,536
Donated capital asset	-	-	-	-	-	92,663

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

(continued)

CITY OF PLANO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(continued)

	Business-type Activities Enterprise Funds					
	Water and Sewer	**Sustainability and Environmental Services**	**Municipal Drainage**	**Other Enterprise Funds**	**Total**	**Governmental Activities- Internal Service Funds**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ 17,843,624	$ (1,148,279)	$ 3,015,611	$ (6,501,767)	$ 13,209,189	$ 6,020,289
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	15,846,714	36,548	914,037	382,435	17,179,734	9,469,632
Change in assets and liabilities:						
(Increase) decrease in-						
Accounts receivable	(1,292,630)	(97,843)	(14,715)	464,765	(940,423)	(16,523)
Other accounts receivable	(4,747)	(73,242)	-	13,029	(64,960)	185,317
Due from other funds	-	-	-	-	-	53,853
Prepaid expenses and other assets	(1,531,119)	(448,142)	(270)	(171)	(1,979,702)	(141,701)
Inventories	(79,126)	-	-	-	(79,126)	(26,556)
Pensions	(314,190)	(217,249)	(53,593)	(120,005)	(705,037)	(260,375)
Increase (decrease) in-						
Accounts payable	289,369	(379,449)	(470,878)	114,059	(446,899)	(446,400)
Accrued liabilities	40,668	171,833	1,227	(35,605)	178,123	63,559
Due to other funds	-	-	-	(11,753)	(11,753)	(57,000)
Liability for compensated absences	113,505	(10,867)	(97,256)	84,784	90,166	66,467
Customer deposits	456,883	-	-	(75,023)	381,860	-
Unearned revenue	(10)	-	-	1,342,464	1,342,454	-
Liability for insurance claims	-	-	-	-	-	456,688
Total adjustments	13,525,317	(1,018,411)	278,552	2,158,979	14,944,437	9,346,961
Net cash provided (used) by operating activities	$ 31,368,941	$ (2,166,690)	$ 3,294,163	$ (4,342,788)	$ 28,153,626	$ 15,367,250

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

CITY OF PLANO, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AS OF SEPTEMBER 30, 2018

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 3,793,696	$ 712,343
Investment pool	-	2,345,359
U.S. government obligations	24,655,868	-
Corporate bonds	16,330,546	-
Common stocks	112,934,525	-
Mutual funds	90,740,526	-
Accrued interest	377,614	8,943
Total assets	248,832,775	3,066,645
LIABILITIES		
Accounts payable	569,364	-
Developers' escrow liability	-	2,863,087
Unclaimed property payable	-	203,558
Total liabilities	569,364	3,066,645
NET POSITION		
Held in trust for pension benefits	158,416,677	
Held in trust for other postemployment benefits	89,846,734	
Total net position	$ 248,263,411	

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

CITY OF PLANO, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Pension and Other Employee Benefit Trust Funds
ADDITIONS		
Contributions:		
From employers	$	10,378,131
From retirees		2,118,395
Total contributions		12,496,526
Investment return:		
Net increase in fair value of investments		19,400,766
Interest		1,183,100
Dividends		3,550,179
Miscellaneous		2,652
Total investment return		24,136,697
Total additions		36,633,223
DEDUCTIONS		
Benefits		8,685,017
Administrative expenses		2,621,994
Miscellaneous expenses		7,153
Total deductions		11,314,164
Net increase		25,319,059
Net position held in trusts - beginning of year		222,944,352
Net position held in trusts - end of year	$	248,263,411

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

Plano
City of Excellence

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Plano, Texas (City) was originally incorporated in 1873 and chartered on June 10, 1961, and is a municipal corporation incorporated under provisions of H.B. 901 of the Texas Legislature. The City operates under a Council-Manager form of government and provides such services as authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its inhabitants.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments – Audit and Accounting Guide*. The significant accounting policies of the City are described below.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City’s governmental activities, business-type activities and activities of its discretely presented component unit on the statement of net position and statement of activities. The City’s statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expense on the City’s capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary fund types and the pension trust and postemployment benefits trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Management’s Discussion and Analysis provides an analytical overview of the City’s financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted and final amended General Fund and Debt Service Fund budgets with actual results. The City does not have any Special Revenue funds with legally adopted budgets.

B. Reporting Entity

The City is governed by an elected mayor and seven-member council. As required by GAAP, these financial statements present the City (the primary government) and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The criteria for including organizations as component units within the City’s reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name);
- the City appoints a voting majority of the organization's board;
- the City is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the City; or
- there is fiscal dependency by the organization on the City.

Discretely Presented Component Unit.

The City has established a Tax Increment Financing district (TIF) for project improvements within the City. The TIF provides financing for public improvements associated with the future development of East Plano. The project was approved by the City Council in fiscal year 1999. The TIF is legally separate from the City, and the City appoints a majority of its governing board for the TIF; however, the entity is fiscally dependent on the City. All taxing entities, including the Plano Independent School District, Collin College and Collin County continued to participate through the initial term which expired December 31, 2014. In fiscal year 2014, the City passed an ordinance to extend the termination date for an additional 15 years. The additional 15-year term will include participation with the City, as well as Collin County. Financial reports may be obtained by request to the City's Accounting Department, 1520 Avenue K, Suite 370, Plano, Texas 75074.

Blended Component Units.

The City has established a Public Improvement District (PID) for project improvements and services for the Downtown Plano area, which benefits the primary government. The PID was approved in October 2014. The PID is utilized to provide additional improvements and services in Downtown Plano where funding is derived from a special assessment paid by downtown property owners and based on a property's taxable value. Chapter 372 of the Texas Local Government Code allows City Council to establish an advisory board for the PID, which has the responsibility of developing the improvement plan for the PID. The advisory board must consist of the property owners. Additionally, an executive committee is comprised of three property owners representing the greatest appraised property values, plus five other members to be elected by the entire advisory board. The executive committee shall prepare a service plan and assessment plan for consideration of the advisory board, whose recommendation shall be presented to the City Council for review and approval.

In fiscal year 2016, the Plano Improvement Corporation (PIC) was established as a 501(c)3 to serve as a non-profit corporation to facilitate real estate transactions and serve as an independent foundation for acceptance of donations. The City desired to create the PIC for the purpose of transfer of land and improvements that the City wants developed pursuant to Texas Local Government Code §272.001(b)(4). Occasionally, individuals, as well as charitable corporations and foundations desire to donate real and/or personal property to the City to further the charitable purposes of the person or entity and to benefit the citizens of Plano. The City provides all financial support to the PIC and because the services provided by the PIC exclusively benefit the City, it is blended into the City's financial statements in the Other Governmental Funds category.

In fiscal year 2017, the Transportation Management Association (TMA) was created as a 501(c)6 comprised of businesses and local governments dedicated to solving local transportation concerns, which benefits the primary government. The TMA is an organized group applying selected measures to facilitate the movement of people and goods within an area led by a Board of Directors, with public and private members with a common interest. The TMA represents and connects employers, employees and government agencies to mitigate mobility challenges. Additionally, the organization allows businesses to pool resources to support commuter transportation strategies, act in an advocacy role with local government and expand knowledge of alternatives to commuting in single occupancy vehicles. Currently, membership is restricted to specific boundaries and derived from dues paid by contributing businesses in the area. In fiscal year 2017, the City of Plano applied for grant funding through the North Central Texas Council of Governments which will pass-through to the TMA by means of an agreement once finalized. The City will be involved in the initial implementation and establishment of the TMA organization through the life of the grant, which at that time operations will be conducted by the TMA Board.

Related Organization.

The City's mayor appoints the board of the Plano Housing Authority, but the City's accountability for this organization does not extend beyond making the appointments. Thus, it is not included in the primary government or as a discretely presented component unit.

The financial statements are formatted to allow the user to clearly distinguish between primary government and its discretely presented component unit.

C. Upcoming and Newly Implemented Accounting Pronouncements

During fiscal year 2018, the City adopted the following GASB Statements:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes financial reporting standards for state and local governmental other post employment benefit plans (OPEB). The statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The adoption of Statement No. 74 has no impact on the City's financial statements. However, the separately issued OPEB report implemented GASB Statement No. 74 as of December 31, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, addresses accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

With this implementation, the City's financial statements were restated to reflect the beginning net OPEB liability, deferred outflows and inflows of resources and the recognition of OPEB expense and contributions made between the start of the measurement period and the City's prior fiscal year. The restatement to beginning net position is noted below and reflected on the statements:

	Government-wide		Fund Level: Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	
	Governmental Activities	Business-type Activities	Business-type	Internal Service
Net position at 10/1/17	$ 1,014,404,806	$ 464,915,235	$ 451,243,394	$ 100,117,067
Change in reporting for OPEB	(50,074,648)	(4,702,836)	(4,702,836)	(1,511,506)
Net position restated at 10/1/17	$ 964,330,158	$ 460,212,399	$ 446,540,558	$ 98,605,561

GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* pertains to a type of a giving agreement used by donors to provide resources to two or more beneficiaries, including governments. The adoption of Statement No. 81 has no impact on the City's financial statements.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73,* addresses certain issues that have been raised with respect to these statements. It addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in and Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City implemented this Statement in the current fiscal year.

GASB Statement No. 85, *Omnibus 2017,* addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits for pensions and other postemployment benefits. The City implemented this Statement in the current fiscal year.

GASB Statement No. 86, *Certain Debt Extinguishments Issues,* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The adoption of Statement No. 86 has no impact on the City's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurring before the end of a construction period. The City implemented this Statement in the current fiscal year.

The GASB has issued the following statements, which will be effective in future fiscal years as described below:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets will recognize a liability based on the guidance in this Statement. The City is currently evaluating the impact of implementation of this Statement.

GASB Statement No. 84, *Fiduciary Activities,* establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement is effective for periods beginning after December 15, 2018. The City is currently evaluating the impact of implementation of this Statement.

GASB Statement No. 87, *Leases,* will increase the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City is currently evaluating the impact of this Statement.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will improve the information that is disclosed in notes to financial statements related to debt by requiring additional essential information. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City is currently evaluating the impact of this Statement.

GASB Statement No. 90, *Majority Equity Interests*, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of information presented for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City is currently evaluating the impact of this Statement.

D. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements; the focus is either the City as a whole or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exception to this general rule is interfund services provided by the internal service funds. Elimination of these charges would distort the direct costs reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (e.g., police, fire, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise fees and interest income).

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, debt service fund, capital maintenance fund, street improvements fund, municipal facilities fund, park improvements fund and economic development incentive fund. The major enterprise funds are the water and sewer fund, environmental waste services fund and municipal drainage fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a separate column in the fund financial statements.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the cost of these services is reflected in the appropriate functional activity (e.g., police, fire, public works, etc.). The City's internal service funds consist of equipment maintenance and replacement, municipal warehouse, technology services, risk management and health claims funds.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third-party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City's fiduciary funds consist of funds that account for the pension trust, postemployment benefits trust, developers' escrow and unclaimed property.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal year. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

E. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, 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 government considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year-end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept.

Licenses and permits, charges for services, fines and forfeitures, contributions and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered unearned revenue.

