FARMERS BRANCH

PRELIMINARY OFFICIAL STATEMENT

Dated September 8, 2020

Ratings:
S&P: "AA+"
Fitch: "AA+"
See "OTHER INFORMATION – Ratings"

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

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

$9,510,000*
CITY OF FARMERS BRANCH, TEXAS
(Dallas County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

Dated Date: Date of Delivery **Due: February 15, as shown on page 2**
Interest to accrue from Date of Delivery

PAYMENT TERMS . . . Interest on the $9,510,000* City of Farmers Branch, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates"), will accrue from the date of initial delivery of the Certificates (the "Date of Delivery"), and will be payable February 15 and August 15 of each year, commencing February 15, 2021 until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System". The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance to be adopted by the City Council of the City (the "Ordinance") and constitute direct obligations of the City of Farmers Branch, Texas (the "City"), payable from a combination of (i) the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge, in an amount not to exceed $1,000, of the Surplus Revenues of the City's Waterworks and Sewer System (the "System") as provided in the Ordinance (see "The CERTIFICATES - Authority for Issuance")..

PURPOSE . . . Proceeds from the sale of the Certificates will be used to provide funds for (i) designing, renovating, improving and equipping the City's existing Manske Library (the "Project"); and (ii) paying the costs associated with the issuance of the Certificates.

CUSIP PREFIX: 309495

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on October 15, 2020.

BIDS DUE TUESDAY, SEPTEMBER 15, 2020 AT 10:00 A.M. CDT

* Preliminary, subject to change.

CUSIP Prefix: 309495 [(1)]

MATURITY SCHEDULE*

15-Feb Maturity	Principal Amount	Interest Rate	Initial Price or Yield	CUSIP Suffix[(1)]
2021	$ 90,000			
2022	140,000			
2023	295,000			
2024	410,000			
2025	420,000			
2026	435,000			
2027	450,000			
2028	470,000			
2029	485,000			
2030	505,000			
2031	520,000			
2032	535,000			
2033	550,000			
2034	565,000			
2035	575,000			
2036	590,000			
2037	600,000			
2038	615,000			
2039	625,000			
2040	635,000			

(Interest to accrue from the Date of Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”).

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Certificates that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page and the Schedule and 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 representation, promise, or guarantee of the Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City nor the Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

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

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

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

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

THE CITY .... The City of Farmers Branch, Texas (the "City"), is a political subdivision and home rule municipal corporation of the State, located in Dallas County, Texas. The City covers approximately 12.1 square miles (see "INTRODUCTION - Description of the City").

THE CERTIFICATES .... The $9,510,000* Combination Tax and Revenue Certificates of Obligation, Series 2020 are scheduled to mature on February 15 in the years 2022 through 2040 (see "THE CERTIFICATES - Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery"), and is payable February 15, 2021, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

AUTHORITY FOR ISSUANCE.......... The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance to be adopted by the City Council of the City (see "THE CERTIFICATES - Authority for Issuance"). (see "THE CERTIFICATES - Authority for Issuance").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge, in an amount not to exceed $1,000, of Surplus Revenues of the Waterworks and Sewer System of the City (see "THE CERTIFICATES - Security and Source of Payment").

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption").

TAX EXEMPTION........................... In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

USE OF PROCEEDS......................... Proceeds from the sale of the Certificates will be used to provide funds for (i) designing, renovating, improving and equipping the City's existing Manske Library (the "Project"); and (ii) paying the costs associated with the issuance of the Certificates.

RATINGS .... The Certificates and the presently outstanding tax-supported debt of the City are rated "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "AA+" by Fitch Ratings, Inc. ("Fitch"), in each case without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

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

PAYMENT RECORD .... The City has never defaulted on the payment of its tax-supported indebtedness.

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* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended	Estimated City Population [(1)]	Taxable Assessed Valuation[(2)]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt[(3)]	Per Capita G. O. Tax Debt[(3)]	Ratio G.O. Tax Debt to Taxable Assessed Valuation[(3)]	% of Total Tax Collections
2016	30,480	$ 4,539,598,200	$ 148,937	$ 39,165,000	$ 1,285	0.86%	99.72%
2017	31,560	4,852,809,226	153,765	35,850,000	1,136	0.74%	99.40%
2018	31,590	5,101,985,597	161,506	56,460,000	1,787	1.11%	98.93%
2019	31,780	5,575,637,174	175,445	52,780,000	1,661	0.95%	98.92%
2020	31,780	6,213,539,033	195,517	67,180,000 [(4)]	2,114 [(4)]	1.08% [(4)]	99.02% [(5)]

(1) Based on North Central Texas Council of Governments original population estimates.
(2) As reported by the Dallas Central Appraisal District on the City's Annual State Property Tax Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt of the City (see Tables 1 and 10 for a description of the City's self-supporting debt).
(4) Includes the Certificates. Preliminary, subject to change.
(5) Collections as of July 14, 2020.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Beginning Balance	$ 20,076,065	$ 14,330,478	$ 12,888,605	$ 12,716,178	$ 11,339,156
Total Revenue	63,373,294	58,746,821	53,119,304	50,301,754	48,198,308
Total Expenditures	61,532,492	57,554,957	57,471,704	54,480,339	51,096,794
Net Transfers	1,776,224	4,553,723	5,794,273	4,351,012	4,275,508
Ending Balance	$ 23,693,091	$ 20,076,065	$ 14,330,478	$ 12,888,605	$ 12,716,178

For additional information regarding the City, please contact:

Charles S. Cox		W. Boyd London, Jr.
City Manager		Marti Shew
City of Farmers Branch, Texas	or	Hilltop Securities Inc.
City Hall Plaza		1201 Elm Street
13000 William Dodson Parkway		Suite 3500
Farmers Branch, TX 75234		Dallas, Texas 75270
(972) 919-2518		(214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires		Occupation
Robert C. Dye Mayor	2 Years	May 2020	*	Developer
Cristal Retana Councilmember - Place 1	5 Months	May 2022		Management
Bronson Blackson Councilmember - Place 2	2 Years	May 2020	*	Business Owner Brick Company
John Norwood Mayor Pro Tem - Place 3	4 Years	May 2021		College Professor
Terry Lynne Deputy Mayor Pro Tem - Place 4	3 Years	May 2022		Salesman
Mike Bomgardner Deputy Mayor Pro Tem - Place 5	4 Years	May 2021		Business Owner: Sales/Marketing

* Due to COVID 19 concerns the City Council voted to postpone the May 2020 election until November 2020.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Service
Charles S. Cox	City Manager	26 Years
John Land	Deputy City Manager	17 Years
Sherrelle Evans-Jones	Director of Finance	3 Years
Amy Piukana	City Secretary	3 Years
Tom Bryson	Communications Director	20 Years
Hugh Pender	Community Services Director	13 Years
Kevin Muenchow	Fleet & Facilities Management Director	12 Years
Gabriel Vargas	Fire Chief	22 Years
Mike Mashburn	Parks & Recreation Director	1 Year
Tina Firgens	Planning Director	1 Year
David Hale	Police Chief	25 Years
Marc Bentley	Public Works Director	5 Years
Brian Beasley	Human Resources Director	6 Years
Mark Samuels	Innovation & Technology Director	7 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Auditors .... Grant Thornton LLP
Dallas, Texas

Bond Counsel .... Bracewell LLP
Dallas, Texas

Financial Advisor .... Hilltop Securities Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$9,510,000*
CITY OF FARMERS BRANCH, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATIN, SERIES 2020

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $9,510,000* City of Farmers Branch, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of the sale of the Certificates which will authorize the issuance of the Certificates (the “Ordinance”).

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

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and home rule municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1946, and first adopted its Home Rule Charter in 1956. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is three years with the terms of two members expiring every year. The City Manager is the Chief Executive Officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 U.S. Census population for the City was 28,616, while the estimated 2020 population is 31,780. The City covers approximately 12.1 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated as of the Date of Delivery, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the date of delivery of the Certificates to the Initial Purchaser thereof (the “Date of Delivery”), will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2021, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City and are payable from and secured by a combination of (i) the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge, in the amount not to exceed $1,000, of Surplus Revenues of the Waterworks and Sewer System of the City as provided in the Ordinance.

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* Preliminary, subject to change.

Tax Rate Limitation . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a direct and continuing annual ad valorem tax to provide for the operations of the City, including the payment of principal of and interest on all ad valorem tax debt, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all tax-supported debt service, as calculated at the time of issuance and based on a 90% collection rate.

Optional Redemption . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar, or DTC while the Certificates are in Book-Entry-Only form), shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. In the Ordinance, the City reserves the right to give notice of its election or direction to redeem Certificates pursuant to an optional redemption conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificates subject to conditional redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. SUBJECT TO THE RIGHT OF THE CITY TO GIVE A CONDITIONAL NOTICE OF REDEMPTION AS DESCRIBED IN THE IMMEDIATELY PRECEDING PARAGRAPH, NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Certificates is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Certificates is discontinued by the City, printed certificates will be issued to the registered owners of the Certificates, as the case may be, and the Certificates will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance, summarized under "Transfer, Exchange, and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates 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 Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (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 Certificates will be paid to the registered owner at their stated maturity or, with respect to the Certificates, upon prior redemption, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "THE CERTIFICATES - Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered Owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

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

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

DEFEASANCE . . . The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Certificates 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 any other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Certificates to maturity or prior redemption 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 of such Certificates; provided, that under current law, 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, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Certificates 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 of the Certificates. If any of Certificates 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 Certificates of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Certificate Ordinance.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance establishes as “events of default” (i) the failure to make payment of principal of or interest on any of the Certificates when due and payable; (ii) default in the performance of observance of any other covenant, agreement or obligation of the City, which default materially, adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City or (iii) an order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the City any relief under any Applicable Law, or any other court having valid jurisdiction shall issue an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the City of any substantial part of its property, affairs or assets, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days. **Under State law, there is no right to the acceleration of maturity of the Certificates upon an event of default under the Ordinance.** Although a registered owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of or interest on any such Certificates, such judgment could not be satisfied by execution against any property of the City. Such registered owner’s only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City, to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Moreover, there is no assurance that the remedy of mandamus will be available, as discussed in the next following paragraph.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Certificates, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Certificates.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. 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 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 Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that the rights of holders of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

AMENDMENTS TO ORDINANCE . . . The City may, without the consent of or notice to the Owners, from time to time and at any time amend the Ordinance in any manner not detrimental to the interests of the Owners, for the purpose of curing of any ambiguity, inconsistency, manifest error, or formal defect or omission in the Ordinance. In addition, the City may, with the written consent of the Owners of a majority in aggregate principal amount of the Certificates then outstanding, amend, add to or rescind any of the provisions of the Ordinance; provided, that, without the consent of the Owners of all Certificates then outstanding, no such amendment, addition, or rescission shall: (i) extend the time or times of payment of the principal of and interest on the Certificates, (ii) reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of and interest on the Certificates; (iii) give any preference to any Certificates over any other Certificate, or (iv) reduce the aggregate principal amount of Certificates required to be held by Owners for consent to any such amendment, addition or rescission.

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

SOURCES OF FUNDS	
Principal Amount	$ -
Net Premium	
TOTAL SOURCES	$ -
USES OF FUNDS	
Deposit to Project Fund	$ -
Underwriter's Discount	
Cost of Issuance	
TOTAL USES	$ -

TAX INFORMATION

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

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Dallas Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. See Table 1 for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See Table 1 for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "TAX INFORMATION – City and Taxpayer Remedies."

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See Table 1 for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

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

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

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

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See Table 1 for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

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

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "TAX INFORMATION – Tax Increment Financing Zones #1 through #6 herein for descriptions of the TIRZ created in the City.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "TAX INFORMATION – Tax Abatement Policy" for a general description of the City's tax abatement agreements and Table 1 for the reduction in taxable valuation, if any, attributable to tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – City Application of Property Tax Code" herein.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no historical judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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

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

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

LEVY AND COLLECTION OF TAXES . . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.
>
> "unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.
>
> "voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

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

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

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

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

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

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

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

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

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

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

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

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

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

CITY APPLICATION OF PROPERTY TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $80,000; the disabled are also granted an exemption of $60,000.

The City has granted an additional exemption of 20% of the market value of residence homesteads; the minimum exemption that may be granted being $5,000.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax non-business personal property and Dallas County collects taxes for the City.

The City does not permit split payments of taxes, and discounts for early payment of taxes are not allowed.

The City Council approved an exemption for Freeport Property which took effect on January 1, 2004.

The City does tax Goods-in-Transit.

See Table 1 for a listing of the amounts of the exemptions described above.

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

The City has not established a freeze on the taxes on residence homesteads of persons 65 years of age or who are disabled, as may be done on a local option basis.

The City has adopted a tax abatement policy, as described below.

TAX ABATEMENT POLICY . . . The City of Farmers Branch enters into tax abatement agreements with local residents and businesses under Chapter 380 of the Texas Local Government Code. Under this chapter, the City may provide incentives consisting of loans and grants of city funds, use of city personnel, facilities and services with or without charge, for the promotion of economic development.

The City has three categories of economic development agreements:

- Residential Demolition/Rebuild Incentive Program – This program provides property tax abatements to encourage redevelopment of existing housing stock in the City. The program may include a demolition incentive grant up to $30,000 and annual incentive grants (between three and seven years) equal to the difference between the City property taxes assessed and paid for the new improvements (new residential structure excluding the land) for a given tax year and the City property taxes for the residential structure prior to demolition (excluding the land) for the tax year in which the structure was demolished (the "Base Year"). The amounts and number of years the incentive will be paid vary depending on the value of the residential structure and the program in place at the effective date of the agreement. Abatements are obtained through application prior to beginning the improvements and commence when the City issues a certificate of occupancy or certificate of completion for the new residence. The property owner commits to demolition of the existing residence and the construction of a new residence within 24 months of the effective date of the agreement. If construction is not completed as agreed, the City has the option to terminate the agreement and seek reimbursement of the demolition cost reimbursement incentive. No other commitments were made by the City as part of those agreements. For the fiscal year ended September 30, 2019, the City abated property taxes totaling $304,695.05 for 44 properties under this program.

- Economic Development Agreements - The purpose of these agreements is for the promotion of the expansion of existing businesses within the City and the recruitment of new business enterprises to the City. These agreements include repayment provisions should the recipient fail to fully meet its commitments. The names of businesses receiving sales tax rebates are not disclosed as they are made confidential by Texas Tax Code Section 151.027. For fiscal year ended September 30, 2019, the City abated property taxes totaling $340,846.28 under the 5 agreements.

- Tax Increment Financing - The City has adopted three Tax Increment Financing districts (TIFs) under Chapter 311 of the Texas Tax 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. Each district has a base year, and incremental property tax revenues exceeding the base year amount are collected into a CIP or special revenue fund. Additionally, other taxing entities may participate in the TIF districts. Each participating entity's governing body sets the percentage of increment that they will contribute to the TIF fund.

The City Council, upon recommendation of the Council-appointed TIF Board for each district, can enter into economic grant agreements with developers which utilize TIF funds. Unlike other contractual obligations, TIF grants are subject to availability of TIF funds, and any balance owed to a developer at the termination of the TIF district will no longer be considered an obligation of the City.

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 made $3,142,525.04 in payments for TIF obligations, and $1,176,820.67 in property tax rebates from general TIF resources.

PUBLIC IMPROVEMENT DISTRICT . . . Under Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act",) the City authorized the creation of the Mercer Crossing Public Improvement District (the "PID") to impose annual assessments on property owners within the PID (the "Assessments") to pay for certain public improvements (the "Public Improvements"). The PID is composed of approximately 397.6 acres which are being developed as a master-planned mixed-use development known as "Mercer Crossing." The development is expected to include, among other things, single family homes, active adult senior condominiums, townhomes, two hotels, office, retail, commercial, and an amphitheater. Pursuant to a master development agreement and a reimbursement agreement (together, the "Agreements"), the City has agreed to reimburse the Developer for a portion of the costs of the Public Improvements within the PID in a total amount not to exceed $43,247,845, plus accrued interest, from Assessment revenues. Under the terms of the Agreements, the Assessments may be offset in each year by tax increment revenues generated within Tax Increment District Number 1, which includes the PID property. The only obligation of the City under Agreements is the collection and enforcement of the Assessments and the payment of annual Assessment revenues to the Mercer Crossing developer pursuant to the terms of the Agreements. The City has not issued debt to fund its obligations under the Agreements.

The Tax Increment Finance District Number One ("TIF No.1"), Tax Increment District Number Two ("TIF No. 2") and Tax Increment Reinvestment Zone Number Three ("TIRZ No. 3") were created pursuant to the Texas Tax Increment Financing Act, Tax Code Chapter 311, as amended. The purpose of the TIF No. 1 is to promote development in the Mercer Crossing area. The purpose of the TIF No. 2 is to promote development in the Old Farmers Branch area. The purpose of the TIRZ No. 3 is to dedicate certain tax increment revenues to the Mercer Crossing Development and apply these revenues to reduce the PID assessments. The City of Farmers Branch has the operational responsibility for all three of the tax increment financing districts as well as the PID.

TAX INCREMENT FINANCING ZONES . . . The City has established three reinvestment zones ("TIF No. 1", TIF No. 2", and "TIRZ No. 3") for the purpose of tax increment financing of infrastructure. In accordance with State law pertaining to tax increment reinvestment zones, the costs of public infrastructure improvements in the zone are repaid by the contribution of future tax revenues by each taxing unit that levies taxes against the property. The City contributes 35% of the incremental tax revenues generated from the City's ad valorem tax associated with the growth of the tax base in TIF No. 1 and 100% of the incremental tax revenues associated with the growth of the tax base in TIF No. 2 to a special fund to pay costs of infrastructure in the zones. There are $379,067,037 of infrastructure improvements in the TIF No. 1 project plan, including streets, water, sewer, lighting, and landscaping. There are $63,624,662 of infrastructure improvements in the TIF No. 2 project plan, including streets, water and sewer projects. TIF No. 1 terminated on December 31, 2019 and TIF No. 2 is scheduled to terminate on December 31, 2020. The TIF No. 1 increment for Tax Year 2019 is $222,815,196.

