

PRELIMINARY OFFICIAL STATEMENT

Dated _____, 2018

Ratings:
S&P: Applied for
Fitch: Applied for
See "OTHER INFORMATION
– Ratings"

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes, and the Bonds are not "private activity bonds." See "TAX MATTERS" herein.

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

\$46,540,000*

**CITY OF LEWISVILLE, TEXAS
(Denton and Dallas Counties)**

GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2018

Dated Date: September 1, 2018

Due: February 15, as shown on page 2

Interest to accrue from Date of Delivery

PAYMENT TERMS . . . Interest on the \$46,540,000* City of Lewisville, Texas, General Obligation Refunding and Improvement Bonds, Series 2018 (the "Bonds"), will accrue from the date of initial delivery of the Bonds (the "Date of Delivery"), and will be payable February 15 and August 15 of each year, commencing February 15, 2019 until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System". The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1207 and 1331, Texas Government Code, as amended, and an election held on November 3, 2015, and an ordinance adopted by the City Council and are direct obligations of the City of Lewisville, Texas (the "City"), payable from a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the ordinance authorizing the issuance of the Bonds (the "Ordinance") (see "THE BONDS - Authority for Issuance" and "THE BONDS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to provide funds (i) to refund a portion of the City's outstanding debt (the "Refunded Obligations") (see "PLAN OF FINANCING - Refunded Obligations" and "SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS") for debt service savings, (ii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, and bridges, including streetlighting, right-of-way protection, and related storm drainage improvements; and including acquiring, constructing, and installing public art related to and being part of some or all of the foregoing, and acquiring land and rights of way in connection with such public improvements, (iii) acquiring, developing, constructing, equipping, renovating and improving parks, trails, park and recreation facilities and open spaces for park and recreation purposes, in and for the City, and including acquiring, constructing, and installing public art related to and being part of some or all of the foregoing, including the acquisition of land in connection with such public improvements, (iv) acquiring, developing, constructing, and equipping, an indoor aquatic center, including pool facilities and water recreation facilities, in and for the City, including the acquisition of land in connection with such public improvements, and (v) to pay the costs associated with the issuance of the Bonds.

CUSIP PREFIX: 528810

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

LEGALITY . . . The Bonds 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 Bonds will be available for delivery through DTC on September 19, 2018.

BIDS DUE MONDAY, SEPTEMBER 10, 2018 AT 10:00 A.M. CDT

* Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Bonds shown on the Maturity Schedule on page 2.

MATURITY SCHEDULE*

<u>15-Feb Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
2019	\$ 2,630,000			
2020	2,160,000			
2021	2,275,000			
2022	2,400,000			
2023	2,525,000			
2024	2,510,000			
2025	2,640,000			
2026	2,785,000			
2027	2,930,000			
2028	2,955,000			
2029	3,110,000			
2030	3,270,000			
2031	3,440,000			
2032	3,580,000			
2033	3,590,000			
2034	3,740,000			

(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 Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”).

* Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Bonds shown on the Maturity Schedule on above.

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.

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 Bonds 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.

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

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

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

THE CITY	The City of Lewisville, Texas (the "City"), is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Denton and Dallas Counties, Texas. The City encompasses approximately 43 square miles (see "INTRODUCTION - Description of the City").
THE BONDS	The \$46,540,000* General Obligation Refunding and Improvement Bonds, Series 2018 are scheduled to mature on February 15 in the years 2019 through 2034 (see "THE BONDS - Description of the Bonds").
PAYMENT OF INTEREST	Interest on the Bonds accrues from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery"), and is payable February 15, 2019, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds").
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapters 1207 and 1331, Texas Government Code, as amended, an election held on November 3, 2015 (the "Election") and an ordinance to be adopted by the City Council of the City (the "Ordinance") (see "THE BONDS - Authority for Issuance").
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the City, payable from a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "THE BONDS - Security and Source of Payment").
OPTIONAL REDEMPTION	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes, and the Bonds are not "private activity bonds." See "TAX MATTERS" herein.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used to provide funds (i) to refund a portion of the City's outstanding debt (the "Refunded Obligations") (see "PLAN OF FINANCING - Refunded Obligations" and "SCHEDULE I - SCHEDULE OF REFUNDED OBLIGATIONS") for debt service savings, (ii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, and bridges, including streetlighting, right-of-way protection, and related storm drainage improvements; and including acquiring, constructing, and installing public art related to and being part of some or all of the foregoing, and acquiring land and rights of way in connection with such public improvements, (iii) acquiring, developing, constructing, equipping, renovating and improving parks, trails, park and recreation facilities and open spaces for park and recreation purposes, in and for the City, and including acquiring, constructing, and installing public art related to and being part of some or all of the foregoing, including the acquisition of land in connection with such public improvements, (iv) acquiring, developing, constructing, and equipping, an indoor aquatic center, including pool facilities and water recreation facilities, in and for the City, including the acquisition of land in connection with such public improvements, and (v) to pay the costs associated with the issuance of the Bonds.
RATINGS	The presently outstanding tax-supported debt of the City is rated "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "AAA" by Fitch Ratings ("Fitch"), in each case without regard to credit enhancement (see "OTHER INFORMATION - Ratings"). Applications have been made to S&P and Fitch for contract ratings on the Bonds.