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

Paving assessments in the Street Improvements Fund are recorded as revenues when cash is received. The assessments are due in annual installments, including interest, over a four to eight year period. The assessments are measurable when assessed but are generally not available for use when assessed. Unallocated assessments are recorded as unearned revenue.

Business-type activities and all proprietary funds, and the pension trust and postemployment benefits trust funds, are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, environmental waste services, municipal drainage, convention and tourism, municipal golf course, downtown center development and recreation revolving funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major funds are used by the City:

1. Governmental Funds:

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

a. The General Fund accounts for several of the City's primary services (e.g., police, fire, public works, libraries, parks and recreation, etc.) and is the primary operating unit of the City.

b. The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

c. The Capital Maintenance Fund accounts for the financing of betterments and renewals to the City's infrastructure and for public improvements not requiring general obligation bond financing.

d. The Street Improvements Fund accounts for the financing and acquisition of right of way and construction of streets, storm sewers and alleys. Funds are provided primarily through bond sales, paving assessments and interest earnings.

e. The Municipal Facilities Fund accounts for the financing and construction of various City facilities. Funds are provided primarily through bond sales and interest earnings.

f. The Park Improvements Fund accounts for the financing and construction of park projects. Funds are provided primarily through bond sales and interest earnings.

g. The Economic Development Incentive Fund accounts for $0.02 of ad valorem revenue designated by the City Council for stimulating economic development for the City through usage of Chapter 380 agreements as authorized by the Texas Local Government Code.

h. Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Enterprise Funds:

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the major Enterprise Funds of the City:

a. The Water and Sewer Fund accounts for the operation of the City's water and sewer utilities. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure financial integrity of the fund.

b. The Environmental Waste Services Fund accounts for the provision of environmental services to customers who are billed monthly at a rate sufficient to cover the cost of providing such services.

c. The Municipal Drainage Fund accounts for the City's storm water management program.

d. Other Enterprise Funds are a summarization of all of the nonmajor enterprise funds.

3. Other Fund Types:

The City additionally reports for the following fund types:

a. Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, generally on a cost-reimbursement basis.

b. Agency funds are used to account for assets held by the City in an agency capacity for individuals (Unclaimed property) or developers (Developers' escrow). Agency funds record only assets and liabilities and therefore have no measurement focus.

c. Trust funds are used to account for the accumulation of resources to be used for the retirement benefit payments to employees of the City and for postemployment health benefits.

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, demand deposits, escrow cash with a fiscal agent and short-term investments with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents for government-wide funds are combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash.

All investments are recorded at fair value based on quoted market prices, except for certificates of deposit and investments in government pools, which are recorded at amortized cost. Amortized cost approximates fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

G. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund advances or interfund receivable/payable. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

H. Inventories, Prepaid Items and Other Assets

Inventories of supplies are maintained at the City warehouse for use by all City funds and are accounted for by the consumption method. They are valued at cost, which is determined using a weighted-average method. The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased.

Prepaid items are for payments made by the City in the current year to receive services occurring in the subsequent fiscal year, utilizing the consumption method. Inventories and prepaid items are reflected as nonspendable fund balance in the governmental funds.

I. Interfund Transactions

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Long-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts and fund balance is nonspendable for these amounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or nonroutine transfers of equity between funds – for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds – are accounted for as transfers.

J. Capital Assets

Property, plant and equipment purchased or acquired are carried at historical cost or estimated historical cost. Contributed capital assets are recorded at acquisition value at the time received. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	15 - 40
Improvements other than buildings	20 - 50
Equipment	2 - 10
Furniture and fixtures	5 - 10
Drainage improvements	50
Meters	10
Storm/sanitary sewer	50
System infrastructure	30 - 50

K. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. Employees are required to utilize a minimum of 40 hours of vacation per year. Upon termination and completion of five years of service, an employee is reimbursed for accumulated vacation. Vacation leave is capped at 480 hours and leave in excess of 480 hours will not be reimbursed upon termination. Police and firefighters are reimbursed upon termination up to a maximum of 90 days accumulated sick leave as required by state civil service law. All other full-time City employees with five or more years of service are reimbursed up to 90 days accumulated sick leave upon termination. Sick leave in excess of 90 days is not paid upon termination, but will be paid only upon illness while in the employment of the City. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements.

L. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are accounted for within the Grant Fund (Special Revenue) and Street Improvements Fund (Capital Projects). Various state grants are also included in the Grant Fund and Street Improvements Funds. Grant revenues received for purposes normally financed through the general government are accounted for within the General Fund and those for specific purposes in the special revenue funds.

M. Retirement Plans

The City has two separate retirement plans, Texas Municipal Retirement System (TMRS) and Retirement Security Plan (RSP), covering substantially all employees. In addition, the City has a deferred compensation plan and a postemployment benefit plan (115 Trust). It is the City's policy to record the cost for such plans on the accrual basis (See Note 5).

N. Deferred Inflows/Outflows of Resources

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

- Difference in expected and actual experience for the TMRS pension plan – This difference is deferred and recognized over the estimated average remaining service lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension liability for the RSP plan – This difference is deferred and amortized over the estimated average remaining service lives of all members determined as of the measurement date.
- Pension and OPEB plans' employer contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

- Unavailable revenue – These deferred inflows are reported on the governmental funds balance sheet as the funds are not received soon enough after year end to pay liabilities of the current period. These deferred inflows are reclassified to revenue on the governmental-wide financial statements.
- Difference in expected and actual experience for the pension and OPEB plans – This difference is deferred and recognized over the estimated average remaining service lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine liabilities for the TMRS pension and the OPEB plans – This difference is deferred and amortized over the estimated average remaining service lives of all members determined as of the measurement date.
- Difference in projected and actual investment earnings on pension and OPEB plans' assets – This difference is deferred and amortized over a closed five-year period.

O. Long-Term Debt

General obligation bonds issued for general government capital projects that are to be repaid from tax revenues of the City are recorded in the government-wide statement of net position. Tax anticipation notes have been issued to fund permanent public improvements related to public safety communications and network infrastructure. Such notes are to be repaid from tax revenues of the City and are recorded in the government-wide statement of net position. Revenue bonds issued for proprietary fund assets that are to be repaid by the proprietary fund are recorded in the proprietary funds.

Revenue bonds have been issued to fund capital projects of proprietary funds. Such bonds are to be repaid from the net revenues of the applicable proprietary fund. To date, revenue bonds have been issued for municipal drainage and waterworks and sewer system improvements.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method in the government-wide financial statements. Issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

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

P. Net Position

In the government-wide and proprietary funds financial statements, the net position is reported in three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. Net investment in capital assets represents the City's total investment in capital assets, net of depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

As a result of restatement of net position for GASB Statement No. 75, the Risk Management fund ended fiscal year 2018 with negative net position of $(158,190). GASB Statement No. 75 does not establish requirements for funding but rather provides users with information of the effects of these transactions on the face of the financial statements. The Risk Management fund has positive cash and cash equivalents of $1,162,049.

The Grant fund also reported negative fund balance of $(356,097) at September 30, 2018, due to reimbursements not being received within 30 days and thus, not considered available to pay liabilities of the current period.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $(453,403,459) difference are as follows:

Bonds and tax anticipation notes payable	$ (377,085,000)
Add: Premium	(34,821,068)
Accrued interest payable	(1,518,951)
Compensated absences	(39,978,440)
Net adjustment to fund balance - total governmental funds to arrive at net position - governmental activities	$ (453,403,459)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense." The details of the $53,234,391 difference are as follows:

Capital outlay	$ 102,403,953
Depreciation expense	(47,157,099)
Other capital-related transactions	(2,012,463)
Net adjustment to net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	$ 53,234,391

Another element of the reconciliation states, "The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $(53,593,627) difference are as follows:

Bonds issued	$	(77,915,000)
Premium		(4,443,627)
Principal payments		28,765,000
Net adjustment to net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	$	(53,593,627)

The reconciliation also states, "Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in governmental funds." The details of this $133,431 difference are as follows:

Changes in:		
Compensated absences	$	(1,791,614)
Accrued interest		(304,327)
Amortization of deferred charge on refunding		(2,992,233)
Amortization of bond premium		5,221,605
Net adjustment to net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	$	133,431

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Legal Compliance - Budgets

The City Charter contains the following requirements, which are adhered to by the City Council, regarding preparation of the annual budget:

- The City Manager, between 60 and 90 days prior to October 1 of each fiscal year, shall submit to the Council a proposed budget. Such budget shall provide a complete financial plan for the fiscal year.

- At the meeting of the City Council at which the budget is submitted, the City Council shall fix the time and place of a public hearing on the budget and shall cause to be published in the official newspaper of the City, a notice of the hearing setting forth the time and place thereof at least five days before the date of such hearing.

- The budget shall be finally adopted no later than 15 days prior to the beginning of the fiscal year and should the City Council fail to so adopt a budget, the then existing budget together with its tax-levying ordinance and its appropriation ordinance, shall be deemed adopted for the ensuing fiscal year.

The City Council approves annual appropriations for operations and interfund transfers for all operating and debt service funds. Only the General Fund and Debt Service Fund have legally adopted annual budgets. The City Manager has the authority to transfer unexpended balances between departmental budgets within appropriated funds. The City Council, however, must approve any increase in fund appropriations. The legal level of budgetary control is the fund level. During the year, there was an appropriation increase of $973,288 for the General Fund. Funds with operating appropriations and interfund transfers set by ordinance include the General Fund and Debt Service Fund. During the year, appropriations are adjusted as a result of re-estimates by the departments. For budgetary purposes, unencumbered appropriations lapse at fiscal year-end.

Budgets and Budgetary Basis of Accounting

The Budgetary Comparison Statement, included in the required supplementary information section, presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results, with the following exceptions:

- The portion of ad valorem tax revenues in the General Fund from “rolled back” tax payments (those taxes, up to five years back, on properties previously taxed at special use exemption values and currently changed to full values) are excluded from the budgetary basis tax revenues and from the general governmental expenditures.

- The General Fund encumbrances are added to the actual expenditures for budgetary comparison.

Nature and Purpose of Classifications of Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provision or enabling legislation. Fund balance should be reported as committed when amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Fund balance should be reported as assigned for amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance is the residual classification for the general fund and includes amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Open encumbrances are recorded as assignments of fund balance as of September 30 of each year, and the subsequent year's budget is increased to reflect these encumbrances. Unspent and unencumbered appropriations lapse at the end of the fiscal year. Below are details of encumbrances at September 30, which are classified as a portion of assigned fund balance:

Assigned to Encumbrances:	
Governmental Funds	
General	$ 5,133,880
Capital maintenance	26,941,254
Street improvements	14,621,845
Municipal facilities	2,962,645
Park improvements	27,024,989
DART	15,570
	$ 76,700,183

The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the City Council. This can also be done through adoption or amendment of the budget. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

The City Council has authorized the City Manager as the official authorized to assign fund balance. Such assignments cannot exceed the available (spendable, unrestricted, and uncommitted) fund balance in any particular fund.

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will start with the most restricted category and spend those funds first before the next category with available funds.

It is the desire of the City to maintain adequate general fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a general fund minimum unassigned fund balance of 30 days working capital.