For tax years 2017, 2018 and 2019, the City will contribute 1% of the incremental tax revenues generated from the City's ad valorem tax associated with the growth of the tax base in TIRZ No. 3 to a special revenue fund to reduce the PID assessments within the zone. For tax years 2020 through and including 2052, the City will contribute 40% of the incremental tax revenue generated by the City's ad valorem tax associated with the growth of the tax base in TIRZ No. 3 to a special revenue fund to reduce the PID assessments within the zone. There are $134,320,151 of infrastructure improvements in the TIRZ No. 3 project plan and the TIRZ No. 3 increment for Tax Year 2019 is $56,487,207. The TIRZ No. 3 is scheduled to terminate in 2052.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2020/21 Market Valuation Established by Dallas Central Appraisal District		$ 7,595,772,440
Less Exemptions/Reductions at 100% Market Value		
Totally Exempt Parcels	$ 538,647,310	
Homestead	296,709,862	
Freeport	197,935,581	
Over 65	175,514,555	
Capped Value Loss	111,134,815	
Agricultural	10,046,765	
Disabled Persons	7,914,600	
Veteran 100%	4,624,956	
Disabled Veterans	885,500	
Prorated Total Exempt	798,716	
Pollution Control	90,005	
Properties Valued Under $500	40,480	
Mineral Rights	1,400	$ 1,344,344,545
2020/21 Net Taxable Assessed Valuation		$ 6,251,427,895
City Funded Debt Payable From Ad Valorem Taxes (as of 9/1/20)		
Outstanding General Obligation Debt	$ 58,465,000	
The Certificates(1)	9,510,000	
City Funded Debt Payable From Ad Valorem Taxes		$ 67,975,000
Less: Self Supporting Debt		
Taxable Series 2011 General Obligation Refunding Bonds(2)		$ 3,230,000
Series 2018 Combination Tax and Revenue Certificates of Obligaiton(3)		4,285,000
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 60,460,000
General Obligation Interest and Sinking Fund (as of 7/1/20)		$ 3,254,482
Ratio Gross General Obligation Tax Debt to Taxable Assessed Valuation		1.087%
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation		0.967%

2020 Estimated Population - 31,780

Per Capita Taxable Assessed Valuation - $196,709

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $1,902

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(1) Preliminary, subject to change.

(2) This debt consists of General Obligation Refunding Bonds, Taxable Series 2011, which are self-supporting based upon amounts received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P., with respect to the Dallas Stars Ice Skating facility located in the City. Payments under the Lease are not pledged to the payment of the bonds. If the City determines not to use payments under the Lease, or if such amounts are insufficient to pay debt service on the bonds, the City will be required to assess an ad valorem tax to pay such obligations. See "Table 10 – Computation of Self-Supporting Debt'."

(3) Debt service related to the Camelot Landfill project is expected to be self-supported from an increase in royalty revenue from the landfill. See "Table 10 – Computation of Self-Supporting Debt."

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2021		2020		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 2,144,776,600	28.24%	$ 1,969,228,188	26.30%	$ 1,776,936,430	26.16%
Real, Residential, Multi-Family	1,263,119,750	16.63%	1,053,862,590	14.08%	739,090,620	10.88%
Real, Vacant Lots/Tracts	189,314,650	2.49%	272,234,865	3.64%	234,535,830	3.45%
Real, Commercial	2,577,155,050	33.93%	2,795,675,260	37.34%	2,697,663,820	39.72%
Real, Industrial	19,599,930	0.26%	17,071,380	0.23%	16,230,810	0.24%
Real, Oil, Gas and Other Mineral Reserves	1,400	0.00%	1,400	0.00%	1,400	0.00%
Real and Tangible Personal, Utilities	100,293,170	1.32%	100,848,930	1.35%	100,775,320	1.48%
Tangible Personal, Commercial	1,102,563,080	14.52%	1,088,007,270	14.53%	1,052,406,710	15.50%
Tangible Personal, Industrial	185,619,700	2.44%	189,394,870	2.53%	173,918,870	2.56%
Special Inventory	13,329,110	0.18%	-		-	0.00%
Total Appraised Value Before Exemptions	$ 7,595,772,440	100.00%	$ 7,486,324,753	100.00%	$ 6,791,559,810	100.00%
Less: Total Exemptions/Reductions	1,344,344,545		1,272,785,720		1,215,922,636	
Taxable Assessed Value	$ 6,251,427,895		$ 6,213,539,033		$ 5,575,637,174	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2018		2017	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,539,465,050	24.51%	$ 1,395,614,810	23.07%
Real, Residential, Multi-Family	534,056,470	8.50%	458,368,110	7.58%
Real, Vacant Lots/Tracts	176,784,830	2.81%	143,621,570	2.37%
Real, Commercial	2,681,541,630	42.70%	2,648,485,190	43.78%
Real, Industrial	32,224,060	0.51%	31,169,630	0.52%
Real, Oil, Gas and Other Mineral Reserves	1,400	0.00%	1,400	0.00%
Real and Tangible Personal, Utilities	106,363,970	1.69%	100,864,550	1.67%
Tangible Personal, Commercial	1,070,555,300	17.05%	1,078,783,290	17.83%
Tangible Personal, Industrial	139,690,840	2.22%	192,833,620	3.19%
Total Appraised Value Before Exemptions	$ 6,280,683,550	100.00%	$ 6,049,742,170	100.00%
Less: Total Exemptions/Reductions	1,178,697,953		1,196,932,944	
Taxable Assessed Value	$ 5,101,985,597		$ 4,852,809,226	

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	General Obligation (G.O.) Tax Debt[(3)]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation[(3)]	G.O. Tax Debt Per Capita[(3)]
2016	30,480	$ 4,539,598,200	$ 148,937	$ 39,165,000	0.86%	$ 1,285
2017	31,560	4,852,809,226	153,765	35,850,000	0.74%	1,136
2018	31,590	5,101,985,597	161,506	56,460,000	1.11%	1,787
2019	31,780	5,575,637,174	175,445	52,780,000	0.95%	1,661
2020	31,780	6,213,539,033	195,517	67,180,000 [(4)]	1.08% [(4)]	2,114 [(4)]

(1) Based on North Central Texas Council of Governments original population estimates.
(2) As reported by the Dallas Central Appraisal District on the City's Annual State Property Tax Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt of the City (see Tables 1 and 10 for a description of the City's self-supporting debt).
(4) Includes the Certificates. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2016	$ 0.6023	$ 0.5139	$ 0.0884	$ 26,975,866	99.05%	99.75%
2017	0.6023	0.5153	0.0870	28,657,309	99.00%	99.53%
2018	0.6023	0.5177	0.0846	30,384,626	100.05%	99.46%
2019	0.6023	0.5177	0.0846	33,426,335	98.92%	98.92%
2020	0.5995	0.5273	0.0722	37,250,601	99.02% [(1)]	99.02% [(1)]

(1) Collections as of July 14, 2020.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	FYE 2019/20 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Southern Glazers Wine and Spirits	Spirit and Wine Distribution Warehouse	$123,785,030	1.99%
EOS Properties at Providence Towers	Office Tower - Class A	91,595,000	1.47%
Garden Centura LP	Office Tower - Class A	84,900,000	1.37%
5005 LBJ Tower LLC	Office Tower - Class A	76,706,270	1.23%
GPIF International Plaza III LLC	Office Tower - Class A	62,450,000	1.01%
EPC Bric LLc	Apartments	58,500,000	0.94%
Jefferson Mercer Crossing LP	Apartments	57,641,460	0.93%
Dallas International Parkway	Office Tower - Class A	55,428,000	0.89%
Galleria TX Partners LLC	Apartments	55,250,000	0.89%
Royal TX Partners LLC	Apartments	53,500,000	0.86%
		$719,755,760	11.58%

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE CERTIFICATES - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY [(1)]

2020 Net Principal and Interest Requirements	$	4,350,485
$0.0705 Tax Rate at 99% Collection Produces	$	4,350,806
Average Annual Net Principal and Interest Requirements, 2020-2040	$	3,928,212
$0.0581 Tax Rate at 99% Collection Produces	$	3,929,960
Maximum Annual Net Principal and Interest Requirements, 2023	$	5,203,159
$0.0759 Tax Rate at 99% Collection Produces	$	5,204,876

(1) Includes the Certificates; excludes self-supporting debt. See "Table 10 – Computation of Self-Supporting Debt" for a discussion of the City's self-supporting debt. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT [(1)]

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

Taxing Jurisdiction	2019/20 Taxable Assessed Value	2019/20 Tax Rate	G.O. Tax Debt as of 12/1/19	Estimated % Applicable	City's Overlapping G.O. Tax Debt as of 12/1/19
Direct:					
City of Farmers Branch	$ 6,213,539,033	$ 0.5995	$ 60,460,000 [(1)]	100.00%	$ 60,460,000
Overlapping:					
Carrollton-Farmers Branch ISD	22,866,144,540	$ 1.2680	230,980,000	15.38%	35,524,724
Dallas County	261,927,801,917	0.2430	151,495,000	2.15%	3,257,143
Dallas County Comm College District	269,683,889,444	0.1240	182,800,000	2.15%	3,930,200
Dallas County Hospital District	262,400,022,695	0.2700	640,180,000	2.15%	13,763,870
Dallas County Schools	261,927,801,917	0.0100	37,306,896	2.15%	802,098
Dallas Independent School District	128,350,910,821	1.3100	2,676,385,000	1.85%	49,513,123
Valwood Improvement Authority	2,493,645,431	0.1800	8,480,000	38.44%	3,259,712
Total			$ 3,988,086,896		$ 170,510,869

Total Direct and Overlapping G. O. Tax Debt	$ 170,510,869
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation	2.74%
Per Capita Direct and Overlapping G. O. Tax Debt	$ 5,365

(1) Excludes self-supporting debt. Includes the Certificates. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt[(1)]			The Certificates[(2)]			Total Outstanding Debt	Less: Self-Supporting Debt[(3)]	Net Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
2020	$ 4,120,000	$ 2,014,001	$ 6,134,001	$ -	$ -	$ -	$ 6,134,001	$ 1,783,517	$ 4,350,485	
2021	4,300,000	2,010,088	6,310,088	90,000	209,142	299,142	6,609,229	1,787,981	4,821,248	
2022	4,630,000	1,818,833	6,448,833	140,000	248,850	388,850	6,837,683	1,783,270	5,054,413	
2023	4,835,000	1,612,945	6,447,945	295,000	244,500	539,500	6,987,445	1,784,286	5,203,159	
2024	3,550,000	1,433,506	4,983,506	410,000	235,400	645,400	5,628,906	601,146	5,027,760	31.37%
2025	3,260,000	1,302,350	4,562,350	420,000	222,950	642,950	5,205,300	599,900	4,605,400	
2026	3,385,000	1,179,500	4,564,500	435,000	210,125	645,125	5,209,625	601,800	4,607,825	
2027	2,895,000	1,064,250	3,959,250	450,000	194,600	644,600	4,603,850	-	4,603,850	
2028	3,000,000	958,034	3,958,034	470,000	176,200	646,200	4,604,234	-	4,604,234	
2029	3,110,000	847,944	3,957,944	485,000	157,100	642,100	4,600,044	-	4,600,044	56.49%
2030	3,235,000	733,256	3,968,256	505,000	139,825	644,825	4,613,081	-	4,613,081	
2031	2,980,000	624,328	3,604,328	520,000	124,450	644,450	4,248,778	-	4,248,778	
2032	3,090,000	519,881	3,609,881	535,000	108,625	643,625	4,253,506	-	4,253,506	
2033	3,190,000	417,569	3,607,569	550,000	92,350	642,350	4,249,919	-	4,249,919	
2034	2,845,000	325,200	3,170,200	565,000	78,450	643,450	3,813,650	-	3,813,650	81.76%
2035	2,160,000	249,956	2,409,956	575,000	67,050	642,050	3,052,006	-	3,052,006	
2036	2,225,000	184,759	2,409,759	590,000	55,400	645,400	3,055,159	-	3,055,159	
2037	2,130,000	116,259	2,246,259	600,000	43,500	643,500	2,889,759	-	2,889,759	
2038	2,195,000	49,150	2,244,150	615,000	31,350	646,350	2,890,500	-	2,890,500	97.31%
2039	655,000	7,369	662,369	625,000	18,950	643,950	1,306,319	-	1,306,319	
2040	-	-	-	635,000	6,350	641,350	641,350	-	641,350	100.00%
	$ 61,790,000	$ 17,469,180	$ 79,259,180	$ 9,510,000	$ 2,665,167	$ 12,175,167	$ 91,434,346	$ 8,941,900	$ 82,492,446	

(1) "Outstanding Debt" does not include lease/purchase obligations.
(2) Average life of the Certificates - 11.430 years. Interest calculated at an average rate for purposes of illustration. Preliminary, subject to change.
(3) See “Table 10 – Computation of Self-Supporting Debt” for a discussion of the City’s self-supporting debt

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION[1]

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-20		$ 4,350,485
Interest and Sinking Fund, 9-30-19	$ 2,792,586	
Budgeted Interest and Sinking Fund Tax Levy	4,266,100	
Budgeted Penalty and Interest	20,000	7,078,686
Estimated Balance, 9-30-20		$ 2,728,201

(1) Excludes the self-supporting debt.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

Fiscal Year 2019 Stars Center Revenues[1]	$ 600,000
Less: Requirements for the Taxable Series 2011 Bonds	604,017
Balance Available for Other Purposes	$ (4,017)
Fiscal Year 2019 Landfill Revenues[2]	$ 1,181,000
Less: Requirements for the Series 2018 Certificates of Obligation	1,179,500
	$ 1,500

(1) The General Obligation Refunding Bonds, Taxable Series 2011 refunded the Combination Tax and Revenue Certificates of Obligation, Taxable Series 2004 which were self-supporting general obligation debt based upon amounts received under the terms of a Ground Lease Agreement (the "Lease") between the City and the lessee, the Dallas Stars L.P. (the "Dallas Stars"), which Lease relates to the community-style recreational ice-skating and conference facility financed in part with the proceeds of the Series 2004 Taxable Certificates. The obligation of the Dallas Stars to make lease payments to the City to support the payment of the bonds is dependent on the satisfaction of certain ongoing requirements in the Lease. The City currently transfers Lease payments to the debt service fund to pay debt service on the bonds and anticipates it will continue to do so. If the City discontinues such transfers, the City will be required to assess an ad valorem tax for the payment of the Taxable Series 2011 Bonds.

(2) Debt service related to the Camelot Landfill project is expected to be self-supported from an increase in royalty revenue from the landfill.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

As of July 15, 2020, the City has no authorized but unissued general obligation debt.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of additional ad valorem tax debt in the next 12 months.

TABLE 12 - OTHER OBLIGATIONS

The City has no unfunded debt outstanding as of September 1, 2020.

PENSION PLAN . . . The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. In addition, the report is available on TMRS' website 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 actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 200% of the employee's accumulated contributions. Beginning in 1996 the City granted, on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically computing the member's account balance by assuming that the current member deposit rate of 7% and City matching ratio of 2 to 1 has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the 2 to 1 City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Additionally initiated in 1996, the City provides, on an annually repeating basis, increases for retirees equal to 70% of the change in the Consumer Price Index (CPI)Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years.

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

Inactive employees or beneficiaries currently receiving benefits	332
Inactive employees entitled to but not yet receiving benefits	353
Active employees	398
Total	1083

Contributions - The contribution rate for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) 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 of Farmers Branch were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Farmers Branch were 18.73% and 18.62% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were $5,512,290.

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

Actuarial assumptions:

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

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

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

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

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate - The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2017	$ 256,692,932	$ 235,487,155	$ 21,205,777
Changes for the year:			
Service cost	4,866,475	-	4,866,475
Interest	17,101,046	-	17,101,046
Change of benefit terms	-	-	-
Difference between expected and actual experience	876,127	-	876,127
Changes of assumption	-	-	-
Contributions - employer	-	5,312,253	(5,312,253)
Contributions - employee	-	2,000,313	(2,000,313)
Net investment income	-	(7,051,348)	7,051,348
Benefit payments, including refunds of employee contributions	(11,554,676)	(11,554,676)	-
Administrative expense	-	(136,330)	136,330
Other changes	-	(7,123)	7,123
Net changes	11,288,972	(11,436,911)	22,725,883
Balance at 12/31/2018	$ 267,981,904	$ 224,050,244	$ 43,931,660

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 80,522,240	$ 43,931,660	$ 13,859,445

Pension plan fiduciary net position:

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended September 30, 2019, the City recognized pension expense of $9,563,069.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 4,134,967	$ -
Difference between projected and actual investment earnings	12,174,231	-
Changes in actuarial assumptions	18,260	-
Differences between expected and actual economic experience	1,461,465	-
Total	$ 17,788,923	$ -

The amount of $6,438,022 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows (inflows) of resources related to pension will be recognized in pension expense as follows:

Year ended September 30:	
2019	$ 5,116,953
2020	2,150,686
2021	1,796,970
2022	4,589,347
2023	-
Thereafter	-
Total	$ 13,653,956

OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The City administers a single-employer defined benefit OPEB plan, the "Retiree Health Plan". The plan provides OPEB through the City's group health insurance plan, which covers both active and retired members (see funding policy below). Contributions are established through City policy as approved by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Retiree Health Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007;
- Must have worked for the City for at least ten years, which do not need to be concurrent;
- Must meet the eligibility requirements of the Texas Municipal Retirement System (TMRS) and retire from the City; and,
- Must be on the City's health plan at the time of retirement, and for dependents to be carried on the health plan, they must be on the plan at that time.

Benefits Provided - The City contributes $575 per month toward the cost of a health reimbursement account (HRA) administered through CONEXIS, plus an annual lump sum funding of $500 to the HRA, and the full premium for life insurance coverage of $12,000. The City's contribution for future health insurance premiums is capped at a maximum of $575 per month. As an alternative, to the HRA, retirees may be provided an age-adjusted high deductible health insurance plan with no contribution from the City.

Plan members receiving benefits contribute the full group premium for dental or vision plans selected. They also pay the full premium for age- adjusted life insurance coverage if they choose coverage after they turn 65.

Employees Covered by Benefit Terms – At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	69
Inactive, nonretired members	0
Active employees	150
Total	219

The City's retiree healthcare benefit is only provided to employees who were hired prior to January 1, 2007.

Total OPEB Liability

The City's total OPEB liability of $4,969,325 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2018. Update procedures were used to roll forward the total liability to December 31, 2018.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods including in the measurement, unless otherwise specified:

Actuarial cost method	Individual Entry-Age Normal
Discount rate	3.71% as of December 31, 2018
Inflation rate	2.50%
Salary increases	3.50% to 10.50%, including inflation
Demographic assumptions	Based on the experience study covering the four year period ending December 31, 2014 as conducted for the TMRS. For the OPEB valuation, the standard TMRS retirement rates were adjusted to reflect the impact of the City's retiree medical plan design.
Mortality	For helathy retirees, the gender-distinct RP2000 Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully gnerational basis by scale BB to account for future mortality .
Health care trend rates:	N/A. The City's subsidy is a fixed dollar contribution to a retiree health care account. It was assumed that 90% of retirees who are eligible for a retiree medical subsidy will chose to participate. It was assumed that 100% of eligible retirees (hired prior to 1/1/2007) would receive the lif insurance benefit.

The discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate was 3.81% as of the prior measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	$ 5,409,651
Changes for the year:	
Service cost	112,523
Interest	173,090
Changes of benefit terms	-
Differnece between expected an actual experience	(142,849)
Changes of assumptions	(109,852)
Benefit payments	(473,238)
Net changes	(440,326)
Balance at 12/31/2018	$ 4,969,325

There were no changes in benefit terms during the year.

Changes of assumptions reflect a change in the discount rate from 3.31% as of January 1, 2018 to 3.71% as of December 31, 2018.

Sensitivity of the Total OPEB Liability to the Discount Rate Assumption – Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.71%, as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease 2.71%	Discount rate 3.71%	1% Increase 4.71%
Total OPEB Liability	$ 5,246,970	$ 4,969,325	$ 4,704,324

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption – Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	$ 4,969,325	$ 4,969,325	$ 4,969,325

Note: The City's retiree medical benefit is a set dollar amount that is not impacted by future medical trends.

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

For the year ended September 30, 2019, the City of Farmers Branch recognized OPEB expense of $264,414. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 369,325	$ -
Changes in assumptions	97,577	89,580
Differences between expected and actual experience	10,380	116,488
Total	$ 477,282	$ 206,068

The amount of $369,325 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	
2020	$ (21,199)
2021	(21,199)
2022	(21,199)
2023	(21,199)
2024	(13,315)
Thereafter	-
Total	$ (98,111)

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FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET ASSETS

	Governmental Activities 2019	Governmental Activities 2018	Governmental Activities 2017	Governmental Activities 2016	Governmental Activities 2015[(1)]
REVENUES:					
Program Revenues:					
Charges for services	$ 16,947,249	$ 14,497,565	$ 10,968,502	$ 10,129,251	$ 10,075,529
Operating grants and contributions	516,444	719,367	600,602	349,473	335,647
Capital grants and contributions	10,004,978	6,471,947	560,197	253,844	401,271
General Revenues:					
Taxes					
Property taxes, levied for general purposes	27,431,177	25,617,820	24,509,410	22,191,443	20,727,595
Property taxes, levied for debt service	4,584,944	4,309,918	4,291,764	3,926,612	3,903,953
Sales and use taxes	17,410,323	14,618,441	13,936,336	13,639,841	13,363,544
Hotel/motel taxes	3,115,374	2,849,666	2,892,655	2,959,667	2,728,631
Franchise taxes	4,150,775	4,248,862	4,224,063	4,314,745	4,429,370
Tax increment financing	7,351,606	4,934,111	3,484,012	2,183,186	1,350,636
Investment income	2,935,658	1,787,154	1,447,475	1,664,659	1,591,991
Miscellaneous	35,918	17,136	59,927	-	124,938
Total Revenues	$ 94,484,446	$ 80,071,987	$ 66,974,943	$ 61,612,721	$ 59,033,105
EXPENSES:					
General government	19,575,431	16,174,829	16,573,789	14,578,536	12,623,901
Public safety	29,155,722	25,966,603	26,982,151	25,223,791	22,025,873
Public works	13,841,348	12,433,845	304,447	9,262,380	9,414,374
Culture and recreation	15,349,830	13,864,483	14,415,728	14,084,036	12,588,417
Interest on long-term debt	3,474,315	2,812,608	2,217,026	2,359,900	2,344,088
Unallocated depreciation	246,659	272,867	277,305	273,962	126,464
Total Expenditures	$ 81,643,305	$ 71,525,235	$ 60,770,446	$ 65,782,605	$ 59,123,117
Increase (decrease) in net position before transfers	$ 12,841,141	$ 8,546,752	$ 6,204,497	$ (4,169,884)	$ (90,012)
Transfers	2,270,926	4,227,900	3,616,184	4,174,000	3,469,420
Increase (decrease) in net position	$ 15,112,067	$ 12,774,652	$ 9,820,681	$ 4,116	$ 3,379,408
Beginning net position	93,253,913	83,355,940	73,535,259	73,531,143	85,789,895
Restatement of beginning net position	-	(2,876,679)	-	-	(15,638,160)
Net position-beginning, as restated	93,253,913	80,479,261	73,535,259	73,531,143	70,151,735
Ending net position	$ 108,365,980	$ 93,253,913	$ 83,355,940	$ 73,535,259	$ 73,531,143

(1) Restated with implementation of GASB Statement 68 and 71.

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TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
Revenues:					
Property, Sales and Franchise Taxes	$ 48,874,564	$ 44,470,529	$ 42,287,059	$ 40,260,831	$ 38,333,869
Licenses and Permits	3,712,038	5,016,007	2,024,453	1,427,801	1,680,095
Charges for Services	7,528,129	6,257,776	5,487,380	5,407,761	5,001,160
Fine and Forfeitures	1,969,185	1,821,404	2,253,046	2,255,213	2,200,215
Investment Income	1,198,165	811,617	677,892	733,970	707,195
Intergovernmental	-	250,000	150,000	150,000	200,000
Miscellaneous	91,213	119,488	239,474	66,178	75,774
Total Revenues	$ 63,373,294	$ 58,746,821	$ 53,119,304	$ 50,301,754	$ 48,198,308
Expenditures:					
Current:					
General Government	$ 14,796,687	$ 13,176,510	$ 14,056,036	$ 13,259,030	$ 12,197,959
Public Safety	25,706,131	24,612,190	24,668,699	23,309,501	22,351,409
Public Works	9,183,961	8,609,423	7,624,993	6,898,308	6,473,060
Culture and Recreation	11,845,713	11,156,834	11,121,976	11,013,500	10,074,366
Total Expenditures	$ 61,532,492	$ 57,554,957	$ 57,471,704	$ 54,480,339	$ 51,096,794
Deficiency of Revenues Under Expenditures	$ 1,840,802	$ 1,191,864	$ (4,352,400)	$ (4,178,585)	$ (2,898,486)
Other Financing Sources (Uses):					
Transfers In	$ 4,714,300	$ 5,203,200	$ 6,604,107	$ 5,748,574	$ 4,780,744
Transfers Out	(3,066,200)	(1,820,000)	(1,125,000)	(1,485,000)	(1,115,000)
Sale of Capital Assets/Insurance Recoveries	128,124	1,170,523	315,166	87,438	609,764
Total Other Financing Sources (Uses)	$ 1,776,224	$ 4,553,723	$ 5,794,273	$ 4,351,012	$ 4,275,508
Net Change in Fund Balance	$ 3,617,026	$ 5,745,587	$ 1,441,873	$ 172,427	$ 1,377,022
Fund Balances, Beginning of Year	$ 20,076,065	$ 14,330,478	$ 12,888,605	$ 12,716,178	$ 11,339,156
Fund Balances, End of Year	$ 23,693,091	$ 20,076,065	$ 14,330,478	$ 12,888,605	$ 12,716,178

TABLE 14 - MUNICIPAL SALES TAX HISTORY [(1)]

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City (which, combined with sales taxes levied by other governmental entities, total 8.25%); the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2016	$ 13,639,841	49.89%	$ 0.3005	$ 447.50
2017	13,936,336	47.68%	0.2872	441.58
2018	14,618,441	47.57%	0.2865	462.76
2019	17,410,323	52.09%	0.3123	547.84
2020	10,240,988 [(1)]	27.49%	0.1648	322.25

(1) Collections as of June 30, 2020, which represents a 45 day lag.

Financial Policies

Basis of Presentation . . . While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

The fund financial statements provide information about the City's funds, including its blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The *street improvement bond fund* is used to provide funds for permanent public improvements, to wit: engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the City, including streetscape improvements, public utility improvements, storm drainage facilities, and the acquisition of land therefor.

The *Fire Station #2 / Landfill Bond Fund* is used for the construction and relocation of Fire Station #2 and to construct a new scale house and maintenance facility at Camelot Landfill.

The City reports the following major proprietary funds:

The *water and sewer fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The *stormwater utility fund* is used to account for the City's drainage management program.

The City reports the following internal service funds:

The *internal service funds* are used to account for facilities and fleet management services and the City's workers' compensation and medical self-insurance programs for the departments of the City on a cost reimbursement basis.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Measurement Focus and Basis of Accounting . . . The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of long-term debt is reported as an other financing source.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when the government receives cash.

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

Fund Balance/Operating Position Concepts . . . In the General Fund, the City will strive to maintain an unassigned fund balance to be used for unanticipated emergencies within a target range of approximately 15% (low end) and 20% (high-end) of the actual GAAP basis expenditures and other financing sources and uses. A net current assets balance of $2.0 million is targeted for the Water & Sewer Fund. "Net current assets" is an amount derived by subtracting current liabilities from current assets. This amount is the best approximation in an enterprise type fund of spendable resources, which are available for appropriation. These monies will be used to avoid cash-flow interruptions, generate interest income, reduce the need for short-term borrowing, and assist in maintaining an investment-grade rating. Each fund may borrow internally from other funds to provide for cash flow requirements. These loans will be on a short-term basis. Funds of the City will not be operated on a deficit basis.

Debt Service . . . The City's goal for debt service is to limit general obligation annual debt service requirements to 20 percent of general governmental expenditures.

Use of Bond Proceeds, Grants, etc . . . Long-term debt shall not be used for operating purposes. The life of bonds shall not exceed the useful life of the projects.

Budgetary Procedures . . . The City Council follow these procedures in establishing the budgets reflected in the general purpose financial statements:

1. By August 1 of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.

2. Public hearings are conducted, at which time all interested persons' comments concerning the budget are heard.

3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.

4. After adoption by City Council, a budget may be amended by ordinance any time during the fiscal year to account for unusual or unforeseen conditions that occurred subsequent to the original budget adoption. The budget ordinance gives specific authority to the City Manager to: a) transfer unencumbered appropriations from one account classification to another account classification within the same department, b) transfer appropriations from designated appropriations from one department or activity to another department or activity within the same fund, and c) transfer appropriations within a department, and d) to make transfers from the General Fund and all other Funds of unexpended appropriations and excess revenues for the previous fiscal year.

5. Annual operating budgets are prepared on a budgetary basis of accounting for all governmental funds, whereby year-end encumbrances are recognized as expenditures in the current year.

6. Budgetary data for the Capital Projects Funds are not presented in the City's combined financial statements, as such funds are budgeted over the life of the respective project and not on an annual basis.

7. Budgeted amounts are as amended by the City Council. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

INVESTMENTS

The City may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

AUTHORIZED INVESTMENTS

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City 's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City , held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service, if the City Council authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by ordinance, order or resolution.

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

INVESTMENT POLICIES

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each 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 State 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.

ADDITIONAL PROVISIONS

Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the treasurer, chief financial officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 15 - CURRENT INVESTMENTS

As of June 30, 2020, the City's investable funds were invested in the following categories:

Description	% of Portfolio	Purchase Price	Market Value
Federal Farm Credit Bank	7.80%	$ 6,537,240	$ 6,584,539
US Treasury Bill	4.75%	4,021,406	4,012,345
Federal Home Loan Bank Notes	16.10%	12,496,370	13,597,413
Municipal Obligations	63.67%	53,575,235	53,776,362
TexPool	7.69%	6,491,642	6,491,642
	100.00%	$ 83,121,893	$ 84,462,301

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

TAX EXEMPTION . . . In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific preference item for purposes of the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Certificates from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations are includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM . . . The issue price of all or a portion of the Certificates may exceed the stated redemption price payable at maturity of such Certificates. Such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Certificate in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Certificate in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Certificate by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of premium on a Premium Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Premium Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Certificate and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Certificates.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT CERTIFICATES . . . The issue price of all or a portion of the Certificates may be less than the stated redemption price payable at maturity of such Certificates (the "Original Issue Discount Certificates"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate constitutes original issue discount with respect to such Original Issue Discount Certificate in the hands of any owner who has purchased such Original Issue Discount Certificate in the initial public offering of the Certificates. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Certificate continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Certificates under the captions TAX MATTERS – Tax Exemption," "TAX MATTERS - Additional Federal Income Tax Considerations - Collateral Tax Consequences" and "TAX MATTERS - Tax Legislative Changes" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Initial Purchaser has purchased the Certificates for contemporaneous sale to the public and (ii) all of the Original Issue Discount Certificates have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Certificate accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

TAX LEGISLATIVE CHANGES . . . Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "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 certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 (the "Annual Operating Report"). The City will update and provide the Annual Operating Report within six months after the end of each fiscal year ending in and after 2020. The City will additionally provide audited financial statements of the City (the "Financial Statements") and such Financial Statements will be provided when and if available, but in any event within 12 months after the end of each fiscal year ending in or after 2020. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such Financial Statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The 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 for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) 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.

Certain Event Notices . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Certificates: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Certificates, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. 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, (A) any event described in the immediately preceding clause (12) 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 of business of the City, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines "Financial Obligation" as (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 defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information . . . All information and documentation filings required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at www.emma.msrb.org.

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Certificates and the presently outstanding tax-supported debt of the City are rated “AA+” by S&P and “AA+” by Fitch, without regard to credit enhancement. 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 any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by any rating company, may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law. See “TAX MATTERS” herein. The form of Bond Counsel’s opinion is attached hereto as Appendix C. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement or Notice of Sale, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement 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 Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

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.

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of _______________________ (the "Initial Purchaser") to purchase the Certificates at the prices shown on page 2 of the Official Statement. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

FINANCIAL ADVISOR

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

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

INFECTIONS DISEASE OUTBREAK – COVID 19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration he has subsequently extended. In addition, certain local officials, including the County Judge of Tarrant County, previously declared a local state of disaster. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. Executive Order GA-28, which was issued on June 26, 2020 and remains in effect until modified, amended, rescinded or superseded by the Governor, requires every business establishment in Texas to operate at no more than 50 percent of total occupancy, with certain exceptions for designated businesses; provided that people may not visit bars or use commercial rafting services. On July 2, 2020, the Governor issued GA-29 requiring persons to wear face coverings when inside a commercial entity or other building or space open to the public, or when in an outdoor public space with certain exceptions. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/.

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

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the City. The Certificates are secured by an ad valorem tax, levied within the limits prescribed by law, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates as well as the City's share of operations and maintenance expenses payable from ad valorem taxes. See "Tax Rate, Levy and Collection History."

CERTIFICATION OF THE OFFICIAL STATEMENT

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

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

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

____
Mayor
City of Farmers Branch, Texas

ATTEST:

____
City Secretary

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

The City of Farmers Branch (the "City") is conveniently located on Dallas' northern border, in the heart of an 11-county area that has emerged as a premier commercial, financial and trading center. This favorable business climate is driven by the City's location, as it is bordered by two major interstate highways and the Dallas North Tollway, and is minutes from the Dallas/Fort Worth International Airport, Dallas Love Field, and downtown Dallas. The City's broadly diversified economic base supports home furnishings, financial, high-tech, insurance, and telecommunications industries and includes many of the nation's foremost businesses. Some of the reasons that these enterprises chose the City as a local or regional business center include: the City's strategic Southwest location, convenience to local and worldwide transportation, low municipal tax rate, abundant labor, educational and cultural resources, and overall quality of life.

Three creeks traverse the City and there are more than 20 parks filled with picnic areas, bridges, playgrounds, walking areas and natural surroundings dependent upon where a family resides. Farmers Branch has preserved history in its 22-acre Historical Park which takes visitors on a "walk back through time" to the days of the early settlers in the 1800s. The Historical Park is also the site for many of the City's special events and may be reserved for weddings, parties, family reunions or other special gatherings.

EDUCATION

Education for the school age children in Farmers Branch is provided by two different school districts dependent upon where the family resides. The City is served by the Carrollton-Farmers Branch and Dallas Independent School Districts. The majority of the City's residents are part of the Carrollton-Farmers Branch Independent School District, which encompasses a 53.42 square mile area and provides a quality educational system that believes in the importance of a strong community-school relationship. This belief combined with a strong financial base makes the Carrollton-Farmers Branch Independent School District a star attraction in the Dallas-Fort Worth Metroplex. The District created the R.L. Turner High School Academies for Biomedical Professions and Media Arts & Technology to serve growing demand for these professions.

Nine major Texas universities and colleges are located within easy driving distance of Farmers Branch. They include Brookhaven Community College, the University of Dallas, Texas Christian University, Texas Woman's University, Southern Methodist University, the University of North Texas, the University of Texas at Arlington, the University of Texas Southwest Medical Center, and the University of Texas at Dallas.