IV. DETAILED NOTES ON ALL FUNDS

1. DEPOSITS AND INVESTMENTS:

Deposits

Pursuant to provisions of both the Texas Public Funds Investment Act (PFIA) and the Public Funds Investment Policy of the City, all deposits of the City that exceed the federal depository insurance coverage level are collateralized with an irrevocable letter of credit at 100% or by securities held by a third party custodian and pledged to the City in an amount not less than 102% (on a market value basis) of the City's deposit of public funds and any accrued interest.

At September 30, 2018, the carrying amount of the City's demand deposits was $43,544,549, which includes component unit deposits of $879,681. The bank balance was $46,571,655. Cash on hand totaled $1,422,732. The carrying value and the bank balance of the City's non-negotiable certificates of deposit (CD) were $36,956,684, which includes component unit deposits of $730,911. Fixed term investment pool carrying value totaled $25,000,000, which includes component unit deposits of $494,438. The carrying value of cash held in trust by a bank trust department for the City's Postemployment Benefit Trust Fund and Retirement Security Plan were $692,605 and $3,555,135, respectively.

Investments – Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs or quoted prices in markets that are not active; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs).

The City has the following recurring fair value measurements as of September 30, 2018:

- U.S. Agencies of $154.7 million are valued using matrix pricing (Level 2 inputs)
- Municipal Bonds of $191.4 million are valued using quoted market prices in markets that are not active (Level 2 inputs)

The Retirement Security Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The plan has the following recurring fair value measurements as of September 30, 2018:

- U.S. Government Obligations of $24.7 million are valued using matrix pricing (Level 2 inputs)
- Corporate Bonds of $16.3 million are valued using matrix pricing (Level 2 inputs)
- Equities of $113.5 million are valued using quoted market prices (Level 1 inputs)

The Postemployment Benefit Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The plan has the following recurring fair value measurements as of September 30, 2018:

- Equities of $90.1 million are valued using quoted market prices (Level 1 inputs)

At September 30, 2018, the City's investment balances by fair value levels were as follows:

		Fair Value Measurements Using			
	9/30/2018	**Quoted Prices in Active Markets for Identical Assets Primary Government (Level 1)**	**Significant Other Observable Inputs Primary Government (Level 2)**	**Significant Other Observable Inputs Component Unit (Level 2)**	**Weighted Avg Maturity (Years)***
Government-wide					
U.S. Agencies	$ 154,696,066	$ -	$ 147,850,838	$ 6,845,228	0.5632
Municipal Bonds	191,415,536	-	191,415,536	-	0.5672
Total Government-wide	346,111,602	-	339,266,374	6,845,228	1.1304
Investment Trust Funds					
Retirement Security Plan:					
U.S. Government obligations	24,655,868	-	24,655,868	-	4.3400
Corporate bonds	16,330,546	-	16,330,546	-	3.6200
Equities:					
Common stocks	100,190,751	100,190,751	-	-	NA
Mutual funds	13,355,835	13,355,835	-	-	NA
Postemployment Benefit:					
Equities:					
Common stocks	12,743,774	12,743,774	-	-	NA
Mutual funds	77,384,691	77,384,691	-	-	NA
Total Investment Trust Funds	244,661,465	203,675,051	40,986,414	-	
TOTAL INVESTMENTS	$ 590,773,067	$ 203,675,051	$ 380,252,788	$ 6,845,228	

**Fair-value basis*
Equity securities are valued using prices in active markets and matrix pricing is used to value based on benchmarks

In addition, the City had investments in government pools at September 30, 2018 totaling $81,017,591, which are recorded at amortized cost. These investments in government pools includes component unit deposits of $1,602,328. GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost. The City does not have any limitations or restrictions on withdrawals.

Investments in both the Retirement Security Plan and the Postemployment Benefit Trust Fund are held by a bank trust department, apart from the overall City's cash and investments. The City has contracted with a bank trust department to manage the investment portfolio of the Retirement Security Plan and Postemployment Benefit Trust Fund. The investments are subject to the policies and guidelines established by the Retirement Security Plan and Postemployment Benefit Trust Fund committee members.

The City is authorized to invest in: (1) obligations of, or guaranteed by, governmental entities; (2) certificates of deposit, issued by a depository institution that has its main office or branch in Texas; (3) fully collateralized repurchase agreements having a defined termination date; (4) commercial paper having a stated maturity of 270 days or fewer and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; (5) no-load money market mutual funds registered and regulated by the SEC having a dollar-weighted average stated maturity of 90 days or fewer; no-load mutual funds registered with the SEC, having an average weighted maturity of less than two years and continuously rated of not less than AAA or its equivalent; and (6) eligible investment pools that invest in instruments and follow practices allowed by current law as defined by PFIA, provided that each investment meets guidelines set forth by the City's investment policy.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from increasing interest rates, the City's investment policy establishes the portfolio's maximum average dollar-weighted maturity of no more than two and a half years. By policy, the City will not directly invest in securities maturing more than five years from the date of purchase.

Credit Risk. The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U.S. Agency securities, including, Tennessee Valley Authority (TVA), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and First Federal Community Bank (FFCB), are rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. Although Federal Agricultural Mortgage Corporation (FAMC) does not have a rating from Standard & Poor's or Moody's, as a Government Sponsored Enterprise, it is backed by the full faith and credit of the United States Government. The investment in the Texas Local Government Pools (TexPool and Texas Daily) carried a credit rating of AAAm by Standard & Poor's as of September 30, 2018.

Custodial Credit Risk. Deposits and Investments. For deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy follows state statutes, which require that all deposits in financial institutions be fully collateralized or insured. For investments, custodial credit risk is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all investments held by outside parties for safekeeping be held in the name of the City. The City was not exposed to any custodial credit risk during the year.

Concentration of Credit Risk. With the exception of U.S. Treasury securities, the City's investment policy limits the amount that may be invested in any one issuer to 50% of the total investment portfolio. As of September 30, 2018, five percent (5%) or more of the City's total investments are in: Municipal Bonds (36.0%), Federal Home Loan Mortgage Corporation securities (11.5%), Certificates of Deposits/Fixed Term Products (11.5%), Investment Pools (15.0%), Federal National Mortgage Association (7.8%) and Bank Accounts (8.6%), on a fair value basis.

2. PROPERTY TAXES:

The City's ad valorem or property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The property taxes attach as an enforceable lien on property as of January 1. Appraised values are established by the Central Appraisal Districts of Collin and Denton Counties at 100% of estimated market value and certified by the Appraisal Review Boards. The original certified assessed value for the tax roll of January 1, 2017 was $39,066,059,755. Subsequent adjustments decreased this value to $38,264,101,152.

Taxes are due October 1 and become delinquent after the following January 31. Penalty and interest is charged at 7% on delinquent taxes beginning February 1, and increases each month to 18% on July 1.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the tax levy is billed. Current year revenues recognized are those ad valorem taxes collected within the current period or soon enough thereafter to pay current liabilities, generally thirty days after year-end. Current tax collections for the year ended September 30, 2018, were 99.8% of the tax levy.

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The tax rate to finance general governmental services, including debt service, for the year ended September 30, 2018, was $0.4686 ($0.3500 for general government and $0.1186 for debt service) per $100 of assessed valuation. Thus, the City has a tax margin of $2.0314 per $100 and could have levied up to $777,296,951 in additional taxes from the present assessed valuation.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City, at its own expense, requires annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this system, the City sets tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

3. RECEIVABLES:

Receivables at September 30, 2018 for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	Property Taxes	Other Taxes	Accounts	Accrued Interest	Assessments	Other	Gross Receivables	Less: Allowance for Uncollectibles	Net Total Receivables
General	$ 1,975,884	$ 14,625,517	$ 1,656,072	$ 158,019	$ -	$ -	$ 18,415,492	$ (1,259,297)	$ 17,156,195
Debt Service	788,243	-	-	19,099	-	-	807,342	(502,522)	304,820
Capital Maintenance	-	-	-	115,466	-	-	115,466	-	115,466
Street Improvements	-	-	-	151,028	1,366,121	-	1,517,149	-	1,517,149
Municipal Facilities	-	-	-	123,543	-	34,477	158,020	-	158,020
Park Improvements	-	-	-	143,367	-	-	143,367	-	143,367
Economic Development Incentive	-	-	-	140,517	-	-	140,517	-	140,517
Water and Sewer	-	-	21,552,525	218,864	-	9,994	21,781,383	(245,254)	21,536,129
Sustainability and Environmental Services	-	-	1,335,321	12,202	-	1,330,252	2,677,775	(44,274)	2,633,501
Municipal Drainage	-	-	835,824	27,022	-	-	862,846	(11,614)	851,232
Nonmajor and Other Funds	-	-	980,463	407,136	-	838,846	2,226,445	-	2,226,445
	$ 2,764,127	$ 14,625,517	$ 26,360,205	$ 1,516,263	$ 1,366,121	$ 2,213,569	$ 48,845,802	$ (2,062,961)	$ 46,782,841

The enterprise fund accounts receivable includes unbilled charges for services of $7,840,442 rendered at September 30, 2018.

4. CAPITAL ASSETS:

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

Primary Government

	Balance at Beginning of Year	Additions and Transfers	Retirements and Transfers	Balance at End of Year
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 152,099,053	$ 1,231,981	$ -	$ 153,331,034
Construction in progress	61,821,495	98,116,286	(107,963,566)	51,974,215
Public art	1,761,519	6,056	-	1,767,575
Total capital assets, not being depreciated	215,682,067	99,354,323	(107,963,566)	207,072,824
Capital assets, being depreciated:				
Buildings	234,503,618	26,281,627	-	260,785,245
Improvements other than buildings	217,418,368	35,011,865	-	252,430,233
Equipment	233,280,569	17,063,110	(22,820,777)	227,522,902
Infrastructure	1,205,159,308	47,145,930	-	1,252,305,238
Total capital assets being depreciated	1,890,361,863	125,502,532	(22,820,777)	1,993,043,618
Less accumulated depreciation for:				
Buildings	(133,752,548)	(9,814,091)	-	(143,566,639)
Improvements other than buildings	(102,234,504)	(6,269,005)	-	(108,503,509)
Equipment	(184,896,466)	(13,162,638)	20,754,208	(177,304,896)
Infrastructure	(600,689,380)	(27,380,997)	-	(628,070,377)
Total accumulated depreciation	(1,021,572,898)	(56,626,731)	20,754,208	(1,057,445,421)
Total capital assets, being depreciated, net	868,788,965	68,875,801	(2,066,569)	935,598,197
Governmental activities capital assets, net	$1,084,471,032	$ 168,230,124	$ (110,030,135)	$ 1,142,671,021
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 6,764,537	$ 6,314	$ -	$ 6,770,851
Construction in progress	20,768,140	16,677,020	(31,645,416)	5,799,744
Public Art	-	50,000	-	50,000
Total capital assets, not being depreciated	27,532,677	16,733,334	(31,645,416)	12,620,595
Capital assets, being depreciated:				
Buildings	17,112,954	39,243	-	17,152,197
Improvements other than buildings	636,498,034	29,532,477	-	666,030,511
Drainage improvements	42,294,731	6,549,607	-	48,844,338
Furniture and fixtures	406,303	-	-	406,303
Equipment	2,096,713	1,113,740	(825,935)	2,384,518
Total capital assets, being depreciated	698,408,735	37,235,067	(825,935)	734,817,867
Less accumulated depreciation for:				
Buildings	(15,472,060)	(274,851)	-	(15,746,911)
Improvements other than buildings	(281,538,108)	(15,940,893)	-	(297,479,001)
Drainage improvements	(9,229,904)	(911,391)	-	(10,141,295)
Furniture and fixtures	(237,194)	(425)	-	(237,619)
Equipment	(1,479,495)	(52,174)	35,167	(1,496,502)
Total accumulated depreciation	(307,956,761)	(17,179,734)	35,167	(325,101,328)
Total capital assets, being depreciated, net	390,451,974	20,055,333	(790,768)	409,716,539
Business-type activities capital assets, net	$ 417,984,651	$ 36,788,667	$ (32,436,184)	$ 422,337,134