EMPLOYMENT

Unemployment figures in Farmers Branch are as follows:

	Annual Averages				
	2020[(1)]	2019	2018	2017	2016
Civilian Labor Force	21,529	21,777	21,284	19,668	18,465
Total Employed	19,986	21,087	20,589	18,963	17,775
Total Unemployed	1,544	690	695	705	690
Unemployment Rate	7.2%	3.2%	3.3%	3.6%	3.7%

(1) As of June 2020.
Source: Texas Workforce Commission.

BUILDING PERMIT VALUES

	Residential		Commercial		Total	
Fiscal Year	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
2015	241	$ 8,037,853	296	$ 172,501,817	537	$ 180,539,670
2016	118	3,756,332	157	20,654,169	275	24,410,501
2017	278	14,507,550	455	143,144,011	733	157,651,561
2018	262	41,494,186	395	346,289,627	657	387,783,813
2019	343	42,200,610	309	236,501,149	652	278,701,759

(1) Due to a change in law during the recent legislative session, the City is no longer allowed to ask for value on residential permits. The 2019 fiscal year number do not represent a full year because the change took effect in late May/early June 2019. There will be no residential value going forward.

APPENDIX B

EXCERPTS FROM THE

CITY OF FARMERS BRANCH, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

The information contained in this Appendix consists of excerpts from the City of Farmers Branch, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2019, 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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GRANT THORNTON LLP
1717 MAIN STREET, SUITE 1800
DALLAS, TX 75201-4667

T 214.561.2300
F 214.561.2370

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor, City Council and City Manager
The City of Farmers Branch, Texas

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

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

Auditor's responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 City'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 City'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, each major fund, and the aggregate remaining fund information of the City of Farmers Branch, Texas as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton

Other matters

Required supplementary information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Required Supplementary Information on pages 49 through 51 (Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Retiree Health Plan Schedule of Changes in Total OPEB Liability and Related Ratios) be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.

Supplementary 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 combined and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information
The introductory section, statistical section, and continuing financial disclosure are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Grant Thornton LLP

Dallas, Texas
January 21, 2020

As management of the City of Farmers Branch (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The City's total combined net position as presented on the Government-wide Statement of Net Position was $178,101,250, which represents an increase of $25,225,621. This was primarily due to the impact of the Mercer Crossing planned development on the City's west side.

- At the close of the fiscal year ended September 30, 2019, the City's governmental funds reported combined ending fund balances of $54,350,464, a decrease of $2,842,698 in comparison with the prior year. The decrease in total fund balance was primarily due to the use of bond proceeds from debt issued during previous fiscal years for construction projects.

- The unassigned fund balance for the general fund was $17,828,976 or 30 percent of total general fund expenditures plus other financing sources and uses. This represents an increase of $3,407,037 from the prior fiscal year.

- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was $20,955,200, or approximately 34 percent of total general fund expenditures.

- The City's long-term liabilities increased $16,400,289 during the current fiscal year primarily due to an increase in the net pension liability. The accounting standards for pensions will reflect more volatility in the amount of the liability from year to year. The pension system reported that their investment portfolio net income was most significantly affected by unrealized losses in the domestic and international equities asset classes.

OVERVIEW OF THE FINANCIAL STATEMENTS

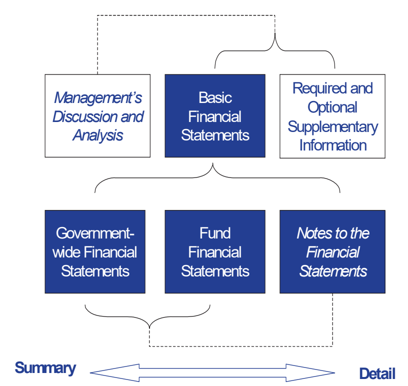
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This 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 a private-sector business.

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

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

Required Components of City of Farmers Branch's Annual Financial Report



Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer and stormwater utilities.

The government-wide financial statements can be found in Exhibit A of this report.

Fund Financial Statements - A fund is a grouping of related accounts 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 two categories - governmental funds and proprietary 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 current sources and uses 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 financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains 24 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, the street improvement bond fund, and the Fire Station #2/landfill bond fund, which are considered major funds. Data from the other 21 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibit B of this report.

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 sanitary sewer utility and stormwater utility. 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 facilities and fleet management, workers' compensation, and health claims funds. Because these services predominantly benefit governmental 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 water and sewer fund and stormwater utility fund are considered major funds of the City. All 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 in Exhibit C of this report.

Notes to Basic 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 basic financial statements can be found in Exhibit D of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits (OPEB) to its employees. Required supplementary information can be found in Exhibit E of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information on the pensions and OPEB. Combining and individual statements and schedules can be found in Exhibit F through Exhibit H of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position, the amount that assets and deferred outflows of resources exceeded liabilities, was $178,101,250 at the close of the most recent fiscal year.

CONDENSED NET POSITION

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 71,052,826	$ 68,978,034	$ 22,234,405	$ 17,798,063	$ 93,287,231	$ 86,776,097
Capital assets	158,191,542	142,783,851	51,298,312	44,621,547	209,489,854	187,405,398
Total assets	229,244,368	211,761,885	73,532,717	62,419,610	302,777,085	274,181,495
Total deferred outflows of resources	17,436,446	5,273,396	919,100	292,539	18,355,546	5,565,935
Noncurrent liabilities	114,437,279	99,105,145	2,851,965	1,783,810	117,289,244	100,888,955
Other liabilities	23,690,034	19,117,823	1,846,035	1,019,121	25,536,069	20,136,944
Total liabilities	138,127,313	118,222,968	4,698,000	2,802,931	142,825,313	121,025,899
Total deferred inflows of resources	187,521	5,558,400	18,547	287,502	206,068	5,845,902
Net position:						
Net investment in capital assets	120,256,477	111,614,735	50,795,139	44,369,653	171,051,616	155,984,388
Restricted	8,793,762	5,004,542			8,793,762	5,004,542
Unrestricted	(20,684,259)	(23,365,364)	18,940,131	15,252,063	(1,744,128)	(8,113,301)
Total net position	$ 108,365,980	$ 93,253,913	$ 69,735,270	$ 59,621,716	$ 178,101,250	$ 152,875,629

The largest portion of the City's combined net position in the amount of $171,051,616 reflects its investments in capital assets (e.g., land, buildings, equipment, intangible assets, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service 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 themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position in the amount of $8,793,762 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of $1,744,128 . Please refer to page 28 of the Notes to the Financial Statements for the City's plan to reduce this deficit.

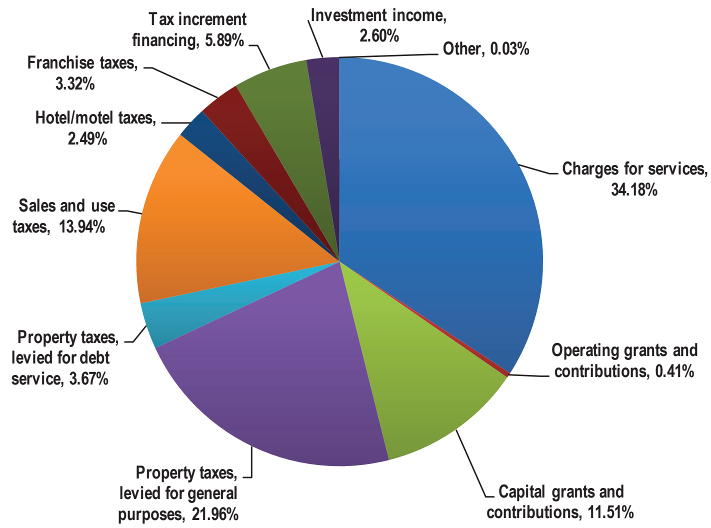
The unrestricted net position of the business-type activities is a positive balance of $18,940,131; however, these resources cannot be used to make up a portion of the deficit in the governmental activities unrestricted net position. The City generally can only use this net position to finance continuing water and sewer operations.

Analysis of the City's Operations – During the current fiscal year, net position for governmental activities increased $15,112,067 from the prior fiscal year for an ending balance of $108,365,980. This increase is attributable in large part to the development on the West Side, which increased capital contributions, building permits, and property and sales taxes. The net position of the business-type activities increased $10,113,554 from the prior fiscal year for an ending balance of $69,735,270. The rates for water and sewer service were increased approximately six percent. The development on the West Side also included capital contributions of $4,365,188 for the business-type activities.

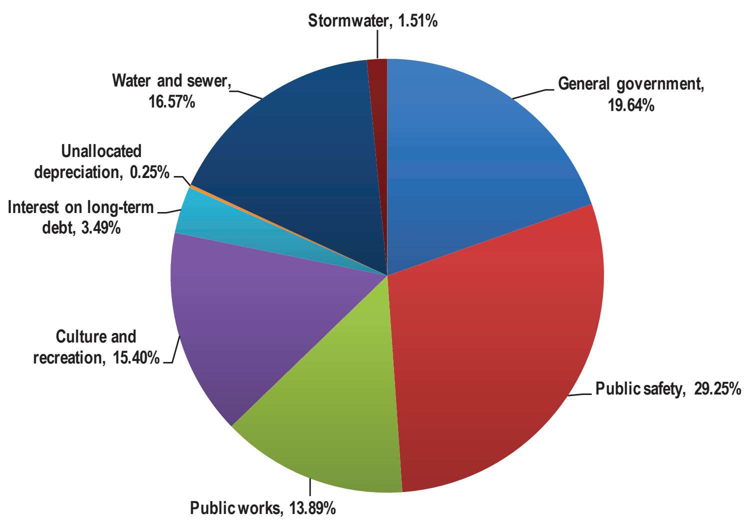
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 16,947,249	$ 14,497,565	$ 25,734,892	$ 25,155,472	$ 42,682,141	$ 39,653,037
Operating grants and contributions	516,444	719,367			516,444	719,367
Capital grants and contributions	10,004,978	6,471,947	4,365,188	3,368,829	14,370,166	9,840,776
General revenues:						
Taxes:						
Property taxes, levied for general purposes	27,431,177	25,617,820			27,431,177	25,617,820
Property taxes, levied for debt service	4,584,944	4,309,918			4,584,944	4,309,918
Sales and use taxes	17,410,323	14,618,441			17,410,323	14,618,441
Hotel/motel taxes	3,115,374	2,849,666			3,115,374	2,849,666
Franchise taxes	4,150,775	4,248,862			4,150,775	4,248,862
Tax increment financing	7,351,606	4,934,111			7,351,606	4,934,111
Investment income	2,935,658	1,787,154	308,111	103,609	3,243,769	1,890,763
Miscellaneous	35,918	17,136			35,918	17,136
Total revenues	94,484,446	80,071,987	30,408,191	28,627,910	124,892,637	108,699,897
Expenses:						
General government	19,575,431	16,174,829			19,575,431	16,174,829
Public safety	29,155,722	25,966,603			29,155,722	25,966,603
Public works	13,841,348	12,433,845			13,841,348	12,433,845
Culture and recreation	15,349,830	13,864,483			15,349,830	13,864,483
Interest on long-term debt	3,474,315	2,812,608			3,474,315	2,812,608
Unallocated depreciation	246,659	272,867			246,659	272,867
Water and sewer			16,513,832	17,132,596	16,513,832	17,132,596
Stormwater utility			1,509,879	284,185	1,509,879	284,185
Total expenses	81,643,305	71,525,235	18,023,711	17,416,781	99,667,016	88,942,016
Change in net position before transfers	12,841,141	8,546,752	12,384,480	11,211,129	25,225,621	19,757,881
Transfers	2,270,926	4,227,900	(2,270,926)	(4,227,900)		
Change in net position	15,112,067	12,774,652	10,113,554	6,983,229	25,225,621	19,757,881
Net position-beginning	93,253,913	83,355,940	59,621,716	52,964,406	152,875,629	136,320,346
Change in accounting principle, GASB 75 adjustment		(2,876,679)		(325,919)		(3,202,598)
Net position--beginning, as restated	93,253,913	80,479,261	59,621,716	52,638,487	152,875,629	133,117,748
Net position--ending	$ 108,365,980	$ 93,253,913	$ 69,735,270	$ 59,621,716	$ 178,101,250	$ 152,875,629

Total Sources of Revenue



Total Expenses by Activity



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $54,350,464. Of this total, $27,285,503 is restricted due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors, donors, or trustees. A total of $2,738,829 is considered nonspendable because it has been used for inventory and prepaid items. A total of $6,497,156 has been assigned meaning there are limitations resulting from its intended use, such as construction of capital assets, payment of debt service, and for other purposes. The remaining $17,828,976 is unassigned and can be used for any lawful purpose.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund is $17,828,976, while total fund balance is $23,693,091. As a measure of the general fund's liquidity, it may be useful to compare the unassigned general fund balance and total general fund balance to total general fund expenditures and other financing sources and uses. Unassigned general fund balance represents 30 percent of total general fund expenditures plus other financing sources and uses, while total fund balance represents 40 percent of that same amount.

The fund balance of the general fund increased $3,617,026 during the fiscal year. Revenues were $4,626,473 higher than the prior year. Sales tax revenue increased $2,791,882 due to a strong economy and the addition of a number of businesses with significant taxable sales. Property tax revenue increased $1,688,297 due primarily to higher valuations. Expenditures were $3,977,535 higher than the prior year due to increases for new positions, employee merit costs, and increased spending for economic development. The street improvement bond fund balance decreased $3,054,555 due to capital outlays for street reconstruction and resurfacing. The Fire Station #2 / landfill bond fund balance decreased $6,198,868 due to capital outlays for construction.

Proprietary Funds - The City's water and sewer fund and stormwater utility fund are the enterprise components of the City's proprietary funds. These fund's financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the water and sewer fund was $14,987,178 and for the stormwater utility fund was $3,493,706. The internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's various functions. The City uses internal service funds to account for facilities and fleet management and the City's workers' compensation and health insurance self-insurance programs. Because all of these services primarily benefit governmental rather than business-type activities, they have been included with governmental activities in the government-wide financial statements.

General Fund Budgetary Highlights – During the fiscal year ending September 30, 2019, the City Council adopted amendments to the budget. In the general fund, the final budgeted revenues increased $478,400 compared to the original budgeted revenues. The largest budgeted revenue increase was the budget for sales and use tax. This category increased $2,000,000 due to a strong economy and the addition of businesses in the City. The budget for transfers out, which is an "other financing use" increased $1,070,000 to provide additional funding for projects in the stormwater utility fund.

CAPITAL ASSETS

The City's investment in capital assets for its government-wide activities as of September 30, 2019, amounts to $209,489,854 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure, intangible assets, and construction in progress.

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

Completed Projects

- Street improvements for $13,100,000
- Utility improvements for $6,290,000
- Belt-Marsh Pump Station improvements for $3,039,000
- Stars Center upgrades for $986,000
- Historical Park Church renovation for $479,000
- Athletic field lighting for $299,000
- Barney Wood Dog Park for $233,800

Amounts Spent for Ongoing Projects

- Camelot Landfill scale house and maintenance facility construction for $4,603,000
- Design for new Service Center of $2,668,000
- Fire Station No. 2 relocation for $2,098,000
- Park, playground and trail improvements $1,346,000

Capital Assets at Year-End
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2019	2018	2019	2018	2019	2018
Land	$ 40,050,932	$ 40,300,032	$ 603,364	$ 603,364	$ 40,654,296	$ 40,903,396
Buildings	41,676,514	41,716,755	6,646,197	3,877,545	48,322,711	45,594,300
Equipment	9,552,372	10,102,020	1,762,676	2,003,394	11,315,048	12,105,414
Improvements	3,659,582	3,468,193	16,712	17,858	3,676,294	3,486,051
Infrastructure	53,622,503	43,447,386	39,083,308	34,214,380	92,705,811	77,661,766
Intangible assets	563,375	427,687	389,675	37,288	953,050	464,975
Construction in progress	9,066,264	3,321,778	2,796,380	3,867,718	11,862,644	7,189,496
Total	$ 158,191,542	$ 142,783,851	$ 51,298,312	$ 44,621,547	$ 209,489,854	$ 187,405,398

Additional information on the City's capital assets can be found in the notes to basic financial statements (see Note 3.D).

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt of $55,232,993. A portion of this debt is considered to be self-supporting in that it will be repaid from sources other than property taxes. A portion in the amount of $4,184,585 comprises debt to be repaid from hotel/motel tax revenues and lease payments from the Dallas Stars. Another portion in the amount of $5,453,159 comprises debt to be repaid from a sale of land at the landfill and a portion of landfill revenue. Both of these portions are backed by the full faith and credit of the government. The principal for the developer advances was fully paid from Tax Increment Financing District No. 1 funds.

Outstanding Debt at Year-End

	Governmental Activities	
	2019	2018
General obligation bonds	$ 55,232,993	$ 59,135,530
Developer advances		2,401,028
Total	$ 55,232,993	$ 61,536,558

The City maintains favorable ratings from bond rating agencies. The ratings are as follows:

	Moody's Investors Service	Date Confirmed	Fitch Ratings	Date Confirmed	Standard & Poor's	Date Confirmed
General obligation bonds						
2009 Combination tax and revenue, taxable	n/a	n/a	AA+	September 9, 2019	AA+	March 29, 2018
2010 General obligation refunding and improvement	Aa2	June 7, 2019	AA+	September 9, 2019	AA+	March 29, 2018
2011 General obligation refunding bonds, taxable	Aa2	June 7, 2019	AA+	September 9, 2019	AA+	March 29, 2018
2012 Certificates of obligation (bank issued)	n/a	n/a	n/a	n/a	n/a	n/a
2013 Certificates of obligation	Aa2	June 7, 2019	AA+	September 9, 2019	AA+	March 29, 2018
2014 Certificates of obligation	n/a	n/a	AA+	September 9, 2019	AA+	March 29, 2018
2014 General obligation	n/a	n/a	AA+	September 9, 2019	AA+	March 29, 2018
2016 Certificates of obligation	n/a	n/a	AA+	September 9, 2019	AA+	March 29, 2018
2018 Certificates of obligation	n/a	n/a	AA+	September 9, 2019	AA+	March 29, 2018
2018 General obligation	n/a	n/a	AA+	September 9, 2019	AA+	March 29, 2018

Additional information on the City's long term-debt can be found in the notes to basic financial statements (see Note 3.G).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2019-20 budget has been prepared with the objectives of maintaining the financial strength of the City, meeting the needs of citizens, and implementing the priorities of the City Council. The 86th Texas Legislature recently passed Senate Bill 2 into law, which will effectively limit existing property tax revenue to 3.5% per year without voter approval beginning with the fiscal year 2020-21 budget. Realizing that future revenue growth will be capped, significant efforts have been made in the fiscal year 2019-20 budget to direct a majority of growth to investments in capital improvements. The budget emphasizes investment in public safety, infrastructure, and equipment including Farmers Branch Creek channel improvements, continuation of a 10-year street bond program, Station Area development (Restaurant Park), conclusion of Fire Station No. 2 relocation, increased economic development funding, a library renovation study, new Service Center, park, playground and trail improvements, street revitalization and improvement, Residential Revitalization Program, Farmers Branch Creek well project, police body cam replacement, a solar panel study, and Rawhide Creek lighting.

Revenues are projected to grow in fiscal year 2019-20 due to new development and a continued strong economy. Property and sales tax revenue represent 75 percent of total general fund revenues. In past years, the City has had the fortune of a strong tax base and fund balances. Total taxable values increased 11.44% to $6.214 billion. The commercial tax base, including real and business personal property, represents a strong 77 percent of the City's total tax base. Due to increased revenues associated with property value growth, the budget was developed to maintain the existing property tax rate of 59.9507 cents per $100 valuation. A property tax rate at this level continues to position Farmers Branch at one of the lowest rates in Dallas County. Sales tax revenue is the City's second largest source of revenue representing 24 percent of total general fund budgeted revenue. Sales tax revenue can fluctuate greatly due to national, state and local economic conditions. Overall, sales tax revenues from existing business is anticipated to increase almost five percent. The 2019-20 budget includes an anticipated decrease in building permit revenue of $2,196,000 resulting from slowing construction on the City's west side. Additionally, the 2019-20 budget includes a decrease in franchise fee revenue of $449,500 resulting from changes in telecom regulations. The total general fund budgeted revenue was increased from the prior year by approximately five percent or $3,126,500.

Budgeted general fund expenditures are expected to increase by almost six percent or $3,665,000. The increases are due primarily to increased personnel costs of $1,127,600 or 3.1 percent, which reflects adding two new police officers, six new firefighters, non-sworn employee merit increases, sworn police officer and firefighter adjustments, and sworn step plan increases. An additional $1,495,000 is related to capital costs.

The budget details business-type funds revenues at $2,499,700 greater than the prior year's adopted budget due primarily to a five percent water and sewer pass-thru rate increase, a 15 percent stormwater rate increase, and additional funding totaling $500,000 from the general fund to support stormwater initiatives. The budget includes an increase in water and sewer rates to offset rising costs for treated water from Dallas Water Utilities and wastewater treatment from the Trinity River Authority.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail sherrelle.evans-jones@farmersbranchtx.gov.

STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, cash equivalents, and investments	$ 58,923,871	$ 12,466,836	$ 71,390,707
Receivables (net of allowance for uncollectibles)	7,923,657	4,455,751	12,379,408
Inventories	2,895,989		2,895,989
Deposits	35,000		35,000
Prepaid items	61,444	11,885	73,329
Equity interest in joint venture	1,212,865	5,299,933	6,512,798
Capital assets:			
Nondepreciable	49,117,196	3,399,744	52,516,940
Depreciable, net of accumulated depreciation	109,074,346	47,898,568	156,972,914
Total assets	229,244,368	73,532,717	302,777,085
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	16,912,780	876,143	17,788,923
Deferred outflows from OPEB	434,325	42,957	477,282
Deferred charge on refunding	89,341		89,341
Total deferred outflows of resources	17,436,446	919,100	18,355,546
LIABILITIES			
Accounts payable and other accrued liabilities	9,259,670	1,758,476	11,018,146
Retainage payable	233,769	2,626	236,395
Accrued interest payable	13,023,304		13,023,304
Deposits payable	568,444	544,180	1,112,624
Internal balances	459,247	(459,247)	
Unearned revenue	145,600		145,600
Noncurrent liabilities:			
Due within one year	5,387,945	37,174	5,425,119
Due in more than one year	109,049,334	2,814,791	111,864,125
Total liabilities	138,127,313	4,698,000	142,825,313
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from OPEB	187,521	18,547	206,068
NET POSITION			
Net Investment in capital assets	120,256,477	50,795,139	171,051,616
Restricted for:			
Construction of capital assets	2,106,460		2,106,460
Promotion of tourism	2,012,065		2,012,065
Purposes of grantors/trustees	560,567		560,567
Debt service	2,799,117		2,799,117
Law enforcement	1,314,786		1,314,786
Fire training	767		767
Unrestricted	(20,684,259)	18,940,131	(1,744,128)
Total net position	$ 108,365,980	$ 69,735,270	$ 178,101,250

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 19,575,431	$ 3,905,371	$ 4,911	$
Public safety	29,155,722	4,659,728	96,906	31,440
Public works	13,841,348	6,672,289	316,988	9,940,538
Culture and recreation	15,349,830	1,709,861	97,639	33,000
Interest on long-term debt	3,474,315			
Unallocated depreciation	246,659			
Total governmental activities	81,643,305	16,947,249	516,444	10,004,978
Business-type activities:				
Water and sewer	16,513,832	24,300,079		4,365,188
Stormwater utility	1,509,879	1,434,813		
Total business-type activities	18,023,711	25,734,892		4,365,188
Total primary government	$ 99,667,016	$ 42,682,141	$ 516,444	$ 14,370,166

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales and use taxes
Hotel/motel taxes
Franchise taxes
Tax increment financing
Investment income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position--beginning
Net position--ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (15,665,149)	$	$ (15,665,149)
(24,367,648)		(24,367,648)
3,088,467		3,088,467
(13,509,330)		(13,509,330)
(3,474,315)		(3,474,315)
(246,659)		(246,659)
(54,174,634)		(54,174,634)
	12,151,435	12,151,435
	(75,066)	(75,066)
	12,076,369	12,076,369
$ (54,174,634)	$ 12,076,369	$ (42,098,265)
27,431,177		27,431,177
4,584,944		4,584,944
17,410,323		17,410,323
3,115,374		3,115,374
4,150,775		4,150,775
7,351,606		7,351,606
2,935,658	308,111	3,243,769
35,918		35,918
2,270,926	(2,270,926)	
69,286,701	(1,962,815)	67,323,886
15,112,067	10,113,554	25,225,621
93,253,913	59,621,716	152,875,629
$ 108,365,980	$ 69,735,270	$ 178,101,250

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General	Street Improvement Bond	Fire Station #2 / Landfill Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents, and investments	$ 19,992,083	$ 7,469,872	$ 7,663,009	$ 20,099,113	$ 55,224,077
Receivables (net of allowance for uncollectibles)	6,537,928	55,251		991,510	7,584,689
Accrued interest and other	120,944	41,246	45,383	83,879	291,452
Due from other funds	48,100				48,100
Inventories	2,682,260			178,800	2,861,060
Prepaid items	55,631			938	56,569
Total assets	$ 29,436,946	$ 7,566,369	$ 7,708,392	$ 21,354,240	$ 66,065,947
LIABILITIES					
Accounts payable	$ 3,913,514	$ 510,733	$ 3,025,209	$ 1,353,798	$ 8,803,254
Retainage payable	21,810	190,686		21,273	233,769
Deposits payable	17,151			551,293	568,444
Due to other funds				48,100	48,100
Unearned revenue - other	124,033			21,567	145,600
Total liabilities	4,076,508	701,419	3,025,209	1,996,031	9,799,167
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,667,347			248,969	1,916,316
Total deferred inflows of resources	1,667,347			248,969	1,916,316
FUND BALANCES					
Nonspendable:					
Inventory	2,682,260				2,682,260
Prepaid items	55,631			938	56,569
Restricted:					
Construction of capital assets		6,864,950	4,683,183	5,946,787	17,494,920
Landfill closure/postclosure				2,744,126	2,744,126
Promotion of tourism				2,011,127	2,011,127
Purpose of grantors, trustees and donors				560,567	560,567
Economic development				360,093	360,093
Debt service				2,799,117	2,799,117
Law enforcement				1,314,786	1,314,786
Fire training operations				767	767
Assigned:					
Construction of capital assets				3,370,932	3,370,932
Other capital assets	2,581,910				2,581,910
Economic development	97,902				97,902
Other purposes	446,412				446,412
Unassigned	17,828,976				17,828,976
Total fund balances	23,693,091	6,864,950	4,683,183	19,109,240	54,350,464
Total liabilities, deferred inflows of resources, and fund balances	$ 29,436,946	$ 7,566,369	$ 7,708,392	$ 21,354,240	$ 66,065,947

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances - governmental funds (page 14)		$ 54,350,464
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (net of internal service fund capital assets of $217,074).		157,974,468
Equity investment in joint venture is not a current financial resource. Therefore, it is not reported in the governmental funds.		1,212,865
Deferred outflows of resources are not reported in the governmental funds:		
Deferred outflows on pension (net of internal service fund of $475,799)	$ 16,436,981	
Deferred outflows on OPEB (net of internal service fund of $23,864)	410,461	
Deferred charge on debt refunding	89,341	16,936,783
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,916,316
Internal service funds are used by management to charge the cost of certain activities, such as fleet management and workers' compensation and medical self-insurance programs, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (less amount allocated to business-type activities of $459,247).		1,279,411
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(125,127,110)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred inflows on pension (net of internal service fund of $10,304)		(177,217)
Net position of governmental activities		$ 108,365,980

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	General	Street Improvement Bond	Fire Station #2 / Landfill Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 27,397,855	$	$	$ 4,578,079	$ 31,975,934
Sales and use taxes	17,410,323				17,410,323
Hotel/motel taxes				3,115,374	3,115,374
Franchise taxes	4,066,386			66,589	4,132,975
Tax increment financing				7,351,606	7,351,606
Licenses and permits	3,712,038				3,712,038
Charges for services	7,528,129			1,182,212	8,710,341
Fines and forfeitures	1,969,185			818,058	2,787,243
Special assessments				829	829
Investment income	1,198,165	269,159	296,155	1,172,179	2,935,658
Intergovernmental				510,454	510,454
Developer's contributions				651,900	651,900
Miscellaneous	91,213	29,785	36,404	306,707	464,109
Total revenues	63,373,294	298,944	332,559	19,753,987	83,758,784
EXPENDITURES					
Current:					
General government	14,796,687			898,536	15,695,223
Public safety	25,706,131			598,598	26,304,729
Public works	9,183,961			649,821	9,833,782
Culture and recreation	11,845,713			2,147,841	13,993,554
Debt service:					
Principal retirement				6,081,028	6,081,028
Interest and fiscal agent charges				3,060,568	3,060,568
Capital outlay		3,353,499	6,531,427	6,726,565	16,611,491
Total expenditures	61,532,492	3,353,499	6,531,427	20,162,957	91,580,375
Deficiency of revenues over (under) expenditures	1,840,802	(3,054,555)	(6,198,868)	(408,970)	(7,821,591)
OTHER FINANCING SOURCES (USES)					
Transfers in	4,714,300			2,100,647	6,814,947
Transfers out	(3,066,200)			(606,847)	(3,673,047)
Sale of general capital assets	92,206			1,708,869	1,801,075
Insurance recoveries	35,918				35,918
Total other financing sources	1,776,224			3,202,669	4,978,893
Net change in fund balances	3,617,026	(3,054,555)	(6,198,868)	2,793,699	(2,842,698)
Fund balances--beginning	20,076,065	9,919,505	10,882,051	16,315,541	57,193,162
Fund balances--ending	$ 23,693,091	$ 6,864,950	$ 4,683,183	$ 19,109,240	$ 54,350,464

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Amounts reported for governmental activities in the statement of activities (page 12) are different because:	
Net change in fund balances - total governmental funds (page 16)	$ (2,842,698)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	6,882,803
The net effect of the various miscellaneous transactions involving capital assets (i.e., sales, transfers and donations) is to increase net position.	8,595,282
The change in equity interest in joint venture increases net position.	64,359
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	293,387
The issuance of long-term debt (e.g. bonds) 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, discounts, and similar items 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.	6,081,028
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.	(4,367,304)
Internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	405,210
Change in net position of governmental activities	$ 15,112,067

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	GAAP Basis	Final Budget
REVENUES				
Property taxes	$ 27,795,000	$ 27,415,000	$ 27,397,855	$ (17,145)
Sales and use tax	14,785,000	16,785,000	17,410,323	625,323
Franchise taxes	4,269,500	4,147,000	4,066,386	(80,614)
Licenses and permits	4,955,000	3,593,100	3,712,038	118,938
Charges for services	6,620,200	7,339,700	7,528,129	188,429
Fines and forfeitures	2,186,900	1,786,000	1,969,185	183,185
Investment income	1,089,800	1,142,800	1,198,165	55,365
Miscellaneous	103,000	74,200	91,213	17,013
Total revenues	61,804,400	62,282,800	63,373,294	1,090,494
EXPENDITURES				
General government				
General government	4,542,200	3,426,076	2,960,364	465,712
City administration	1,053,600	1,075,300	1,091,382	(16,082)
Communications	720,100	746,400	707,835	38,565
Economic development	2,501,800	2,402,200	1,952,176	450,024
Human resources	1,055,900	1,074,800	922,691	152,109
Finance	2,440,700	2,468,400	2,391,710	76,690
Information services	2,700,200	2,746,300	2,606,992	139,308
Community services	2,351,600	2,272,000	2,163,537	108,463
Public safety				
Police	14,282,600	14,337,600	13,752,680	584,920
Fire	11,961,000	12,454,624	11,953,451	501,173
Public works				
Public works	4,834,600	4,815,500	4,642,350	173,150
Sustainability & public health	4,795,700	4,750,500	4,541,611	208,889
Culture and recreation				
Parks and recreation	10,388,500	10,539,500	9,862,435	677,065
Library	1,870,700	1,885,000	1,983,278	(98,278)
Total expenditures	65,499,200	64,994,200	61,532,492	3,461,708
Deficiency of revenues (over) under expenditures	(3,694,800)	(2,711,400)	1,840,802	4,552,202
OTHER FINANCING SOURCES (USES)				
Transfers in	4,714,300	4,714,300	4,714,300	
Transfers out	(1,996,200)	(3,066,200)	(3,066,200)	
Sale of general capital assets	25,000	95,000	92,206	(2,794)
Insurance recoveries	20,000	26,700	35,918	9,218
Total other financing sources	2,763,100	1,769,800	1,776,224	6,424
Net change in fund balances	(931,700)	(941,600)	3,617,026	4,558,626
Fund balances--beginning	20,076,065	20,076,065	20,076,065	
Fund balances--ending	$ 19,144,365	$ 19,134,465	$ 23,693,091	$ 4,558,626

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash, cash equivalents, and investments	$ 8,528,245	$ 3,938,591	$ 12,466,836	$ 3,699,794
Receivables (net of allowance for uncollectibles)	4,289,678	118,858	4,408,536	47,516
Accrued interest and other	34,982	12,233	47,215	
Inventories				34,929
Prepaid items	11,885		11,885	4,875
Deposits				35,000
Total current assets	12,864,790	4,069,682	16,934,472	3,822,114
Noncurrent assets:				
Equity interest in joint venture	5,299,933		5,299,933	
Capital assets:				
Nondepreciable	3,399,744		3,399,744	8,170
Depreciable, net of accumulated depreciation	47,317,079	581,489	47,898,568	208,904
Total noncurrent assets	56,016,756	581,489	56,598,245	217,074
Total assets	68,881,546	4,651,171	73,532,717	4,039,188
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension	876,143		876,143	475,799
Deferred outflows from OPEB	42,957		42,957	23,864
Total defered outflows of resources	919,100		919,100	499,663
LIABILITIES				
Current liabilities:				
Accounts payable and other accrued liabilities	1,182,500	575,976	1,758,476	456,416
Compensated absences	37,174		37,174	23,447
Claims payable				544,009
Retainage payable	2,626		2,626	
Deposits payable	544,180		544,180	
Total current liabilities	1,766,480	575,976	2,342,456	1,023,872
Noncurrent liabilities:				
Compensated absences	166,609		166,609	88,974
Claims payable				194,694
Net pension liability	2,200,943		2,200,943	1,233,884
Total OPEB liability	447,239		447,239	248,465
Total noncurrent liabilities	2,814,791		2,814,791	1,766,017
Total liabilities	4,581,271	575,976	5,157,247	2,789,889
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from OPEB	18,547		18,547	10,304
NET POSITION				
Net investment in capital assets	50,213,650	581,489	50,795,139	217,074
Unrestricted	14,987,178	3,493,706	18,480,884	1,521,584
Total net position	$ 65,200,828	$ 4,075,195	$ 69,276,023	$ 1,738,658
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time			459,247	
Net position of business-type activities			$ 69,735,270	