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

Governmental activities:	
General government	$ 9,718,914
Administrative services	20,893
Police	610,643
Fire	289,382
Libraries	526,527
Development	168,831
Public services and operations	76,442
Parks and recreation	8,042,440
Public works	27,703,027
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	9,469,632
Total depreciation expense - governmental activities	$ 56,626,731
Business-type activities:	
Water and sewer	$ 15,846,714
Sustainability and environmental waste services	36,548
Convention and tourism	131,943
Municipal drainage	914,037
Municipal golf course	170,145
Recreation revolving	80,347
Total depreciation expense - business-type activities	$ 17,179,734

Component Unit

	Balance at Beginning of Year	Additions and Transfers	Retirements and Transfers	Balance at End of Year
TIF East side activities:				
Capital Assets, not being depreciated:				
Land	$ 1,579,168	$ 1,601,128	$ -	$ 3,180,296
Total capital assets, not being depreciated	1,579,168	1,601,128	-	3,180,296
TIF East side activities capital assets	$ 1,579,168	$ 1,601,128	$ -	$ 3,180,296

Future expenditures for capital projects will be funded from federal and state grants as well as unexpended bond proceeds and additional general obligation or revenue bonds and operating revenues. In May 2009, $128,622,500 of various purpose general obligation bonds were authorized and $128,122,500 of the 2009 bonds have been issued. In May 2013, $98,313,000 of various purpose general obligation bonds were authorized and $85,313,000 have been issued. In May 2017, $220,620,000 of various purpose general obligation bonds were authorized and $57,999,500 have been issued.

5. EMPLOYEE BENEFIT PLANS:

In the current fiscal year, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB),* that addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and pension expense. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans, which was implemented by the Plan on December 31, 2017. The Plan impacted by GASB Statements No. 74 and 75 is the 115 Trust. More detailed information related to OPEB is discussed later in this footnote.

A summary of the pension and OPEB net (asset)/liabilities, deferred outflows and inflows of resources and expenses are below and discussed in further detail in this footnote.

	Pension		OPEB	
	TMRS	RSP	115 Trust	Total
Net liability (asset)	$ 66,797,634	$ (5,607,461)	$ 12,031,622	$ 73,221,795
Deferred outflow	21,460,383	10,996,614	3,654,566	36,111,563
Deferred inflow	30,990,632	8,605,791	21,945,547	61,541,970
Expense (current year)	25,691,236	6,220,184	1,703,855	33,615,275

Summary of Significant Accounting Policies

For purposes of measuring the pension and OPEB net liabilities (asset), deferred outflows and inflows of resources and expense, information about the fiduciary net position of TMRS, RSP and 115 Trust and additions to/deductions from Plans' fiduciary net positions have been determined on the same basis as they are reported by the Plans. For this purpose, Plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. Texas Municipal Retirement System Plan

Plan Description

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

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

Benefits Provided

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

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount, which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Plan provisions for the City were as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
A member is vested after	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above

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

Inactive employees or beneficiaries currently receiving benefits	1,191
Inactive employees entitled to but not yet receiving benefits	983
Active employees	2,346
	4,520

Contributions and Funding Policy

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City from October 2017 through December 2017 was 18.11%, while January 2018 through September 2018 was 17.71%. The City's contributions to TMRS for fiscal year 2018, were $28,953,129, and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

The TPL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return (Arithmetic)**
Domestic equity	17.50 %	4.55 %
International equity	17.50	6.35
Core fixed income	10.00	1.00
Non-core fixed income	20.00	3.90
Real return	10.00	3.80
Real estate	10.00	4.50
Absolute return	10.00	3.75
Private equity	5.00	7.50
Total	100.00 %	

Discount Rate

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	$ 953,581,082	$ 822,330,763	$ 131,250,319
Changes for the year:			
Service cost	28,866,767	-	28,866,767
Interest (on the total pension liability)	64,180,007	-	64,180,007
Difference between expected and actual experience	(4,550,911)	-	(4,550,911)
Benefit payments, including refunds of employee contributions	(34,399,087)	(34,399,087)	-
Contributions - employer	-	28,535,854	(28,535,854)
Contributions - employee	-	11,029,878	(11,029,878)
Net investment income	-	114,003,401	(114,003,401)
Administrative expense	-	(590,653)	590,653
Other	-	(29,932)	29,932
Net changes	54,096,776	118,549,461	(64,452,685)
Balance at December 31, 2017	$ 1,007,677,858	$ 940,880,224	$ 66,797,634

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 209,310,442	$ 66,797,634	$ (50,268,610)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of $25,691,236.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ 604,508	$ (6,482,009)
Difference in assumption changes	-	(308,019)
Difference in projected and actual investment earnings	-	(24,200,604)
Employer contributions subsequent to the measurement date	20,855,875	-
	$ 21,460,383	$ (30,990,632)

Deferred outflows of resources of $20,855,875 related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for fiscal year 2019. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense in the following fiscal years:

2019	$ (1,438,918)
2020	(3,240,896)
2021	(12,956,375)
2022	(12,468,169)
2023	(281,766)
Total	$ (30,386,124)

B. Retirement Security Plan

Plan Description

On January 1, 1983, the City withdrew from the Federal Social Security system and created the RSP, a single-employer, defined-benefit pension trust fund, to provide retirement benefits for all full-time employees of the City. The Plan is created by City ordinance and administered by a committee of five, which meets four times a year. Professional investment management is used and a custodial bank retains the assets and provides for administration of benefit payments.

The Plan issues a separate publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by request to the City's Human Resources Department, 1520 Avenue K, Suite 130, Plano, Texas 75074.

As of the December 31, 2017 biennial actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	818
Inactive employees entitled to but not yet receiving benefits	81
Active employees	2,205
	3,104

Retirement benefits become vested after five years of service. Members who terminate employment prior to completing five years of service are not eligible for any benefit and all contributions made on their behalf remain with the plan. Members are eligible to receive full retirement income benefits when they reach age 65 or reduced benefits when they reach a younger age and meet certain length-of-service requirements. Early retirement benefits are paid upon completion of 20 years of vesting service (TMRS credited service) or upon attaining age 60 with five years of vesting service. At least five years must be with the City. The RSP provides retirement income benefits, with annual cost-of-living adjustments, based on a member's years of service, average compensation (highest three years of last ten), and choice of single or joint-life monthly payments or a lump-sum payment as noted below.

For normal retirement, the monthly benefit payment is calculated as follows:

> .007 X City of Plano credited service since January 1, 1983 (not to exceed 25 years) X average compensation (highest 3 years of last 10).

Early retirement benefits paid upon completion of 20 years of vesting (TMRS credited service) or upon attaining age 60 with 5 years of vesting service with the City are calculated as follows:

> .007 X City of Plano credited service since January 1, 1983 (not to exceed 25 years) X average compensation (highest 3 years of last 10) X a reduction factor based on the number of years which the benefit start date precedes the normal retirement date. The benefit amount is reduced by one-fifteenth (1/15) for each of the first five years and one-thirtieth (1/30) for each of the next five years (and on an Actuarial Equivalent basis thereafter) by which the starting date of payments precedes the employee's normal retirement date.

Benefits are paid as a monthly life annuity to the participant, with a guarantee that should the participant die prior to receiving 60 monthly payments, the payments will continue to a beneficiary for the balance of the 60-month period. There is no reduction factor if the participant waits until age 65 to begin drawing a monthly benefit.

A lump-sum payment option is available to eligible employees. Lump-sum payments follow these guidelines:

When lump-sum value is less than $5,000, the benefit must be in form of a single lump-sum payment.

When lump-sum value is $5,000 - $25,000, participant has choice of single lump-sum payment or monthly annuity payments.

When lump-sum value exceeds $25,000, the participant must receive monthly annuity payments.

Joint and survivor options are available. Additionally, benefits are available for members who become totally and permanently disabled. Each April 1, retirement benefits that have been paid for at least 12 months are adjusted to reflect changes in the U.S. Consumer Price Index (not to exceed 4%), as determined by the Plan's actuary. This cost of living adjustment is applied to only the participant's benefits; spouses or beneficiaries are excluded.

Contributions and Funding Policy

Contributions by the City are established as part of the City budget process and the actuarially determined percentage of each payroll. No employee contributions are required by the plan. The City contributed $5,339,710 for the year ended September 30, 2018.

The contribution amount is a 17-year level percentage of pay funding with a 2.75% payroll growth assumption. This funding approach produces a contribution pattern that is intended to increase in amount from year to year but remain relatively constant as a percent of payroll. Administrative costs, including investment, custodial trustee, and actuarial services are charged to the plan.

Net Pension Asset

The City's net pension asset (NPA) was measured as of December 31, 2017 and the TPL used to calculate the NPA was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL was determined by an actuarial valuation as of December 31, 2017 using the following actuarial assumptions:

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	17 years as of the valuation date
Asset valuation method:	5-year smoothed market; 20% corridor
Inflation:	2.50%
Salary increases:	8.00% to 2.75% including inflation
Investment rate of return:	7.00%
Retirement age:	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality:	RP-2000 mortality for combined healthy annuitants with blue-collar adjustment. Males rates are multiplied by 1.09 and female rates are multiplied by 1.03. Generational mortality improvements applied using Scale BB.
Notes	Actuarially determined contribution rates are calculated as of December 31 of odd numbered years. The actuarially determined contribution rate determined by the valuation is effective for the biennium period beginning with the fiscal year following the valuation date.

Rate of Return

Asset Class	Long-Term Expected Arithmetic Real Rate of Return	Target Asset Allocation	Development of Long-Term Arithmetic Return for Investment
U.S. Government Obligations	1.80 %	18.00 %	0.32 %
Government Agency Obligations	1.80	2.00	4.00
Corporate Bonds	3.10	12.00	0.37
U.S. Large Cap Stocks	5.50	44.00	2.42
U.S. Mid Cap Stocks	7.10	10.00	0.71
U.S. Small Cap Stocks	7.10	3.00	0.21
Foreign Equities	6.60	8.00	0.53
Alternatives (REITS)	5.60	3.00	0.17
		Total Expected Arithmetic Real Return:	4.77 %
		Inflation Assumption for Actuarial Valuation:	2.50
		Total Expected Arithmetic Nominal Return:	7.27 %

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability for the measurement period ending December 31, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows as of each year ending December 31, the pension plan's fiduciary net position and future contributions were sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the single discount rate for the Plan assumed that the funding policy adopted by the RSP's Retirement Committee will remain in effect for all future years. Under this funding policy, the City of Plano will finance the unfunded actuarial accrued liability as a level percentage of payroll over the closed period ending September 30, 2035. Under this policy there are 17 years remaining in the amortization period.