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
Operating revenues				
Charges for services	$ 24,264,193	$ 1,434,813	$ 25,699,006	$ 4,307,402
Contributions and miscellaneous	35,886		35,886	4,548,300
Total operating revenues	24,300,079	1,434,813	25,734,892	8,855,702
Operating expenses				
Personal services	2,310,746		2,310,746	1,188,714
Materials and supplies	277,884		277,884	1,604,048
Maintenance and utilities	1,415,092	1,442,846	2,857,938	1,603,399
Purchase of water	5,343,572		5,343,572	
Sewage treatment	4,511,094		4,511,094	
Insurance claims and expenses				3,925,927
Depreciation	2,627,303	67,033	2,694,336	88,786
Total operating expenses	16,485,691	1,509,879	17,995,570	8,410,874
Operating income (loss)	7,814,388	(75,066)	7,739,322	444,828
Nonoperating revenues (expenses)				
Investment income	228,282	79,829	308,111	
Loss of the joint venture	(67,759)		(67,759)	
Total nonoperating revenues	160,523	79,829	240,352	
Income before contributions and transfers	7,974,911	4,763	7,979,674	444,828
Capital contributions	4,881,095	355,067	5,236,162	
Transfers in		1,011,200	1,011,200	
Transfers out	(4,153,100)		(4,153,100)	
Change in net position	8,702,906	1,371,030	10,073,936	444,828
Net position--beginning	56,497,922	2,704,165	59,202,087	1,293,830
Net position--ending	$ 65,200,828	$ 4,075,195	$ 69,276,023	$ 1,738,658

Reconciliation to government-wide statement of net position:	
Change in net position	$ 10,073,936
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds	39,618
Change in net position of business-type activities	$ 10,113,554

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 23,419,108	$ 1,438,872	$ 24,857,980	$
Receipts from interfund services provided				8,830,298
Payments to suppliers	(10,882,255)	(910,826)	(11,793,081)	(3,168,236)
Payments to employees	(2,085,763)		(2,085,763)	(1,108,511)
Payments for loss claims				(3,890,105)
Payments for interfund services	(492,540)		(492,540)	
Net cash provided by operating activities	9,958,550	528,046	10,486,596	663,446
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds		1,011,200	1,011,200	
Transfers to other funds	(4,153,100)		(4,153,100)	
Net cash provided by (used for) noncapital financing activities	(4,153,100)	1,011,200	(3,141,900)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(3,932,045)	(202,894)	(4,134,939)	(18,392)
Net cash used for capital and related financing activities	(3,932,045)	(202,894)	(4,134,939)	(18,392)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(2,409,457)	(1,481,065)	(3,890,522)	
Investment income	217,701	78,106	295,807	
Net cash used for investing activities	(2,191,756)	(1,402,959)	(3,594,715)	
Net increase (decrease) in cash and cash equivalents	(318,351)	(66,607)	(384,958)	645,054
Cash and cash equivalents - beginning of year	1,153,608	452,353	1,605,961	3,054,740
Cash and cash equivalents - end of year	$ 835,257	$ 385,746	$ 1,221,003	$ 3,699,794
Cash and cash equivalents - end of year	$ 835,257	$ 385,746	$ 1,221,003	$ 3,699,794
Investments	7,692,988	3,552,845	11,245,833	
Cash, cash equivalents, and investments - end of year	$ 8,528,245	$ 3,938,591	$ 12,466,836	$ 3,699,794
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	$ 4,881,095	$ 355,067	$ 5,236,162	
Loss of the joint venture	(67,759)		(67,759)	
	$ 4,813,336	$ 355,067	$ 5,168,403	

The accompanying notes are an integral part of the financial statements. (continued)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 7,814,388	$ (75,066)	$ 7,739,322	$ 444,828
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,627,303	67,033	2,694,336	88,786
Change in assets and liabilities:				
(Increase) decrease in receivables	(990,292)	4,059	(986,233)	(30,404)
Increase in inventory of materials and supplies				(8,897)
Decrease in deposits				5,000
Decrease in prepaid items				4,071
Increase in deferred outflows of resources	(626,561)		(626,561)	(348,520)
Increase in accounts payable	357,308	532,020	889,328	
Increase in accrued liabilities				26,535
Decrease in retainage payable	(132,117)		(132,117)	
Increase in claims payable				60,759
Increase in deposits payable	109,321		109,321	
Increase in net pension liability	1,109,504		1,109,504	616,263
Decrease in total OPEB liability	(39,630)		(39,630)	(22,017)
Decrease in accrued compensated absences	(1,719)		(1,719)	(19,780)
Decrease in deferred inflows of resources	(268,955)		(268,955)	(153,178)
Net cash provided by operating activities	$ 9,958,550	$ 528,046	$ 10,486,596	$ 663,446

The accompanying notes are an integral part of the financial statements. (concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Farmers Branch, Texas (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a five-member council. The City was incorporated in 1946 under the Constitution of the State of Texas (Home Rule Amendment). As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered financially accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government. The City's blended component units and joint venture, which all have a September 30 year-end, are as follows:

Blended Component Units

The Tax Increment Finance District Number One ("TIF No. 1"), Tax Increment Finance District Number Two ("TIF No. 2"), and Tax Increment Reinvestment Zone Number Three ("TIRZ No. 3") were created pursuant to the Texas Tax Increment Financing Act, Tax Code Chapter 311, as amended. The purpose of the TIF No. 1 is to promote development in the Mercer Crossing area. The purpose of the TIF No. 2 is to promote development in the Old Farmers Branch area. The purpose of the TIRZ No. 3 is to dedicate certain tax increment revenues to the Mercer Crossing Development and apply these revenues to reduce the public improvement district assessments. Management of the primary government has operational responsibility for all three of these tax increment financing districts. The TIF No. 1 and TIF No. 2 are reported as capital projects funds and are included as blended component units because they provide a financing mechanism to build streets and other infrastructure. The TIRZ No. 3 is reported as a special revenue fund because the revenues are restricted to reduce the public improvement district assessments and the fund is included as a blended component unit.

The Farmers Branch Local Government Corporation ("FBLGC") was organized on behalf of the City to accomplish any governmental purpose of the City and to promote the common good and general welfare of the City. This includes the furtherance of the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in the City, and currently to develop oil, natural gas and other mineral interests on behalf of the City. Management of the primary government has operational responsibility for the FBLGC. The FBLGC is authorized to issue bonds, notes or other obligations after approval by the City Council. The FBLGC has been included as a blended component unit because it is organized as a not-for-profit corporation in which the City of Farmers Branch is the sole corporate member. The FBLGC is fiscally dependent (the City must approve any issuance of debt) and the purpose of the corporation is to provide a benefit to the City.

Joint Ventures

The North Texas Emergency Communications Center, Inc. (NTECC) is a joint venture between the Town of Addison, City of Carrollton, City of Coppell, and City of Farmers Branch (the "Cities") formed to establish and operate a joint public safety dispatch center. The affairs of the NTECC are managed by a four-person board of directors representing each of the four participating Cities.

The Cities are responsible for funding capital and operating costs of the NTECC in the proportions stated in the inter-local agreement. The City financed its portion of construction funds through the issuance and sale of certificates of obligation. The City of Farmers Branch's equity interest in the NTECC is $1,212,865 at September 30, 2019 and is reported as equity interest in joint venture in the governmental activities on the government-wide Statement of Net Position. Audited financial statements for the NTECC can be obtained from the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail sherrelle.evans-jones@farmersbranchtx.gov.

Additionally, the Cities have also entered into inter-local agreements to jointly procure a public safety radio system and a fire training facility. These agreements did not include the formation of a separate legal joint venture entity. The City has financed its portion of construction funds through the issuance and sale of general obligation bonds. The Cities are responsible for funding a portion of the radio system and fire training facility in the proportions stated in the inter-local agreements. The City of Farmers Branch's portion of the radio system is capitalized as infrastructure and equipment and the portion of the fire training facility is capitalized as buildings in the governmental activities on the government-wide Statement of Net Position.

The North Dallas County Water Supply Corporation ("NDCWSC") is a joint venture between the City and the Town of Addison (the "Town") to design, construct, operate, and maintain a joint sanitary sewer interceptor and conventional sewer lines. The NDCWSC, a public instrumentality and nonprofit water supply corporation, was created for that purpose. Upon dissolution of the NDCWSC, the City and Town will share the net position in the proportions stated in an inter-local agreement. The affairs of the NDCWSC are managed by a six-person board of directors appointed by the governing bodies of the City and the Town.

The City and the Town are each obligated to fund construction of the sanitary sewer interceptor in the proportions stated in the inter-local agreement. The City has financed its portion of construction funds through the issuance and sale of assessment revenue bonds and a transfer from previously issued sewer bonds. The City's net investment and its share of the operating results of the NDCWSC are reported in the City's water and sewer fund. The City's equity interest in the NDCWSC was $5,299,933 at September 30, 2019. Complete financial statements for the NDCWSC can be obtained from the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail sherrelle.evans-jones@farmersbranchtx.gov.

B. Basis of Presentation

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

The fund financial statements provide information about the City's funds, including its blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The *street improvement bond fund* is used to provide funds for permanent public improvements, to-wit: engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the City, including streetscape improvements, public utility improvements, storm drainage facilities, and the acquisition of land therefor.

The *Fire Station #2 / landfill bond fund* is used for the construction and relocation of Fire Station #2 and to construct a new scale house and maintenance facility at the Camelot Landfill.

The City reports the following major proprietary funds:

The *water and sewer fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The *stormwater utility fund* is used to account for the City's drainage management program.

The City reports the following internal service funds:

The *internal service funds* are used to account for facilities and fleet management services and the City's workers' compensation and medical self-insurance programs for the departments of the City on a cost reimbursement basis.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of long-term debt is reported as an other financing source.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered measurable and available only when the government receives cash.

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

D. Budgetary Information

1) Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, special revenue funds, and debt service fund. The capital projects funds are appropriated on a project-length basis and often span a period of more than one year.

The appropriated budget is prepared by fund, department, and function. The City Manager may transfer unencumbered appropriations within a department and between departments within the same fund. City Council approval is necessary for transfers of unencumbered appropriations between funds. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Special revenue funds are budgeted at the function level. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

2) Excess of Expenditures over Appropriations

For the year ended September 30, 2019, expenditures in the general fund's city administration division exceeded appropriations by $16,082 and the library division exceeded appropriations by $98,278. These excesses were for prior year purchase orders completed in the current fiscal year and were approved by City Council.

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

1) Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2) Investments

Investments are recorded at fair value (based on quoted market prices), except for investments with maturity of one year or less from date of purchase, which are stated at amortized cost, and except for the position in TexPool. In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

3) Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

4) Inventories and Prepaid Items

Inventories are stated at cost for the internal service funds and at the lower of cost or market for the inventory of land held for resale in the general fund. Inventories are recorded as assets when purchased and charged to operations when used.

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

5) Capital Assets

Capital assets include land, buildings, equipment, improvements, infrastructure (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., software, websites). Capital assets purchased, acquired or developed, are carried at historical cost or estimated historical cost if historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession agreement are recorded at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The City defines capital assets as having a useful life longer than one year and an initial, individual cost that exceeds the capitalization threshold for their class. The capitalization threshold for the infrastructure class is $100,000. The capitalization threshold for all other asset classes is $5,000. Other costs incurred for repairs and maintenance are expensed. Insurance recoveries of $35,918 were received for the year ended September 30, 2019. They are included as an “other financing source” in the governmental funds.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated on the straight-line basis over the following estimated useful lives:

Capital asset classes	Lives	
Buildings	30 - 50	years
Equipment	5 - 30	years
Improvements	20	years
Intangible assets-software/websites	5	years
Infrastructure	15 - 63	years

6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflows of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. The first three deferred outflows of resources are reported in the government-wide and proprietary funds statements of net position. The first item is the deferred outflows of resources from pension. For purposes of measuring the net pension liability, deferred outflows of resources related to pension have been determined on the same basis as they are reported by TMRS. The second item is the deferred outflows of resources from OPEB. The third item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the 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 reports deferred inflows of resources from OPEB. This is reported in the government-wide and proprietary funds statements of net position.

Finally, the City has one item that arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from the following sources:

	General Fund	Nonmajor Governmental Funds	Total
Property taxes	675,500	$108,908	$784,408
Ambulance	300,279		300,279
Franchise taxes - electric	660,037		660,037
Franchise taxes - solid waste	31,346		31,346
Charges for services - culture and recreation	185		185
Special assessments		140,061	140,061
Total	$1,667,347	$248,969	$1,916,316

7) Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

The net investment in capital assets for the business-type activities is reported net of related debt in the amount of $503,173, which represents account and retainage payables for capital asset activity.

The governmental activities unrestricted net position is a deficit of $20,684,259 at September 30, 2019. The City actively manages its net position and has planned for the reduction and/or elimination of its unrestricted deficit net position in the following ways:

1) A major portion of the City's unrestricted deficit net position is due to approximately $11.8 million of accrued interest payable for developer advances. This amount may be reimbursed only from the Tax Increment Financing District No. 1 ("TIF No. 1") to the extent such funds are on deposit in the fund. Current revenue projections for this fund indicate repayment of most of this accrued interest will be unlikely. The TIF No. 1 expires December 31, 2019.

2) Options to reduce and eventually to eliminate the total OPEB liability of approximately $5.0 million have been implemented. This includes health insurance coverage options for retirees with no implicit subsidy for the City, capping existing contributions, and terminating the City contribution for employees hired after December 31, 2006.

3) The net pension liability is $43.9 million and the City plans to reduce this liability in the future by making extra contributions as resources are available.

8) Fund Balance Policies and Flow Assumptions

Governmental fund's fund balances classified as restricted are balances constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are considered equally restrictive for the purpose of committing fund balance. The City Council must take the same level of action to remove or change the constraint. Assigned fund balances are constrained by intent to use for a specific purpose but are neither restricted nor committed. Assignments are made by City management based on Council direction.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

In the general fund, the City strives to maintain a target range of unassigned fund balance to be used for unanticipated emergencies with a low end of 15% and a high end of 20% of the actual GAAP basis expenditures and other financing sources and uses.

F. Revenues and Expenditures/Expenses

1) Program Revenues

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

2) Property Taxes

The City's property taxes are 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. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

3) Compensated Absences

The City's employees earn vacation leave (up to a maximum of 192 hours per year for 40 hours per week employees and 288 hours per year for 56 hours per week employees) based on years employed. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within two years for employees hired prior to January 1, 2011 and within one and a half years for employees hired on or after January 1, 2011. Unused sick leave, based on days employed, may be accumulated up to certain limits. Upon retirement or termination, employees hired before October 1, 1992 will be paid a maximum of 720 hours of sick pay for 40 hours per week employees or 1,080 hours for 56 hours per week employees. Upon retirement or termination, employees hired between October 1, 1992 and December 31, 2010 with five years or less of service will be paid a maximum of 120 hours of sick pay and with more than five years of service will be paid a maximum of 240 hours of sick pay for 40 hours per week employees or with five years or less of service will be paid a maximum of 180 hours of sick pay and with more than five years of service will be paid a maximum of 360 hours of sick pay for 56 hours per week employees. Employees hired on or after January 1, 2011 receive no payout for unused sick leave upon retirement or termination.

4) Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the government's internal service funds are charges to customers for sales and services. Operating expenses for water and sewer 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.

2. 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 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 "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of the $157,974,468 are as follows:

Land and rights of way	$ 40,042,762
Construction in progress	9,066,264
Improvements	12,106,260
Less: Accumulated depreciation-improvements	(8,446,678)
Buildings	60,575,750
Less: Accumulated depreciation-buildings	(18,952,419)
Equipment	31,290,051
Less: Accumulated depreciation-equipment	(21,807,040)
Infrastructure	131,125,454
Less: Accumulated depreciation-infrastructure	(77,502,951)
Intangible assets	2,288,703
Less: Accumulated depreciation-intangible assets	(1,811,688)
Net adjustment to increase *fund balance - total government funds* to arrive at *net position - governmental activities*	$ 157,974,468

Another element of that reconciliation explains that "internal service funds are used by management to charge the costs of certain activities, such as fleet management and workers' compensation and medical self-insurance programs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position." The details of this $1,279,411 difference are as follows:

Net position of the internal service funds	$ 1,738,658
Less: Internal receivable representing charges below cost to business-type activities - current year	(459,247)
Net adjustment to increase *fund balance - total government funds* to arrive at *net position - governmental activities*	$ 1,279,411

The final 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 $125,127,110 difference are as follows:

Bonds payable	$ 52,780,000
Add: Issuance premium (to be amortized over life of debt)	2,452,993
Accrued interest payable	13,023,304
Compensated absences	5,081,637
Net pension liability	40,496,833
Net OPEB liability	4,273,621
Landfill liability	7,018,722
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ 125,127,110

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 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 that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this $6,882,803 difference are as follows:

Capital outlay	$ 14,591,691
Depreciation expense	(7,708,888)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 6,882,803

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) 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. In addition, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this $6,081,028 difference are as follows:

Principal repayments:	
General obligation debt	$ 3,680,000
Developer advances	2,401,028
Net adjustment to increase *net changes in fund balance - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 6,081,028

Another element of that reconciliation states that "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 $4,367,304 difference are as follows:

Compensated absences	$ (69,725)
Net pension liability	21,000,116
Difference in deferred outflows for pension	(11,850,636)
Differences in deferred outflows for OPEB	21,420
Differences in deferred inflows from pension	(5,394,918)
Differences in deferred inflows from OPEB	177,217
Net OPEB liability	(378,679)
Accrued interest on long-term debt	621,598
Amortization of bond premiums	(222,537)
Amortization of deferred charge on refunding	14,686
Landfill liability	448,762
Net adjustment to decrease *total governmental funds* to arrive at *changes in net position of governmental activities*	$ 4,367,304

Another element of that reconciliation states that "internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this ($405,210) difference are as follows:

Change in net position of the internal service funds	$	(444,828)
Plus: charges to business-type activities		39,618
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(405,210)

C. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-Wide Statement of Net Position

The proprietary fund statement of net position includes reconciliation between *net position – total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of net position. The description of the only item of that reconciliation is "adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time." The details of the $459,247 difference are as follows:

Internal payable representing charges below cost to business-type activities - prior years	$	419,629
Internal payable representing charges over cost to business-type activities - current year		39,618
Net adjustment to increase *net position - total enterprise funds* to arrive at *changes in net position of business-type activities*	$	459,247

3. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits with Financial Institutions

At year-end, the carrying amount of the City's deposits was ($1,033,456) and the bank balance was $164,046. The bank balance was completely covered by federal depository insurance or by collateral held by the City's agent in the City's name. At year-end, the carrying amount of the Farmers Branch Local Government Corporation, blended component unit's bank balance was $40,683. The bank balance was completely covered by federal depository insurance.