Changes in the Net Pension (Asset)/Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset)/Liability (a) - (b)
Balance at December 31, 2016	$ 132,651,136	$ 126,698,362	$ 5,952,774
Changes for the year:			
Service cost	5,073,946	-	5,073,946
Interest (on the total pension liability)	9,960,603	-	9,960,603
Difference between expected and actual experience	(3,005,892)	-	(3,005,892)
Assumption changes	2,989,199	-	2,989,199
Benefit payments	(4,760,146)	(4,760,146)	-
Contributions - employer	-	5,159,461	(5,159,461)
Net investment income	-	21,781,774	(21,781,774)
Administrative expense	-	(363,144)	363,144
Net changes	10,257,710	21,817,945	(11,560,235)
Balance at December 31, 2017	$ 142,908,846	$ 148,516,307	$ (5,607,461)

Sensitivity of the Net Pension (Asset)/Liability to Changes in the Discount Rate

1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
$ 15,731,003	$ (5,607,461)	$ (23,077,430)

<u>Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions</u>

For the year ended September 30, 2018, the City recognized pension expense of $6,220,184.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ -	$ (3,301,804)
Difference in assumption changes	7,091,048	-
Difference in projected and actual investment earnings	-	(5,303,987)
Employer contributions subsequent to the measurement date	3,905,566	-
	$ 10,996,614	$ (8,605,791)

Deferred outflows of resources of $3,905,566 related employer contributions subsequent to the measurement date will be recognized as an addition/reduction of the net pension asset/liability for fiscal year 2019. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense in the following fiscal years:

2019	$	326,225
2020		209,465
2021		(1,159,305)
2022		(1,714,020)
2023		741,588
Thereafter		81,304
Total	$	(1,514,743)

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan, which is a defined-contribution benefit plan, created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights are held in trust or under one or more annuity contracts described in Internal Revenue Code Section 401(f). Except as may otherwise be permitted or required by law, no assets or income of the plan shall be used for, or diverted to, purposes other than for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan. Accordingly, the assets of the plan are not reported in the City's basic financial statements.

D. Postemployment Benefits Trust Fund – Section 115 Trust

Plan Description

The City of Plano Section 115 Trust (115 Trust or the Plan) was established on March 1, 2008 to comply with the requirements of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, for the purpose of funding and providing certain benefits to its eligible retirees and dependents, such as medical, dental and vision insurance benefits. It is a single-employer, defined-benefit other postemployment benefit plan (OPEB).

The 115 Trust was created by the City of Plano, Texas (the City) ordinance and is administered by the Risk Pool Trustees, (the Trustees) who meet at least four times a year. The Trustees consist of four City employees who are appointed by the City through the City Manager pursuant to the City of Plano Welfare Benefit Plan. The Trustees oversee the Plan and set policies for operations, including appointing management and directing investment decisions. Professional investment management and an investment consultant are used and a custodial bank retains the assets. Pursuant to Section 6.01 of the Welfare Benefit Plan and Resolution 2007-9-2(R), the City Council has set forth delegation to the City Manager, or his designee, the authority to amend each Plan in any and all respects, except for any amendment that would materially increase the costs of the Plan to the City.

The 115 Trust issued a separate publicly available financial report that includes financial statements and required supplementary information at the 115 Trust's fiscal year-end which is December 31. Those financial reports may be obtained by request to the City's Human Resources Department, 1520 Avenue K, Suite 130, Plano, Texas 75074.

Benefits Provided

The City offers its retired employees and their dependents under age 65 health insurance coverage under the same plan as the active employees and Medicare supplementary insurance for retirees 65 and older. The number of retired participants receiving health insurance coverage for 2018 was 561 of which 247 were on the same plan as the active employees and 314 on Medicare supplementary insurance. Premiums are paid by the retired employees and claims are processed by the City's agent and paid through the Health Claims Fund. Expenditures for postretirement healthcare benefits are recognized as retirees' report claims. Claims paid for retired employees for 2018 were $3,507,950.

As of the December 31, 2017 biennial actuarial valuation, the Trust's membership consisted of the following:

Retirees and dependents currently receiving benefits	339
Terminated members entitled to benefits, but not yet receiving them	132
Active members	2,208
	2,679

Contributions and Funding Policy

The City has the authority to establish and amend the Plan contributions by resolution of the City Council. The City transfers retiree and City contributions to the 115 Trust on a monthly basis. Contributions by the City are established as part of the City budget process and are based on amounts determined in the actuarial study prepared biennially. Retirees and their dependents currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums. Monthly retiree premiums contributed to the Plan are based on the benefit election of the Plan member and are as follows:

	MEDICAL PLAN	***DENTAL PLAN***	***VISION PLAN***
Retiree only	$ 538.00	$ 35.16	$ 8.72
Retiree and spouse	1,392.00	69.60	13.94
Retiree and children	994.00	87.32	14.26
Retiree and family	2,006.00	132.80	22.94
Spouse only	854.00	35.16	8.72
Children only	456.00	52.16	8.72
Spouse and children only	1,468.00	97.64	14.22

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2017.

Actuarial Assumptions

The total OPEB liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions:

Actuarial cost method :	Entry Age Normal
Amortization method:	Level percentage, closed
Remaining amortization period:	19 years
Amortization growth:	2.75%
Asset valuation method:	Market value
Inflation:	2.50%
Salary increases:	2.75%
Discount rate:	6.75%
Healthcare cost trend rates:	4.30% for 2017, rising and then decreasing to an ultimate rate of 4.10% for 2076 and beyond
Dental cost trend rates:	4.74% for 2017, gradually decreasing to an ultimate rate of 3.83% for 2076 and beyond
Mortality:	
Active participants	Sex Distinct RP 2000 Combined Healthy Mortality Table with Blue Collar adjustment with rates multiplied by 0.545 (male) or 0.52 (female) and projected fully generationally using Scale BB.
Retired participants	Sex Distinct RP 2000 Combined Healthy Mortality Table with Blue Collar adjustment with rates multiplied by 1.09 (male) or 1.03 (female) and projected fully generationally using Scale BB.
Disabled participants	Sex Distinct RP 2000 Combined Healthy Mortality Table with Blue Collar adjustment with rates multiplied by 1.09 (male) or 1.03 (female) and projected fully generationally using Scale BB, with a minimum 3% mortality rate.

Rate of Return

The long-term rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of December 31, 2017.

Asset Class	Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	1.00 %	0.82 %	0.81 %
US Core Fixed Income	22.00	2.75	2.61
US Mortgages	6.00	3.00	2.88
Non-US Bonds	5.00	1.07	0.51
US Large Caps	36.00	4.97	3.77
US Small Growth	2.00	7.34	4.86
US Small Value	3.00	5.64	3.90
US MidCap Growth	7.00	6.57	4.31
US MidCap Value	6.00	5.22	3.77
Non-US Equity	6.00	6.61	4.91
Emerging Markets Equity	25.00	8.76	5.50
US REITs	4.00	5.40	3.62
Assumed Inflation - Mean		2.50 %	2.50 %
Assumed Inflation - Standard Deviation		2.00	2.00
Portfolio Real Mean Return		4.51	3.87
Portfolio Nominal Mean Return		6.99	6.43
Portfolio Standard Deviation		11.12	
Long-Term Expected Rate of Return		6.75 %	

Discount Rate

A single discount rate of 6.75% was used to measure the total OPEB liability. Based on the stated assumptions and the projection of cash flows as of each Plan year, the OPEB plan's fiduciary net position and future contributions were sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

The discount rate as of December 2016 was 7.00%.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at December 31, 2016	$ 108,017,765	$ 70,158,981	$ 37,858,784
Changes for the year:			
Service cost	2,631,472	-	2,631,472
Interest (on the total OPEB liability)	7,587,712	-	7,587,712
Difference between expected and actual experience	(1,889,319)	-	(1,889,319)
Changes of assumptions	(17,339,980)	-	(17,339,980)
Benefit payments	(2,505,768)	(2,505,768)	-
Contributions - employer	-	5,585,470	(5,585,470)
Net investment income	-	11,242,528	(11,242,528)
Administrative expense	-	(10,951)	10,951
Net changes	(11,515,883)	14,311,279	(25,827,162)
Balance at December 31, 2017	$ 96,501,882	$ 84,470,260	$ 12,031,622

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher than the current discount rate.

1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
$ 22,603,220	$ 12,031,622	$ 2,922,419

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate.

1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
$ 6,624,593	$ 12,031,622	$ 18,330,115

OPEB Plan Fiduciary Net Position

The Plan issues a separate financial report that includes financial statements and required supplementary information. The financial report may be obtained by request to the City's Human Resources Department, 1520 Avenue K, Suite 130, Plano, Texas 75074.

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

For the year ended September 30, 2018, the City recognized OPEB expense of $1,703,855. At September 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ -	$ (1,666,838)
Difference in assumption changes	-	(15,298,061)
Difference in projected and actual investment earnings	-	(4,980,648)
Employer contributions subsequent to the measurement date	3,654,566	-
	$ 3,654,566	$ (21,945,547)

Deferred outflows of resources of $3,654,566 related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for fiscal year 2019. Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense in the following fiscal years:

2019	$ (3,509,563)
2020	(3,509,563)
2021	(3,509,563)
2022	(3,509,563)
2023	(2,264,401)
Thereafter	(5,642,894)
Total	$ (21,945,547)

6. LONG-TERM DEBT:

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2018, is as follows (in thousands of dollars):

	Balance, Beginning of Year	Increase	Decrease	Balance, End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds and certificates of obligation	$ 311,095	$ 77,915	$ (25,935)	$ 363,075	$ 27,260
Tax anticipation notes	16,840	-	(2,830)	14,010	2,945
Deferred amounts:					
Premium	35,599	4,444	(5,222)	34,821	5,087
Total bonds and notes payable	363,534	82,359	(33,987)	411,906	35,292
Compensated absences	38,782	17,980	(16,122)	40,640	4,908
Liability for insurance claims	6,863	33,924	(33,467)	7,320	7,320
Net pension liability	122,319	(63,347)	-	58,972	-
Net OPEB liability	-	10,351	-	10,351	-
Governmental activities Long-term debt	$ 531,498	$ 81,267	$ (83,576)	$ 529,189	$ 47,520
Business-Type Activities:					
Water and Sewer revenue bonds	$ 23,845	$ 11,350	$ (855)	$ 34,340	$ 1,825
Municipal Drainage revenue bonds	17,955	-	(1,840)	16,115	1,680
Deferred amounts:					
Premium	4,417	1,277	(84)	5,610	239
Total bonds payable	46,217	12,627	(2,779)	56,065	3,744
Compensated absences	4,064	1,853	(1,762)	4,155	525
Net pension liability	14,884	(7,059)	-	7,825	-
Net OPEB liability	-	1,681	-	1,681	-
Business-type activities Long-term debt	$ 65,165	$ 9,102	$ (4,541)	$ 69,726	$ 4,269

The compensated absences liability attributable to the governmental activities will be liquidated by several of the City's governmental and internal service funds. Approximately 96.5% has been paid by the General Fund, 0.7% by Special Revenue Funds and 2.8% by Internal Service Funds.