B. Investments

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds. TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

To maximize investment opportunities, all funds (excluding the debt service fund and the internal service funds) participate in a pooling of cash and investment income. Each fund may liquidate its equity in the pool on demand.

State statutes, City bond ordinances, and City resolutions authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of Texas and its agencies and instrumentalities, 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 rating, insured or collateralized certificates of deposit, fully collateralized repurchase agreements, and government pools.

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 fair value of the assets. Level 1 inputs are quoted prices in active markets for identical securities. Level 2 inputs are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level 3 inputs that are valued using significant unobservable inputs. As of September 30, 2019, the City had the following investments:

Investments by Fair Value Level	September 30, 2019	Fair Value - Level 1	Fair Value - Level 2	Weighted Average Maturity (in days)
Municipal Obligations	$ 26,292,605	$	$ 26,292,605	195
Federal Home Loan Bank Notes	7,000,131		7,000,131	50
US Treasury Bill	15,073,342	15,073,342		137
Total Investments by Fair Value Level	48,366,078	15,073,342	33,292,736	
Investments Measured at NAV/Amortized Cost				
Certificates of Deposit Account Registry (CDARS)	10,000,000			94
TexPool	14,098,768			34
Total investments at NAV/Amortized Cost	24,098,768			
Total Investments at Carrying Amount	$ 72,464,846 (1)			
Portfolio Weighted Average Maturity				190

(1) This amount includes investments in local government investment pools and CDARS, which are measured at NAV and amortized cost, respectively.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to eighteen months (548 days).

Credit Risk. The City's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The City's investments were rated as follows:

Credit Quality Distribution for Securities
with Credit Exposure as a Percentage of Total Investments

Municipal Obligations	Aaa/AAA*	3%
TexPool	AAAm	19%
Federal Home Loan Bank Notes	Aaa/AA	10%
Municipal Obligations	Aa/AA	33%

*Aaa/AAA is the highest credit quality issued by Moody's Investor's Services, and by Standard & Poor's, respectively.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments. The City's portfolio is 36% invested in Municipal Obligations and 10% invested in Federal Home Loan Bank as of September 30, 2019. The remaining 54% of the City's investments is invested in U.S. government issues, U.S. guaranteed obligations, or an external investment pool.

C. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Street Improvement	Fire Station #2 / Landfill Bond	Nonmajor Governmental	Internal Service	Water and Sewer	Stormwater Utility	Total
Receivables:								
Property tax	$ 658,593	$	$	$ 105,942	$	$	$	$ 764,535
Other taxes	4,546,476			302,520				4,848,996
Accounts	4,011,910	55,251		575,379	47,516	1,502,579	61,241	6,253,876
Unbilled accounts						2,888,480	60,681	2,949,161
Assessments				21,187				21,187
Accrued interest	120,944	41,246	45,383	83,879		34,982	12,233	338,667
Gross receivables	9,337,923	96,497	45,383	1,088,907	47,516	4,426,041	134,155	15,176,422
Less: Allowance for uncollectibles	(2,679,051)			(13,518)		(101,381)	(3,064)	(2,797,014)
Net total receivables	$6,658,872	$ 96,497	$ 45,383	$ 1,075,389	$ 47,516	$4,324,660	$ 131,091	$ 12,379,408

D. Capital Assets

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

	Primary Government			
	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights of way	$ 40,300,032	$	$ (249,100)	$ 40,050,932
Construction in progress	3,321,778	8,417,232	(2,672,746)	9,066,264
Total capital assets, not being depreciated	43,621,810	8,417,232	(2,921,846)	49,117,196
Capital assets, being depreciated				
Improvements	11,501,929	604,331		12,106,260
Buildings	59,588,831	1,359,720		60,948,551
Equipment	29,717,412	2,229,830	(316,060)	31,631,182
Infrastructure	118,262,464	13,060,534	(197,544)	131,125,454
Intangible assets - software/websites	2,039,175	499,223		2,538,398
Total capital assets, being depreciated	221,109,811	17,753,638	(513,604)	238,349,845
Less accumulated depreciation for:				
Improvements	(8,033,736)	(412,942)		(8,446,678)
Buildings	(17,872,076)	(1,399,961)		(19,272,037)
Equipment	(19,615,392)	(2,735,819)	272,401	(22,078,810)
Infrastructure	(74,815,078)	(2,885,417)	197,544	(77,502,951)
Intangible assets - software/websites	(1,611,488)	(363,535)		(1,975,023)
Total accumulated depreciation	(121,947,770)	(7,797,674)	469,945	(129,275,499)
Total capital assets, being depreciated, net	99,162,041	9,955,964	(43,659)	109,074,346
Governmental activities capital assets, net	$ 142,783,851	$ 18,373,196	$ (2,965,505)	$ 158,191,542
Business-type activities:				
Capital assets, not being depreciated:				
Land and rights of way	$ 603,364	$	$	$ 603,364
Construction in progress	3,867,718	3,737,888	(4,809,226)	2,796,380
Total capital assets, not being depreciated	4,471,082	3,737,888	(4,809,226)	3,399,744
Capital assets, being depreciated:				
Improvements	46,126			46,126
Buildings	11,647,291	3,039,473		14,686,764
Equipment	6,089,850	194,158	(95,848)	6,188,160
Infrastructure	87,470,304	6,847,817	(91,750)	94,226,371
Intangible assets - software/websites	104,915	360,991		465,906
Total capital assets, being depreciated	105,358,486	10,442,439	(187,598)	115,613,327
Less accumulated depreciation for:				
Improvements	(28,268)	(1,146)		(29,414)
Buildings	(7,769,746)	(270,821)		(8,040,567)
Equipment	(4,086,456)	(434,876)	95,848	(4,425,484)
Infrastructure	(53,255,924)	(1,978,889)	91,750	(55,143,063)
Intangible assets - software/websites	(67,627)	(8,604)		(76,231)
Total accumulated depreciation	(65,208,021)	(2,694,336)	187,598	(67,714,759)
Total capital assets, being depreciated, net	40,150,465	7,748,103		47,898,568
Business-type activities capital assets, net	$ 44,621,547	$ 11,485,991	$ (4,809,226)	$ 51,298,312

The preceding schedule includes internal service assets in the governmental activities. Internal service fund depreciation expense is allocated to the primary government based on each function or program's usage of its services.

Depreciation expense (includes amortization expense of intangible assets) was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	884,704
Public safety		1,851,025
Public works, which includes the depreciation of general infrastructure assets		3,014,616
Culture and recreation		1,800,670
Unallocated		246,659
Total depreciation expense - governmental activities	$	7,797,674
Business-type activities:		
Water and sewer	$	2,627,303
Stormwater utility		67,033
Total depreciation expense business-type activities	$	2,694,336

Commitments and Contingent Liabilities

Encumbrances are commitments related to unperformed contracts for goods or services (i.e. purchase orders). At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year are as follows:

		Encumbrances
General fund for general purposes	$	446,412
General fund for capital assets		491,708
Water and sewer fund		40,870
Stormwater utility fund		840,801
Non-major funds		895,649
Total	$	2,715,440

The City has entered into several construction contracts during the fiscal year, which include street improvements, replacement of water mains, and the construction of municipal facilities. As of September 30, 2019, the City had outstanding construction contracts totaling $7,807,389 that will be financed from operating funds.

		Construction Commitments
Street improvement bond	$	1,405,186
Water and sewer fund		4,870,827
Non-major capital projects funds		1,531,376
Total	$	7,807,389

E. Interfund Receivables, Payables and Transfers

Interfund balances at September 30, 2019 consisted of the following:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental fund - Grants fund	$ 22,100
General fund	Nonmajor governmental fund - Residential revitalization bond fu	26,000

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

	TRANSFERS IN			
TRANSFERS OUT	General Fund	Nonmajor Governmental Funds	Stormwater Utility Fund	Total
General fund	$	$ 2,055,000	$ 1,011,200	$ 3,066,200
Nonmajor governmental funds	561,200	45,647		606,847
Water and sewer fund	4,153,100			4,153,100
Total	$ 4,714,300	$ 2,100,647	$ 1,011,200	$ 7,826,147

Eliminations

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

Purpose of Transfers

Transfers are used to (1) move unrestricted revenues to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) for the water and sewer fund to the general fund for a payment in lieu of taxes.

F. Tax Abatements / Tax Increment Financing Zones / Public Improvement Districts

Tax Abatements – The City of Farmers Branch enters into tax abatement agreements with local residents and businesses under Chapter 380 of the Texas Local Government Code. Under this chapter, the City may provide incentives consisting of loans and grants of city funds, use of city personnel, facilities and services with or without charge, for the promotion of economic development.

The City has three categories of economic development agreements:

- Residential Demolition/Rebuild Incentive Program – This program provides property tax abatements to encourage redevelopment of existing housing stock in the City. The program may include a demolition incentive grant up to $30,000 and annual incentive grants (between three and seven years) equal to the difference between the City property taxes assessed and paid for the new improvements (new residential structure excluding the land) for a given tax year and the City property taxes for the residential structure prior to demolition (excluding the land) for the tax year in which the structure was demolished (the “Base Year”). The amounts and number of years the incentive will be paid vary depending on the value of the residential structure and the program in place at the effective date of the agreement. Abatements are obtained through application prior to beginning the improvements and commence when the City issues a certificate of occupancy or certificate of completion for the new residence. The property owner commits to demolition of the existing residence and the construction of a new residence within 24 months of the effective date of the agreement. If construction is not completed as agreed, the City has the option to terminate the agreement and seek reimbursement of the demolition cost reimbursement incentive. No other commitments were made by the City as part of those agreements. For the fiscal year ended September 30, 2019, the City abated property taxes totaling $304,695 for 45 properties under this program.

- Economic Development Agreements – The purpose of these agreements is for the promotion of the expansion of existing businesses within the City and the recruitment of new business enterprises to the City. These agreements include repayment provisions should the recipient fail to fully meet its commitments. The names of businesses receiving sales tax rebates are not disclosed, as they are made confidential by Texas Tax Code Section 151.027.

- A ten-year agreement for a 50 percent property tax rebate and sixty quarterly sales tax grants of 50% of the sales tax paid for years 1 to 7 and 25% of the sales tax paid for years 8 to 15 to a security services company to relocate its headquarters and call center. The incentive period began July 2015. The company must maintain a minimum level of taxable sales and continuous occupancy of the premises during the terms of the agreement. The abatements amounted to $460,831 during the fiscal year ended September 30, 2019.

- A ten year agreement for a tangible personal property tax reduction of 100 percent for years one and two, a 75 percent reduction for years three and four, a 50 percent reduction for years five through seven, and a 25 percent reduction for years eight through ten plus waiver of sewer charges over 75 million gallons for Qorvo Texas, LLC. The company must maintain a minimum taxable value of the tangible personal property of at least $25,000,000 for years one to five and $50,000,000 for years six to ten. The agreement was executed in August 2016. During the fiscal year ended September 30, 2019, Qorvo received the first annual installment of the tax abatement for $243,053 and waiver of sewer charges over 75 million gallons of $44,443.

- A ten year agreement for a 50 percent tangible personal property tax reduction and 100 percent sales tax rebate for a local home furnishings warehouse/store to purchase and renovate 415,000 square feet of office and manufacturing/distribution space and to relocate company corporate headquarters, warehouse, distribution center, and retail outlet store to Farmers Branch. The company must maintain a minimum taxable value of the tangible personal property of at least $2,000,000 as of January 1 of each calendar year during the agreement. The incentive period began April 2011. The abatements amounted to $108,054 during the fiscal year ended September 30, 2019.

- An agreement to rebate 30% of tangible personal property tax for ten years for BSN Sports, LLC to maintain tangible personal property at the leased premises of at least $18,000,000 as of January 1 of each calendar year. The agreement was executed in June 2017. The abatements amounted to $11,364 for the fiscal year ended September 30, 2019. In addition, the company received a $100,000 expansion grant during the fiscal year. This was the second annual installment of a $300,000 economic development grant.

- An agreement with TXI Operations, LP to provide a tax abatement for business personal property for a period of thirteen years conditioned on the construction firm leasing approximately 45,000 square feet of space in a building located in Farmers Branch and the company relocation and operation of its corporate headquarters to the leased premises which it must continuously occupy and operate throughout the period of the agreement. The company must maintain taxable value of tangible personal property of at least $1,500,000 on January 1 immediately following the commencement date. The tax abatement is 100 percent of business personal property taxes paid for years 1 to 3, 50 percent for years 4 to 7, and 25 percent for years 8 to 13. The incentive period began November 2013. The abatement amounted to $3,795 for the fiscal year ended September 30, 2019.

- A ten-year agreement for semi-annual economic development grants equal to 50 percent of use taxes collected by the City to a home building company. The company must purchase building materials from Farmers Branch vendors to be eligible for the grants. The effective date of the agreement was January 2018. The abatement amounted to $3,795 for the fiscal year ended September 30, 2019.

- Tax Increment Financing –The City has established three reinvestment zones (“TIF No. 1”, “TIF No. 2”, “TIRZ No. 3”) for the purpose of tax increment financing of infrastructure. In accordance with State law pertaining to tax increment reinvestment zones, the costs of public infrastructure improvements in the zone are repaid by the contribution of future tax revenues by each taxing unit that levies taxes against the property. The City contributes 35% of the incremental tax revenues generated from the City’s ad valorem tax associated with the growth of the tax base in TIF No. 1 and 100% of the incremental tax revenues associated with the growth of the tax base in TIF No. 2 to a special fund to pay costs of infrastructure in the zones. There are $379,067,037 of infrastructure improvements in the TIF No. 1 project plan, including streets, water, sewer, lighting, and landscaping. There are $63,624,662 of infrastructure improvements in the TIF No. 2 project plan, including streets, water and sewer projects. TIF No. 1 and TIF No. 2 are scheduled to terminate in tax years 2019 and 2020 respectively. The TIF No. 1 increment for tax year 2018 is $132,673,409.

  For tax years 2017, 2018, and 2019, the City will contribute 1% of the incremental tax revenues generated from the City’s ad valorem tax associated with the growth of the tax base in TIRZ No. 3 to a special revenue fund to reduce the public improvement district assessments within the zone. For years 2020 through and including 2052, the City will contribute 40% of the incremental tax revenue generated by the City’s ad valorem tax associated with the growth of the tax base in TIRZ No. 3 to a special revenue fund to reduce the public improvement district associated with the zone. There are $56,487,207 of infrastructure improvements in the TIRZ No. 3 project plan and the TIRZ No. 3 increment for tax year 2018 is $564,864. The City accepted $7,221,651 of governmental capital infrastructure and $2,703,507 of water and sewer fund capital infrastructure as capital contributions during the fiscal year ended September 30, 2019. The TIRZ No. 3 is scheduled to terminate in tax year 2052.

The City Council, upon recommendation of the Council-appointed TIF Board for each district, can enter into economic grant agreements with developers to utilize TIF funds. Unlike contractual obligations, TIF grants are subject to availability of TIF funds, and any balance owed to a developer upon termination of the TIF district will no longer be considered an obligation of the City. The City made $3,100,000 in payments for TIF obligations and $1,176,821 in property tax rebates from general TIF resources.

Public Improvement District – Under Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act",) the City authorized the creation of the Mercer Crossing Public Improvement District (the "PID") to impose annual assessments on property owners within the PID (the "Assessments") to pay for certain public improvements (the "Public Improvements"). The PID is composed of approximately 397.6 acres that are being developed as a master-planned mixed-use development known as "Mercer Crossing". The development is expected to include, among other things, single-family homes, active adult senior condominiums, two hotels, office, retail, commercial, and an amphitheater. Pursuant to a master development agreement and a reimbursement agreement (together, the "Agreements"), the City has agreed to reimburse the Developer for a portion of the costs of the Public Improvements within the PID in a total amount not to exceed $43,247,845, plus accrued interest, from assessment revenues. Under the terms of the Agreements, the Assessments may be offset in each year by tax increment revenues generated with Tax Increment District Number One, which includes the PID property. The only obligation of the City under Agreements is the collection and enforcement of the Assessments and the payment of annual Assessment revenues to the Mercer Crossing developer pursuant to the terms of the Agreements. The City has not issued debt to fund its obligations under the Agreements.

G. Long-Term Liabilities

General Obligation Bonds – The City of Farmers Branch issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. Currently, the City has no outstanding general obligation bonds issued for business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the city. These bonds are generally issued as serial bonds with equal amounts of principal maturing each year with maturities that range from five to 20 years. The city is required to compute, at the time taxes are levied, the rate of tax required to provide a fund to pay interest and principal at maturity. The city is in compliance with this requirement.

Bonds payable at September 30, 2019 are comprised of the following individual issues:

General Obligation Bonds:	Sale Date	Original Borrowing	Interest Rates to Maturity (%)	Final Maturity	Outstanding Sept. 30, 2019
Certificates of obligation, taxable	2009	$ 10,000,000	1.50 - 5.22	2024	$ 4,050,000
General obligation refunding and improvement bonds	2010	5,605,561	2.00 - 4.00	2030	3,635,415
General obligation refunding bonds, taxable	2011	7,054,057	0.44 -4.00	2025	3,718,232
Certificates of obligation	2012	3,000,000	1.69	2023	1,270,000
Certificates of obligation	2013	7,148,755	2.50 - 4.50	2032	5,450,282
Certificates of obligation	2014	2,042,906	2.00 - 5.00	2024	1,075,419
General obligation bonds	2014	14,691,338	2.00 - 5.00	2034	9,433,613
Certificates of obligation	2016	2,694,083	2.00 - 3.00	2036	2,354,236
Certificates of obligation	2018	11,180,013	3.00 - 5.00	2038	10,151,115
General obligation bonds	2018	14,212,298	3.25 - 4.00	2038	14,094,681
Total General Obligation Bonds		$ 77,629,011			$ 55,232,993

The City currently has $10,000,000 of authorized, but unissued, general obligation bonds.