Pension and other postemployment benefit liabilities for governmental-type funds are recorded at the government-wide statement level and are primarily liquidated in the General Fund. Liabilities for the proprietary type activities are recorded and liquidated in the fund that incurs the liability.

The liability for insurance claims will be liquidated through a variety of funds. The General Fund bears approximately 84.6% of the claims and judgments liability. The Enterprise Funds bear approximately 12.1% of the claims and judgment liability, while the Internal Service and Special Revenue Funds bear approximately 3.0% and 0.3%, respectively.

Long-term debt at September 30, 2018 includes the following individual issues (not including the unamortized premium of $34,821,068 and the unamortized deferred charge on refunding of $6,881,763 of the General Obligation Bonds, and the unamortized premium of $937,171 and unamortized deferred charges of $272,137 of the Municipal Drainage Revenue Bonds and the unamortized premium of $4,672,987 of the Water and Sewer Revenue Bonds).

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
General Obligation Bonds:						
2009 Refunding and Improvements	2.25 - 4.75	1/15/2009	9/1/2029	$ 35,330,000	$ 30,125,000	$ 5,205,000
2010 Refunding and Improvements	2.00 - 4.00	1/15/2010	9/1/2030	28,520,000	22,655,000	5,865,000
2011 Various purpose	2.50 - 4.75	1/15/2011	9/1/2031	21,400,000	19,495,000	1,905,000
2011 Refunding and Improvements	2.00 - 5.00	10/15/2011	9/1/2032	46,400,000	23,290,000	23,110,000
2013 Refunding and Improvements	2.00 - 5.00	2/15/2013	9/1/2033	61,925,000	7,525,000	54,400,000
2014 Refunding and Improvements	2.00 - 4.00	4/15/2014	9/1/2034	29,325,000	11,905,000	17,420,000
2015 Refunding and Improvements	2.00 - 5.00	5/1/2015	9/1/2035	75,685,000	30,860,000	44,825,000
2016 Refunding and Improvements	1.00 - 5.00	4/15/2016	9/1/2036	67,195,000	4,445,000	62,750,000
2017 Improvements	2.00 - 5.00	2/1/2017	9/1/2036	41,290,000	1,695,000	39,595,000
2017 Refunding	4.00 - 5.00	8/1/2017	9/1/2031	27,805,000	-	27,805,000
2018 Improvements	3.00 - 5.00	4/15/2018	9/1/2038	77,915,000	-	77,915,000
				$ 512,790,000	$ 151,995,000	$ 360,795,000
Tax Anticipation Notes:						
2009 Tax anticipation notes	2.25 - 3.00	1/15/2009	9/1/2016	$ 6,355,000	$ 6,355,000	$ -
2015 Tax anticipation notes	2.00 - 3.00	5/1/2015	9/1/2021	5,745,000	2,915,000	2,830,000
2017 Tax anticipation notes	4.50 - 5.00	2/1/2017	9/1/2023	13,450,000	2,270,000	11,180,000
				$ 25,550,000	$ 11,540,000	$ 14,010,000
Certificates of Obligation:						
2010 Various purpose	2.00 - 4.00	1/15/2010	9/1/2022	$ 9,660,000	$ 7,380,000	$ 2,280,000
				$ 9,660,000	$ 7,380,000	$ 2,280,000
Water & Sewer Revenue Bonds:						
2016 Improvements	1.00 - 5.00	4/15/2016	5/1/2036	$ 24,775,000	$ 1,785,000	$ 22,990,000
2018 Improvements	3.00 - 5.00	4/15/2018	5/1/2028	11,350,000	-	11,350,000
				$ 36,125,000	$ 1,785,000	$ 34,340,000
Municipal Drainage Revenue Bonds:						
2009 Refunding and Improvements	3.00 - 3.50	1/15/2009	5/15/2029	$ 4,790,000	$ 4,160,000	$ 630,000
2010 Refunding and Improvements	2.00 - 4.25	1/15/2010	5/15/2030	6,790,000	2,975,000	3,815,000
2015 Refunding	2.00 - 4.00	5/1/2015	5/15/2027	7,105,000	2,945,000	4,160,000
2017 Refunding and Improvements	2.00 - 5.00	2/1/2017	5/15/2036	8,035,000	525,000	7,510,000
				$ 26,720,000	$ 10,605,000	$ 16,115,000

The annual requirements to amortize debt outstanding as of September 30, 2018, including interest payments of $146,995,089 follow (noted in thousands).

	General Obligation, Tax Anticipation Notes & Certificates of Obligation		Water & Sewer		Municipal Drainage	
Year Ended September 30	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 30,205	$ 17,355	$ 1,825	$ 1,446	$ 1,680	$ 578
2020	27,525	15,094	1,855	1,411	1,535	534
2021	27,830	13,797	1,935	1,337	1,580	483
2022	26,810	12,477	2,020	1,250	1,325	432
2023	26,925	11,174	2,110	1,158	1,365	390
2024-2028	112,390	38,174	12,240	4,112	4,965	1,301
2029-2033	79,355	17,383	7,265	1,913	2,405	512
2034-2038	46,045	4,169	5,090	413	1,260	102
Total	$ 377,085	$ 129,623	$ 34,340	$ 13,040	$ 16,115	$ 4,332

The City intends to retire all of its general long-term liabilities, plus interest, from ad valorem taxes and other current revenues. The proprietary fund type long-term debt will be repaid, plus interest, from the operating revenues of the Water and Sewer Fund and the Municipal Drainage Fund.

A. General Obligation Bonds and Certificates

The City is required by ordinance to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due. The Debt Service Fund has $6,571,577 available to service the general obligation debt after all debt due in the current fiscal year has been paid.

There are a number of limitations and restrictions contained in the various general obligation bonds and certificate indentures. Management of the City believes it is in compliance with the significant limitations and restrictions at September 30, 2018.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate excess arbitrage earnings from bond proceeds to the federal government. Beginning in 1992, the City paid five-year rebates, as required. There are no future rebates estimated as of September 30, 2018. As provided for by the bond indentures, this amount has been recorded in the General Fund in "Due to other governments" for the benefit of the federal government and will be paid as required by applicable regulations.

In May 2018, the City issued $77,915,000 in General Obligation improvements bonds, with interest rates ranging from 3.0% to 5.0%.

B. Water and Sewer Revenue Bonds

The Water and Sewer Revenue Bonds are secured by the net revenues of the Water and Sewer Fund as defined in the respective bond indentures.

The bond indenture requires the City to make equal monthly installments to a debt service fund to pay principal and interest requirements as they become due. At September 30, 2018, $822,102 is restricted within the Water and Sewer Fund for debt service requirements.

A reserve fund is not required so long as the net revenues equal or exceed 150% of the annual debt service requirements due and payable in the fiscal year.

In May 2018, the City issued $11,350,000 in Water and Sewer revenue bonds, with interest ranging from 3.0% to 5.0%.

Bond proceeds since 1988 are covered by the arbitrage provisions of the Internal Revenue Tax Act of 1986. Accordingly, there were no excess arbitrage earnings estimated at September 30, 2018. The City is in compliance with all requirements of the bond ordinances for the year ended September 30, 2018.

Restricted assets of the Water and Sewer Fund at September 30, 2018 are as follows:

Cash and cash equivalents	$	2,914,767
Investments		9,596,751
Accrued interest receivable		36,597
	$	12,548,115

C. Municipal Drainage Revenue Bonds

These bonds are secured by a first lien on and pledge of the revenues of the Municipal Drainage Fund in accordance with the provisions of the bond indenture.

The bond indenture requires the City to make equal monthly installments to a debt service fund to pay principal and interest requirements as they become due. At September 30, 2018, $2,633,739 is restricted within the Municipal Drainage Fund for debt service requirements.

In addition, the bond indenture requires a reserve equal to the average annual debt services requirement be maintained in order to pay any bond principal and interest should the debt service funds be insufficient. At September 30, 2018, the reserve required and restricted within the Municipal Drainage Fund is $1,135,925.

Municipal Drainage revenue bonds are covered by the arbitrage provisions of the Internal Revenue Tax Act of 1986. Accordingly, there were no excess arbitrage earnings estimated at September 30, 2018. The City is in compliance with all requirements of the bond ordinance for the year ended September 30, 2018.

Restricted assets of the Municipal Drainage Fund at September 30, 2018 are as follows:

Cash and cash equivalents	$	875,645
Investments		2,883,025
Accrued interest receivable		10,994
	$	3,769,664

7. INTERFUND TRANSACTIONS:

A summary of interfund receivables and payables at September 30, 2018 is as follows:

Due To Other Funds	Due From Other Funds		
	General Fund	Capital Maintenance	Total
Nonmajor Governmental Funds	$ 1,046,573	$ -	$ 1,046,573
Internal Service	-	108,000	108,000
Total	$ 1,046,573	$ 108,000	$ 1,154,573

Due to and due from entries are primarily used to account for cash owed between funds that are expected to be repaid within one year or less.

The City performs a calculation to determine the value of the charges in lieu of taxes to be paid to the General Fund. This calculation is reasonably equivalent to the value of the services provided to the Water and Sewer and Environmental Waste Services funds and is, therefore, appropriately reported as an expense as opposed to a transfer. During fiscal year 2018, charges in lieu of taxes were $12,366,054.

Transfers between funds during the year were as follows:

Transfers Out	Transfers In						
	General Fund	Capital Maintenance	Park Improvements	Internal Service	Blended Component Units	Nonmajor Governmental Funds	Total
General Fund	$ -	$ 25,869,000	$ -	$ 795,827	$ 50,000	$ 250,000	$ 26,964,827
Municipal Facilities	-	-	830,000	-	-	-	830,000
Internal Service	-	-	-	-	-	250,000	250,000
Water and Sewer	7,262,230	2,000,000	-	-	-	-	9,262,230
Municipal Drainage	528,073	500,000	-	-	-	-	1,028,073
Blended Component Units	7,266	-	1,000,000	2,922	-	-	1,010,188
Nonmajor Governmental Funds	-	-	-	-	-	2,897	2,897
Nonmajor Enterprise Funds	829,594	1,440,000	-	-	-	-	2,269,594
Total	$ 8,627,163	$ 29,809,000	$ 1,830,000	$ 798,749	$ 50,000	$ 502,897	$ 41,617,809

The City performs a cost allocation to determine the portion of indirect expenses that will be reimbursed by the respective business-type activities to the General Fund. The City funds the Capital Maintenance fund by transferring amounts from the General Fund and Water and Sewer fund each year based on a portion of depreciation.

Transfers are primarily used to move funds to finance various programs in accordance with budgetary authorizations.

8. TAX ABATEMENTS AND ECONOMIC DEVELOPMENT INCENTIVES

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property and sales tax revenues. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code, Chapter 311 (Tax Increment Financing Act) and Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax Code. The economic development agreements are designed to support the creation of new businesses, the expansion and retention of existing businesses within the City, and the attraction of companies that offer high impact jobs and share the community's values. Recipients may be eligible to receive economic assistance based on the employment, economic or community impact of the project requesting assistance. Recipients generally commit to building or remodeling real property and related infrastructure, redeveloping properties, expanding operations or bringing targeted business to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has the following categories of economic development agreements:

- Tax Abatements - The City of Plano offers tax abatement on improvements to real and business personal property as directed under Chapter 312 of the Texas Tax Code. The abatements allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants with underlying goals to further economic development in Plano. Real Property abatements are offered to applicants that pursue the construction of new or expanded facilities in which to house the applicable project. The abatement applies to the assessed value of the improvements made. Business Personal Property abatements are offered to applicants that pursue the purchase or long-term lease of existing facilities. The abatement applies to the assessed value of new personal property brought into the taxing jurisdiction. Property taxes abated under this program in fiscal year 2018 are $1,983,698.

- Economic Development - In 2006, a property tax increase of two-cents per $100 valuation was approved by City Council that is dedicated to economic development. Chapter 380 of the Texas Local Government Code allows municipalities to establish and provide programs to promote state or local economic development and to stimulate business and commercial activity. The City's economic development program offers incentives to provide a competitive advantage, foster relocation, encourage employment retention or growth and/or assist in public infrastructure improvements within the City. For fiscal year 2018, the City paid incentives of $12,622,684.

- Tax Increment Financing - The City has a TIF zone under Chapter 311 of the State of Texas Code. The City enters into economic development and infrastructure reimbursement agreements which earmark TIF revenues for payment to developers and represent obligations over the life of the TIF or until all terms of the agreements have been met. These obligations are described in section I.B. of the footnotes. Additionally, the City enters into general economic development agreements under Chapter 380 of the Texas Local Government Code which are funded with TIF resources. The City paid $3,443,743 in obligations in fiscal year 2018.

9. REGIONAL SYSTEMS FOR WATER SUPPLY, WASTEWATER TREATMENT AND SOLID WASTE DISPOSAL:

The City secures its water supply and sewer services from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 17-member board (the "Board"), the City being authorized by statute to appoint two of those members. The Board has full power and discretion to establish its budget and to set the rates for the services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee or rental due to the District. Because of the factors mentioned above, the District is not included in the City's basic financial statements. A portion of the outstanding bonds of the District is contract revenue bonds based on contracts with certain member cities of the District. The City provides for the payment of its contractual obligations with the District from revenues generated by its waterworks and sewer systems. Such contractual payments provide for the payment of the principal and interest requirements, and the premium payment, if any, on specified indebtedness and associated operation and maintenance expenses of the District.

Water Supply

On December 12, 1953, the City entered into a contract with the District whereby the District agreed to provide water for the benefit of the City. In return for this service, the City agreed to pay the District at a rate per 1,000 gallon basis, subject to minimum annual payments. The City's annual payment for the year ended September 30, 2018 was $72,334,642. The City has also contracted for water transmission facility improvements and pays the District for debt service for bonds issued to fund the improvements. For fiscal year 2018, this payment was $222,525. There are no future payments to debt service as the City has fulfilled its commitment.

Wastewater Treatment

On October 1, 1975, the City entered into a contract for wastewater treatment services with the District. The District has been designated by the Texas Water Quality Board as the regional agency to provide and develop a Regional System for Wastewater Treatment in the general area of the East Fork of the Trinity River, which includes the City and other cities located in Collin, Dallas, Kaufman and Rockwall Counties, Texas. Relative thereto, the City and other cities have entered into wastewater system contracts with the District, which provide for the establishment, operation and maintenance of a Regional Wastewater System for the purpose of providing facilities to adequately receive, transport, treat and dispose of wastewater for the cities. In order to provide said services, the contract provides that (a) the District will acquire, design, construct and complete the system, repair, replace and/or extend the system to provide service to the cities; (b) in consideration of payments to be made under the contract, each of the cities shall have the right to discharge all its wastewater from its sewage system into the District's system, subject to certain quality requirements set forth in the contract; (c) the District will issue its bonds, in amounts and at times determined by the District, to provide for the wastewater treatment facilities; (d) each city agrees to pay its proportionate share of the annual requirement sufficient to pay or provide for the payment of an "Operation and Maintenance Component" and a "Bond Service Component;" (e) each city's proportionate share of the annual requirement shall be a percentage obtained by dividing such city's estimated contributing flow to the system by the total estimated contributing flow to the system by all cities during such fiscal year. No city will exercise oversight responsibility for the District and no city is liable for the District's debt. The City's payment for the year ended September 30, 2018 was $31,430,015, net of payments to the City for facilities usage.

Solid Waste Disposal

On November 29, 1979, the City entered into a contract for services with the District, whereby the District agreed to provide a solid waste disposal system for the benefit of the City and other cities. Each city agreed to pay its share of an annual requirement for the operating expenses and debt service of the District to be calculated in the same manner as the wastewater contract. The City's annual payment for the year ended September 30, 2018 was $8,604,886.

10. COMMITMENTS AND CONTINGENCIES:

The City has contractual commitments of $73,901,353 in the Capital Projects Funds, $7,928,250 in the Water and Sewer Fund, and $2,338,322 in the Municipal Drainage Fund. These commitments are for construction of various projects and will be funded primarily from general obligation bond proceeds in the Capital Projects Funds, revenue bond proceeds in the Water and Sewer Fund and operating revenues in the Municipal Drainage Fund.

Various claims and lawsuits are pending in which the City is involved. Included among the various actions are those for which the discovery process is currently underway or which have yet to proceed to trial. It is the opinion of City management that the ultimate outcome of all other lawsuits will not have a material adverse effect on the City's financial position.

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

11. SELF-INSURANCE:

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains a self-insurance program for general liability, public officials' errors and omission, police professional liability, property loss and workers' compensation. The Property/Liability Loss Fund (Internal Service) has been established to pay identified claims and judgments, maintain loss reserves and purchase insurance coverage as required.

Group medical benefits are paid from the Health Claims Fund (Internal Service), which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage.

The liabilities for insurance claims reported in each of the funds are based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims. The claims payable also includes amounts to record flooding damage for City equipment estimated at $265,000. Change in each fund’s claims liability amount in fiscal years 2018 and 2017 was as follows:

Fund	Liability, Beginning of year	Current year Claims and Changes in Estimates	Claim Payments	Liability, End of year
2018				
Property/Liability Loss	$ 4,308,359	$ 5,997,560	$ (5,514,920)	$ 4,790,999
Health Claims	2,554,507	27,925,993	(27,951,945)	2,528,555
Total	$ 6,862,866	$ 33,923,553	$ (33,466,865)	$ 7,319,554
2017				
Property/Liability Loss	$ 3,460,122	$ 7,596,312	$ (6,748,075)	$ 4,308,359
Health Claims	2,437,658	26,798,358	(26,681,509)	2,554,507
Total	$ 5,897,780	$ 34,394,670	$ (33,429,584)	$ 6,862,866

Plano

City of Excellence

REQUIRED SUPPLEMENTARY INFORMATION

2018





FOR FISCAL YEAR ENDED

SEPTEMBER 30, 2018

CITY OF PLANO, TEXAS

Plano

City of Excellence

CITY OF PLANO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(UNAUDITED)

	Budgeted Amounts			Adjustments-Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Actual	Basis	Basis	(Negative)
REVENUES:						
Taxes:						
Property taxes	$ 133,194,402	$ 133,052,828	$ 132,974,743	$ (775,587)	$ 132,199,156	$ (853,672)
Sales taxes	77,478,415	78,129,630	85,592,104	-	85,592,104	7,462,474
Other taxes	2,134,951	2,298,822	2,422,242	-	2,422,242	123,420
Franchise fees	22,373,304	24,129,575	24,354,134	-	24,354,134	224,559
Fines and forfeitures	6,468,799	5,992,403	6,304,020	-	6,304,020	311,617
Licenses and permits	10,103,663	9,272,015	9,521,069	-	9,521,069	249,054
Intragovernmental	12,366,054	12,366,054	12,366,054	-	12,366,054	-
Intergovernmental	1,093,645	1,543,801	1,526,803	-	1,526,803	(16,998)
Fees for services	14,349,283	14,265,210	13,765,830	-	13,765,830	(499,380)
Investment income	900,000	750,000	890,026	-	890,026	140,026
Miscellaneous	1,923,068	1,871,835	1,803,509	-	1,803,509	(68,326)
Total revenues	282,385,584	283,672,173	291,520,534	(775,587)	290,744,947	7,072,774
EXPENDITURES:						
General government	31,767,254	29,167,768	29,285,243	(658,064)	28,627,179	540,589
Administrative services	11,505,205	12,146,899	11,242,058	225,089	11,467,147	679,752
Police	82,303,083	83,424,935	82,593,694	391,869	82,985,563	439,372
Fire	60,256,800	60,524,020	60,502,261	433,446	60,935,707	(411,687)
Libraries	11,003,512	11,537,624	11,232,288	40,177	11,272,465	265,159
Development	35,172,539	35,447,056	33,470,968	1,196,436	34,667,404	779,652
Public services and operations	6,970,615	7,292,239	6,956,478	25,108	6,981,586	310,653
Parks and recreation	28,163,997	28,518,169	25,293,952	586,185	25,880,137	2,638,032
Public works	7,318,314	7,490,043	7,427,734	116,644	7,544,378	(54,335)
Technology services	1,000,000	1,000,000	1,000,000	-	1,000,000	-
Capital outlay	1,572,020	5,341,261	3,599,793	2,001,403	5,601,196	(259,935)
Total expenditures	277,033,339	281,890,014	272,604,469	4,358,293	276,962,762	4,927,252
Excess (deficiency) of revenues over (under) expenditures	5,352,245	1,782,159	18,916,065	(5,133,880)	13,782,185	12,000,026
OTHER FINANCING SOURCES (USES):						
Transfers in	8,475,911	8,619,897	8,627,163	-	8,627,163	7,266
Transfers out	(26,619,000)	(26,619,000)	(26,964,827)	-	(26,964,827)	(345,827)
Total other financing uses	(18,143,089)	(17,999,103)	(18,337,664)	-	(18,337,664)	(338,561)
Net change in fund balance	(12,790,844)	(16,216,944)	578,401	(5,133,880)	(4,555,479)	11,661,465
FUND BALANCE, October 1	51,635,123	51,635,123	51,635,123	-	51,635,123	-
FUND BALANCE, September 30	$ 38,844,279	$ 35,418,179	$ 52,213,524	$ (5,133,880)	$ 47,079,644	$ 11,661,465

CITY OF PLANO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
ADJUSTMENTS TO REVENUES, EXPENDITURES AND OTHER FINANCING USES FROM GAAP BASIS TO BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(UNAUDITED)

	Net Change in Fund Balance
GAAP basis	$ 578,401
Revenues:	
Decrease due to rolled back taxes	(775,587)
Expenditures:	
Increase due to encumbrances	(4,358,293)
Budgetary basis	$ (4,555,479)

CITY OF PLANO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR YEARS
(UNAUDITED)