Legal Debt Margin – 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.

Calculation of Legal Debt Margin – September 30, 2019

Adjusted Tax Base Valuation	$5,575,637,174
Constitutional Limit	2.5% of assessed valuation
Maximum Constitutional Revenue Available	$139,390,929
Tax Rate to Achieve Maximum Tax Revenue	$2.5000 per $100 of valuation
Adopted Tax Rate for Fiscal Year 2018-19	$0.5995 per $100 of valuation
Available Unused Constitutional Maximum Tax Rate	$1.9005 per $100 of valuation

Developer Advances – In prior years, the City entered into a development agreement, whereby American Realty Trust, Inc., Income Opportunity Realty Investors, Inc., and Transcontinental Realty Investors, Inc. agreed to advance funds to the City for project construction costs in Tax Increment Financing District No. 1 ("TIF No. 1"). The funds advanced and interest payable may be reimbursed only from the TIF No. 1 fund to the extent such funds are on deposit in the fund. Interest accrues beginning from the date the funds are received by the City. The interest rate is the lower of six percent or the developer's actual cost of funds. This interest is calculated on a simple straight-line basis semiannually on the unpaid balance plus accrued interest to date. This amount may be reimbursed only from the Tax Increment Financing District No. 1 ("TIF No. 1") to the extent such funds are on deposit in the fund. Current revenue projections indicate repayment of most of the accrued interest of approximately $11,839,987 will be unlikely before the TIF No. 1 expires on December 31, 2019.

Landfill Closure and Postclosure Costs – The City owns a sanitary landfill site located in the city of Lewisville, Texas. On October 1, 2008, the City renewed a previous ten-year contract with Allied Waste North America, Inc. ("Allied Waste") for the operation and management of the landfill. The current agreement continues until all permitted air space has been filled with waste material.

The landfill operates on a "cell" basis and state and federal laws require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The site capacity of 53.2 million cubic yards will be reached in approximately 33 years. The City recognizes a portion of the final closure and postclosure care liability in each operating period even though actual final payout will not occur until the landfill is completely closed.

The amount recognized as a liability is based on the landfill capacity used as of the balance sheet date. As of September 30, 2019, the City had incurred a liability of $7,018,722, which represents the amount of costs estimated to date based on 34% of landfill capacity used to date. This amount includes a reduction of $179,196 for closure related expenditures paid during fiscal year 2019. The remaining estimated liability for these costs is $12,032,094, which will be recognized as the remaining capacity is used. Additionally, during the term of the agreement, the City is required to maintain a special revenue fund for future landfill closure and postclosure costs and has restricted the fund balance of $2,744,126 for these costs. The estimated cost of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

Changes in long-term liabilities - Changes in the City's long-term liabilities for the year ended September 30, 2019 are as follows:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year	Due Within More Than One Year
Governmental activities						
General obligation bonds	$ 56,460,000	$	$ (3,680,000)	$ 52,780,000	$ 4,120,000	$ 48,660,000
Premium	2,675,530		(222,537)	2,452,993	222,537	2,230,456
Total bonds payable	59,135,530		(3,902,537)	55,232,993	4,342,537	50,890,456
Developer advances	2,401,028		(2,401,028)			
Compensated absences	5,283,563	2,523,667	(2,613,172)	5,194,058	501,399	4,692,659
Net pension liability	20,114,338	28,571,937	(6,955,558)	41,730,717		41,730,717
Total OPEB liability	4,922,782	259,908	(660,604)	4,522,086		4,522,086
Claims	677,944	3,085,991	(3,025,232)	738,703	544,009	194,694
Landfill closure and postclosure care costs	6,569,960	627,958	(179,196)	7,018,722		7,018,722
Governmental activities long-term debt	$ 99,105,145	$ 35,069,461	$ (19,737,327)	$ 114,437,279	$ 5,387,945	$ 109,049,334
Business-type activities						
Compensated absences	$ 205,502	$ 150,952	$ (152,671)	$ 203,783	$ 37,174	$ 166,609
Net pension liability	1,091,439	1,466,512	(357,008)	2,200,943		2,200,943
Total OPEB liability	486,869	25,705	(65,335)	447,239		447,239
Business-type activities long-term debt	$ 1,783,810	$ 1,643,169	$ (575,014)	$ 2,851,965	$ 37,174	$ 2,814,791
Total	$ 100,888,955	$ 36,712,630	$ (20,312,341)	$ 117,289,244	$ 5,425,119	$ 111,864,125

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, internal service fund liabilities for claims payable of $738,703, compensated absences of $112,421, total OPEB liability of $248,465, and net pension liability of $1,233,884 are included in the above amounts. In addition, for the governmental activities, claims payable, compensated absences, total OPEB liability and net pension liability are generally liquidated by the general fund. The developer advances were liquidated from the TIF No. 1 District capital projects fund. The landfill closure and postclosure care costs will be liquidated from the landfill closure/postclosure fund.

The debt service requirements at September 30, 2019 are as follows:

Year Ending September 30	General Obligation Bonds Principal	Interest	Total
2020	$ 4,342,537	$ 1,883,295	$ 6,225,832
2021	4,432,537	1,707,525	6,140,062
2022	4,612,537	1,522,332	6,134,869
2023	4,771,316	1,325,955	6,097,271
2024	3,315,605	1,171,477	4,487,082
2025-2029	14,197,532	4,319,617	18,517,149
2030-2034	13,143,950	2,036,685	15,180,635
2035-2038	6,416,979	402,432	6,819,411
Total	$ 55,232,993	$ 14,369,318	$ 69,602,311

H. Risk Management and Other Information

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters: and, injuries to employees. A Schedule of Insurance Policies in Force showing the type of coverage, deductible, and liability limit is shown in Table 18 on page 104.

Workers' Compensation Insurance - The City has established the workers' compensation fund (an internal service fund) to account for workers' compensation uninsured risks of loss. Under this program, the workers' compensation fund provides coverage for up to a maximum of $350,000 for each workers' compensation occurrence claim.

The costs associated with this self-insurance plan are funded by charges to the City's other funds. Liabilities include provisions for claims reported and claims incurred, but not reported. The provision for reported claims is computed by the City's third party administrator based upon standard actuarial principles. The provision for claims incurred, but not yet reported, is estimated based on the City's experience and an actuarial study that was performed during fiscal year 2019. State law provides that the City is relieved of liability if notice of employee injury is not been received within 30 days of the date on which the injury occurs.

At September 30, 2019, the amount of workers' compensation liabilities was $353,989. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses (ALAE), which are primarily legal expenses. Changes in the balance of claims liability during the past two years are as follows:

Fiscal Year	Beginning Fiscal Year Liability	Claims Incurred	Claims Payments	Changes in Estimates	Ending Fiscal Year Liability
2017-2018	$283,901	$213,994	($242,737)	$45,699	$300,857
2018-2019	$300,857	$71,678	($143,097)	$124,551	$353,989

At September 30, 2019, workers' compensation fund cash and investments of $968,370 were held for funding future obligations. The City continues to carry commercial insurance for other risks of loss (except medical insurance as described in the following section). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Group Medical Insurance – The health claims fund (an internal service fund) was established to account for the provision of group medical insurance coverage for employees and their dependents. The City's medical insurance program is a "self-insured" plan funded by both the City and participating employees. The City makes a predetermined contribution to the plan each month for a portion of medical group insurance coverage. This is done on a bi-monthly basis for qualifying City employees and their dependents. Employees contribute through payroll deductions for the balance of their medical coverage.

The City's medical insurance program is made up of two contracts, a specific stop loss contract and an aggregate stop loss contract. The specific stop loss contract has a specific deductible of $150,000 per individual and an $80,000 aggregating specific corridor with an unlimited lifetime maximum benefit on eligible expenses. The aggregate stop loss contract has a minimum attachment point of $4,635,283. The attachment point may go up based on an increase in enrollment, but the minimum or lowest it will ever be is $4,609,166. The aggregate contract will pay up to $1,000,000 on total claims over the attachment point.

All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan and the City reimburses the insurance company for each claim paid. The insurance company charges the City a fee for this service.

At September 30, 2019, the amount of estimated claims payable was $384,714. Changes in the reported liability since October 1, 2017 resulted from the following:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2017-2018	$356,184	$3,125,837	($3,104,934)	$377,087
2018-2019	$377,087	$2,889,762	($2,882,135)	$384,714

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims and for claims incurred but not reported is determined by an independent consultant.

1) Commitments and Contingencies

The City has several long-term agreements with significant commitments as follows:

a. City of Dallas Water Purchase Agreement - The City purchases treated water from the City of Dallas under a 30-year contract negotiated in August 2010. The City makes payments to the City of Dallas at a rate of $.3650 per 1,000 gallons plus $276,434 per year for each million gallons per day rate of flow (maximum delivery rate). The City paid $5,343,572 to the City of Dallas for the fiscal year ended September 30, 2019.

b. Trinity River Authority (the "Authority") Sewage Disposal Agreement - On November 29, 1973, the City, along with other cities, entered into a 50-year contract with the Authority, whereby the Authority will provide and operate a regional wastewater treatment plant and wastewater conveyance facility constructed with the Authority's funds. In return, the cities agreed to pay for such services based on a usage formula that will provide reimbursements for operations, maintenance, and debt service payments to the Authority. The cities are jointly and severally responsible for the above payments. Each city's proportionate share is determined annually according to its contributing flow to the system. The City paid $4,511,094 to the Authority for the fiscal year ended September 30, 2019.

The City is involved in various legal actions in which claims of varying amounts are being asserted against the City. The City follows the practice of providing for these claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of City management, these actions will not result in a significant impact of the City's financial position.

The City participates in several federal grant programs that are governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. For the year ended September 30, 2019, grant expenditures did not exceed the threshold for the single audit requirement; therefore, a single audit was not performed.

2) Postemployment Benefits Other Than Pensions (OPEB)

Plan Description - The City of Farmers Branch administers a single-employer defined benefit OPEB plan, the "Retiree Health Plan". The plan provides OPEB through the City's group health insurance plan, which covers both active and retired members (see funding policy below). Contributions are established through City policy as approved by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Retiree Health Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007;
- Must have worked for the City for at least ten years, which do not need to be concurrent;
- Must meet the eligibility requirements of the Texas Municipal Retirement System (TMRS) and retire from the City; and,
- Must be on the City's health plan at the time of retirement, and for dependents to be carried on the health plan, they must be on the plan at that time.

Benefits Provided - The City contributes $575 per month toward the cost of a health reimbursement account (HRA) administered through CONEXIS, plus an annual lump sum funding of $500 to the HRA, and the full premium for life insurance coverage of $12,000. The City's contribution for future health insurance premiums is capped at a maximum of $575 per month. As an alternative, to the HRA, retirees may be provided an age-adjusted high deductible health insurance plan with no contribution from the City.

Plan members receiving benefits contribute the full group premium for dental or vision plans selected. They also pay the full premium for age-adjusted life insurance coverage if they choose coverage after they turn 65.

Employees Covered by Benefit Terms – At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	69
Inactive, nonretired members	0
Active employees	150
Total	219

The City's retiree healthcare benefit is only provided to employees who were hired prior to January 1, 2007.

Total OPEB Liability

The City's total OPEB liability of $4,969,325 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods including in the measurement, unless otherwise specified:

Actuarial Assumptions and Methods

Valuation date:	December 31, 2018
Methods and Assumptions:	
Actuarial cost method	Individual Entry-Age Normal
Discount rate	3.71% as of December 31, 2018
Inflation	2.50%
Salary increases	3.50% to 10.50% , including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS). For the OPEB valuation, the standard TMRS rates were adjusted to reflect the impact of the City's retiree medical plan design.
Mortality	For healthy retirees, the gender-distinct RP2000 Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% . The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health care trend rates	N/A. The City's subsidy is a fixed dollar contribution to a retiree health care account.
Participation rates	Medical: 90% of retirees who are eligible for a subsidy, Life Insurance: 100% of eligible retirees

The discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.31% as of the prior measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	$ 5,409,651
Changes for the year:	
Service cost	112,523
Interest	173,090
Difference between expected and actual experience	(142,849)
Changes of assumptions	(109,852)
Benefit payments	(473,238)
Net changes	(440,326)
Balance at 12/31/2018	$ 4,969,325

There were no changes in benefit terms during the year.

Changes of assumptions reflect a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

Sensitivity of the Total OPEB Liability to the Discount Rate Assumption – Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.71%, as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease 2.71%	Discount Rate 3.71%	1% Increase 4.71%
Total OPEB Liability	$5,246,970	$4,969,325	$4,704,324

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption – Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	$4,969,325	$4,969,325	$4,969,325

Note: The City's retiree medical benefit is a set dollar amount that is not impacted by future medical trends.

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

For the year ended September 30, 2019, the City of Farmers Branch recognized OPEB expense of $264,414. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 369,325	$
Changes in assumptions	97,577	89,580
Differences between expected and actual experience	10,380	116,488
Total	$ 477,282	$ 206,068

The amount of $369,325 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	
2020	$ (21,199)
2021	(21,199)
2022	(21,199)
2023	(21,199)
2024	(13,315)
Total	$ (98,111)

3) <u>Defined Benefit Pension Plan</u>

Plan Description

The City of Farmers Branch participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS. The City does not participate in the Social Security system.

Benefits Provided

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

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

City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 200% of the employee's accumulated contributions. Beginning in 1996 the City granted, on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically computing the member's account balance by assuming that the current member deposit rate of 7% and City matching ratio of 2 to 1 has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the 2 to 1 City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Additionally initiated in 1996, the City provides, on an annually repeating basis, increases for retirees equal to 70% of the change in the Consumer Price Index (CPI).

Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years.

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	332
Inactive employees entitled to but not yet receiving benefits	353
Active employees	398
Total	1,083

Contributions

The contribution rate for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) 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 of Farmers Branch were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Farmers Branch were 18.73% and 18.62% in calendar years 2018 and 2019, respectively. The City’s contributions to TMRS for the year ended September 30, 2019 were $5,512,290.

Net Pension Liability

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

Actuarial assumptions:

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

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

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

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

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount rate:

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

Changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2017	$ 256,692,932	$ 235,487,155	$ 21,205,777
Changes for the year:			
Service cost	4,866,475		4,866,475
Interest	17,101,046		17,101,046
Difference between expected and actual experience	876,127		876,127
Contributions - employer		5,312,253	(5,312,253)
Contributions - employee		2,000,313	(2,000,313)
Net investment income		(7,051,348)	7,051,348
Benefit payments, including refunds of employee contributions	(11,554,676)	(11,554,676)	
Administrative expense		(136,330)	136,330
Other changes		(7,123)	7,123
Net changes	$ 11,288,972	$ (11,436,911)	$ 22,725,883
Balance at 12/31/2018	$ 267,981,904	$ 224,050,244	$ 43,931,660

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease 5.75%	Current Single Rate 6.75%	1% Increase 7.75%
City's net pension liability	$80,522,240	$43,931,660	$13,859,445

Pension plan fiduciary net position:

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

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended September 30, 2019, the City recognized pension expense of $9,563,069.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 4,134,967	$
Differences between projected and actual investment earnings	12,174,231	
Changes in actuarial assumptions	18,260	
Differences between expected and actual economic experience	1,461,465	
Total	$ 17,788,923	$

The amount of $4,134,967 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows (inflows) of resources related to pension will be recognized in pension expense as follows:

Year Ended:	
2019	$ 5,116,953
2020	2.150.686
2021	1,796,970
2022	4,589,347
Total	$ 13,653,956

4) Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 83 – *Certain Asset Retirement Obligations (AROs).* This Statement addresses accounting and financial reporting for certain 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 should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for periods beginning after June 15, 2018. All applicable provisions have been included in the City's financial statements as of September 30, 2019.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also includes which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for periods beginning after June 15, 2018. All applicable provisions have been included in the City's financial statements as of September 30, 2019.

The GASB has issued the following Statement(s) which will become effective in future years as shown below:

GASB Statement No. 84 – *Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement will take effect for financial statements starting with the fiscal year that ends September 30, 2020. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 87 – *Leases.* This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement will take effect for financial statements starting with the fiscal year that ends September 30, 2021. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period.* This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense of the period. This Statement will become effective September 30, 2021. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 90 – *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement will become effective September 30, 2020. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 91 – *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. This Statement will become effective September 30, 2022. Management has not yet determined the impact of this Statement on its financial statements.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[FORM OF BOND COUNSEL OPINION]

[Date]

$___________
CITY OF FARMERS BRANCH, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2020

WE HAVE represented the City of Farmers Branch, Texas (the "Issuer"), as its bond counsel in connection with an issue of certificates of obligation (the "Certificates") described as follows:

> CITY OF FARMERS BRANCH, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020, dated October __, 2020, in the principal amount of $___________.
>
> The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance").

WE HAVE represented the Issuer as its bond counsel for the purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Certificates. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Certificate No. 1 of this issue.

In providing the opinions set forth herein, we have relied on representations of the Issuer and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Certificates.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding obligations of the Issuer;

(B) A continuing ad valorem tax upon all taxable property within the City of Farmers Branch necessary to pay the principal of and interest on the Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Certificates, does not exceed any constitutional, statutory or other limitations. In addition, the Certificates are further secured by a limited pledge of the surplus net revenues of the Issuer's water and wastewater system as provided in the Ordinance; and

(C) Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not a specific preference item for purposes of the alternative minimum tax.

THE RIGHTS OF THE OWNERS of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Except as stated above, we express no opinion as to the amount of interest on the Certificates or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Certificates. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer or other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company