Fiscal year ending December 31,	2014	2015	2016	2017
Total pension liability				
Service cost	$ 22,556,087	$ 25,341,004	$ 27,113,143	$ 28,866,767
Interest (on the total pension liability)	55,667,118	59,290,515	60,407,716	64,180,007
Difference between expected and actual experience	(122,591)	(6,117,445)	950,930	(4,550,911)
Change of assumptions	-	(685,185)	-	-
Benefit payments, including refunds of employee contributions	(26,400,655)	(29,059,878)	(32,526,510)	(34,399,087)
Net change in total pension liability	51,699,959	48,769,011	55,945,279	54,096,776
Total pension liability - beginning	797,166,833	848,866,792	897,635,803	953,581,082
Total pension liability - ending (a)	848,866,792	897,635,803	953,581,082	1,007,677,858
Plan fiduciary net position				
Contributions - employer	28,690,370	25,429,543	26,761,281	28,535,854
Contributions - employee	9,684,277	9,831,426	10,345,977	11,029,878
Net investment income	40,500,200	1,121,428	51,816,415	114,003,401
Benefit payments, including refunds of employee contributions	(26,400,655)	(29,059,878)	(32,526,510)	(34,399,087)
Administrative expense	(422,815)	(683,011)	(585,071)	(590,653)
Other	(34,762)	(33,734)	(31,522)	(29,932)
Net change in plan fiduciary net position	52,016,615	6,605,774	55,780,570	118,549,461
Plan fiduciary net position - beginning	707,927,804	759,944,419	766,550,193	822,330,763
Plan fiduciary net position - ending (b)	759,944,419	766,550,193	822,330,763	940,880,224
Net pension liability (a) - (b)	$ 88,922,373	$ 131,085,610	$ 131,250,319	$ 66,797,634
Plan fiduciary net position as a percentage of the total pension liability	89.52%	85.40%	86.24%	93.37%
Covered - employee payroll	$ 138,229,574	$ 140,393,376	$ 147,755,548	$ 157,569,687
Net pension liability as a percentage of covered employee payroll	64.33%	93.37%	88.83%	42.39%

Note: GASB 68 requires 10 fiscal years of data. As a result of the City implementing GASB 68 in fiscal year 2015, this schedule will be built to show the remaining reporting requirement.

CITY OF PLANO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST FOUR YEARS
(UNAUDITED)

Fiscal year ending September 30,	2015	2016	2017	2018
Actuarially determined contributions	$ 25,309,703	$ 26,364,866	$ 28,074,675	$ 28,953,129
Contributions in relation to the actuarially determined contribution	28,309,703	26,364,866	28,074,675	28,953,129
Contribution deficiency (excess)	$ (3,000,000)	$ -	$ -	$ -
Covered employee payroll	$ 138,720,040	$ 145,557,931	$ 155,007,834	$ 162,477,475
Contributions as a percentage of covered employee payroll	20.41%	18.11%	18.11%	17.82%

Note: GASB 68 requires 10 fiscal years of data. As a result of the City implementing GASB 68 in fiscal year 2015, this schedule will be built to show the remaining reporting requirement.

Notes to Schedule of Contributions

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	28 years
Asset valuation method:	10 year smoothed market; 15% soft corridor
Inflation:	2.5%
Salary increases:	3.5% to 10.5% including inflation
Investment rate of return:	6.75%
Retirement age:	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality:	RP2000 Combine Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes	There were no benefit changes during the year.

CITY OF PLANO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT SECURITY PLAN
SCHEDULE OF CHANGES IN NET PENSION (ASSET)/LIABILITY AND RELATED RATIOS
LAST FOUR YEARS
(UNAUDITED)

Fiscal year ending December 31,	2014	2015	2016	2017
Total pension liability				
Service cost	$ 3,674,544	$ 3,803,153	$ 4,716,387	$ 5,073,946
Interest (on the total pension liability)	7,802,936	8,412,933	9,240,119	9,960,603
Difference between Expected and Actual Experience	-	(1,059,691)	-	(3,005,892)
Assumption Changes	-	7,094,524	-	2,989,199
Benefit payments	(3,518,902)	(3,822,305)	(4,297,533)	(4,760,146)
Net change in total pension liability	7,958,578	14,428,614	9,658,973	10,257,710
Total pension liability - beginning	100,604,971	108,563,549	122,992,163	132,651,136
Total pension liability - ending (a)	108,563,549	122,992,163	132,651,136	142,908,846
Plan Fiduciary Net Position				
Contributions - employer	4,037,995	3,959,196	4,133,463	5,159,461
Net investment income	8,012,049	2,076,698	6,276,782	21,781,774
Benefit payments	(3,518,902)	(3,822,305)	(4,297,533)	(4,760,146)
Administrative expense	(278,376)	(327,528)	(336,043)	(363,144)
Other	(22,051)	-	-	-
Net change in plan fiduciary net position	8,230,715	1,886,061	5,776,669	21,817,945
Plan fiduciary net position - beginning	110,804,917	119,035,632	120,921,693	126,698,362
Plan fiduciary net position - ending (b)	119,035,632	120,921,693	126,698,362	148,516,307
Net pension (asset)/liability (a) - (b)	$ (10,472,083)	$ 2,070,470	$ 5,952,774	$ (5,607,461)
Plan fiduciary net position as a percentage of the total pension liability	109.65%	98.32%	95.51%	103.92%
Covered - employee payroll	$ 117,023,684	$130,412,851	$132,482,794	$142,526,560
Net pension (asset)/liability as a percentage of covered employee payroll	(8.95)%	1.59%	4.49%	(3.93)%

Note: GASB 68 requires 10 fiscal years of data. As a result of the City GASB 68 in fiscal year 2015, this schedule will be built to show the remaining reporting requirement.

CITY OF PLANO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT SECURITY PLAN
SCHEDULE OF CONTRIBUTIONS
LAST FOUR YEARS
(UNAUDITED)

Fiscal year ending September 30,	2015	2016	2017	2018
Actuarially determined contributions	$ 3,908,790	$ 4,081,765	$ 4,880,321	$ 5,339,710
Contributions in relation to the actuarially determined contribution	3,908,790	4,081,765	4,880,321	5,339,710
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 125,281,726	$ 130,825,766	$ 139,928,684	$ 147,505,817
Contributions as a percentage of covered employee payroll	3.12%	3.12%	3.49%	3.62%

Note: GASB 68 requires 10 fiscal years of data. As a result of the City implementing GASB 68 in fiscal year 2015, this schedule will be built to show the remaining reporting requirement.

Notes to Schedule of Contributions

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 of odd numbered years. The actuarially determined contribution rate determined by the valuation is effective for the biennium period beginning with the fiscal year following the valuation date.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	17 years as of the valuation date
Asset valuation method:	5-year smoothed market; 20% corridor
Inflation:	2.50%
Salary increases:	8.00% to 2.75% including inflation
Investment rate of return:	7.00%
Retirement age:	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality:	RP-2000 mortality for combined healthy annuitants with blue-collar adjustment. Males rates are multiplied by 1.09 and female rates are multiplied by 1.03. Generational mortality improvements applied using Scale BB.

CITY OF PLANO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS 115 TRUST
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST YEAR
(UNAUDITED)

Fiscal year ending December 31,	2017
Total OPEB liability	
Service cost	$ 2,631,472
Interest (on the total OPEB liability)	7,587,712
Effect of economic/demographic gains or losses	(1,889,319)
Change of assumptions	(17,339,980)
Benefit payments, including refunds of employee contributions	(2,505,768)
Net change in total OPEB liability	(11,515,883)
Total OPEB liability - beginning	108,017,765
Total OPEB liability - ending (a)	96,501,882
Plan fiduciary net position	
Contributions - employer	5,585,470
Net investment income	11,242,528
Benefit payments, including refunds of employee contributions	(2,505,768)
Administrative expense	(10,951)
Net change in plan fiduciary net position	14,311,279
Plan fiduciary net position - beginning	70,158,981
Plan fiduciary net position - ending (b)	84,470,260
Net OPEB liability (a) - (b)	$ 12,031,622
Plan fiduciary net position as a percentage of the total OPEB liability	87.53%
Covered - employee payroll	$ 148,694,595
Net OPEB liability as a percentage of covered employee payroll	8.09%

Note: GASB 75 requires 10 fiscal years of data. As a result of the City implementing GASB 75 in fiscal year 2018, this schedule will be built to show the remaining reporting requirement.

CITY OF PLANO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS 115 TRUST
SCHEDULE OF CONTRIBUTIONS
LAST YEAR
(UNAUDITED)

Fiscal year ending September 30,	2018
Actuarially determined contributions	$ 5,044,806
Contributions in relation to the actuarially determined contribution	3,774,139
Contribution deficiency (excess)	$ 1,270,667
Covered employee payroll	$ 152,783,696
Contributions as a percentage of covered employee payroll	2.47%

Note: GASB 75 requires 10 fiscal years of data. As a result of the City implementing GASB 75 in fiscal year 2018, this schedule will be built to show the remaining reporting requirement.

Notes to Schedule of Contributions

Valuation Date:

Notes	The Actuarially Determined Contribution is the sum of the current year's normal cost plus an amount necessary to amortize the unfunded liability over a closed 19-year period. Actuarial valuations have been performed biennially as of October 1. The most recent valuation was performed as of October 1, 2017.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	19 years
Asset valuation method:	Market value
Inflation:	2.5%
Salary increases:	2.75%
Investment rate of return:	6.75%
Healthcare cost trend rates:	4.30% for 2017, rising and then decreasing to an ultimate rate of 4.10% for 2076 and beyond
Dental cost trend rates:	4.74% for 2017, gradually decreasing to an ultimate rate of 3.83% for 2076 and beyond
Mortality:	
Active participants	Sex Distinct RP 2000 Combined Healthy Mortality Table with Blue Collar adjustment with rates multiplied by 0.545 (male) or 0.52 (female) and projected fully generationally using Scale BB.
Retired participants	Sex Distinct RP 2000 Combined Healthy Mortality Table with Blue Collar adjustment with rates multiplied by 1.09 (male) or 1.03 (female) and projected fully generationally using Scale BB.
Disabled participants	Sex Distinct RP 2000 Combined Healthy Mortality Table with Blue Collar adjustment with rates multiplied by 1.09 (male) or 1.03 (female) and projected fully generationally using Scale BB, with a minimum 3% mortality rate.

APPENDIX B

FORM OF BOND COUNSEL'S OPINION

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NORTON ROSE FULBRIGHT

[Closing Date]

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IN REGARD to the authorization and issuance of the "City of Plano, Texas, Municipal Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2019," dated April 1, 2019, in the principal amount of $6,925,000 (the "Bonds"), we have examined into their issuance by the City of Plano, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds 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 City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on May 15 in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance" and, jointly with the Pricing Certificate, the "Bond Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Bond 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 Bonds, including the Bond Ordinance, and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City 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 Bonds, 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 Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Bond Ordinance, are valid, legally binding and enforceable obligations of the City and are payable solely from and equally and ratably secured by a first lien on and pledge of the Revenues (as defined in the Ordinance) of the System (as defined 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.

2. The outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held by the paying agent for the outstanding obligations being refunded and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the certificate of the paying agent for the outstanding obligations being refunded as to the sufficiency of cash deposited with the paying agent for the outstanding obligations being refunded for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. 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 City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds 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 Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, 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.

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