* Preliminary, subject to change.

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Assessed Valuation ⁽²⁾	Per Capita Assessed Valuation	Net General Obligation (G.O.) Tax Debt ⁽³⁾	Per Capita Net G. O. Tax Debt	Ratio of Net Tax Debt to Assessed Valuation	% Total Levy Collections
2014	98,330	\$ 6,874,511,196	\$ 69,913	\$ 57,665,000	\$ 586	0.84%	100.13%
2015	99,480	7,383,392,483	74,220	52,075,000	523	0.71%	100.04%
2016	100,400	7,957,760,161	79,261	57,440,000	572	0.72%	99.98%
2017	103,640	8,543,206,382	82,432	61,490,000	593	0.72%	100.31%
2018	105,000	9,352,312,654	89,070	121,350,000 ⁽⁴⁾	1,156 ⁽⁴⁾	1.30% ⁽⁴⁾	99.87% ⁽⁵⁾

(1) Source: City Officials.

(2) As reported by the Denton Central Appraisal District and Dallas Central Appraisal District on the City's annual Certified State Property Tax Board Reports; subject to change during the ensuing year.

(3) Does not include self-supporting debt. See Table 1 and Table 10 for additional information on self-supporting debt.

(4) Projected, includes the Bonds. Preliminary, subject to change.

(5) Collections as of June 30, 2018.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ending September 30,				
	2017	2016	2015	2014	2013
Beginning Balance	\$ 37,906,452	\$ 37,241,953	\$ 31,643,561	\$ 31,491,278	\$ 31,072,847
Total Revenue	82,656,113	75,947,938	71,969,563	67,718,489	64,159,894
Total Expenditures	76,111,021	67,748,301	64,391,906	65,259,892	60,397,895
Net Transfers	(4,163,414)	(7,535,138)	(1,979,265)	(2,306,314)	(3,343,568)
Ending Balance	<u>\$ 40,288,130</u>	<u>\$ 37,906,452</u>	<u>\$ 37,241,953</u>	<u>\$ 31,643,561</u>	<u>\$ 31,491,278</u>

For additional information regarding the City, please contact:

Brenda Martin
Director of Finance
City of Lewisville
151 W. Church Street
Lewisville, Texas 75057
(972) 219-3775

or

W. Boyd London, Jr.
Jason L. Hughes
FirstSouthwest, a Division of Hilltop Securities Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
(214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Rudy Durham Mayor	24 Years	May, 2021	Chief Appraiser Denton Central Appraisal District
Brandon Jones Mayor Pro-Tem	2 Years	May, 2019	Senior Internal Auditor Dallas Independent School District
Bob Troyer Deputy Mayor Pro-Tem	1 Year	May, 2020	Director of Customer Projects Autosig Systems
T.J. Gilmore Councilmember	7 Years	May, 2020	Public Sector Manager Waste Management
R. Neil Ferguson Councilmember	6 Years	May, 2021	Technology Consultant
Brent Daniels Councilmember	3 Years	May, 2019	Owner Bahama Buck's

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Donna Barron	City Manager	28 Years
Eric Ferris	Deputy City Manager	32 Years
Melinda Galler	Assistant City Manager	30 Years
Claire Swann	Assistant City Manager	2 Years
Brenda Martin	Director of Finance	13 Years
Julie Worster	City Secretary	19 Years
Lizbeth Plaster	City Attorney	13 Years
Gina Thompson	Director of Budget and Strategic Services	18 Years
Nika Reinecke	Director of Economic Development	11 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Auditors	Weaver and Tidwell, LLP Dallas, Texas
Bond Counsel	Bracewell LLP Dallas, Texas
Financial Advisor	Hilltop Securities Inc. Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$46,540,000*
CITY OF LEWISVILLE, TEXAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2018

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$46,540,000* City of Lewisville, Texas, General Obligation Refunding and Improvement Bonds, Series 2018 (the "Bonds"). 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 Bonds which will authorize the issuance of the Bonds (the "Ordinance").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., 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 municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State and the City's Home Rule Charter. The City was incorporated in 1925, and first adopted its Home Rule Charter in 1963; its Home Rule Charter was last amended in 2017. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers elected for three-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, tourism and general administrative services. The 2010 Census population for the City was 95,290; the City estimated 2018 population is 105,000. The City encompasses approximately 43 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to provide funds (i) to refund a portion of the City's outstanding debt (the "Refunded Obligations") (see "PLAN OF FINANCING - Refunded Obligations" and "SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS") for debt service savings, (ii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, and bridges, including streetlighting, right-of-way protection, and related storm drainage improvements; and including acquiring, constructing, and installing public art related to and being part of some or all of the foregoing, and acquiring land and rights of way in connection with such public improvements, (iii) acquiring, developing, constructing, equipping, renovating and improving parks, trails, park and recreation facilities and open spaces for park and recreation purposes, in and for the City, and including acquiring, constructing, and installing public art related to and being part of some or all of the foregoing, including the acquisition of land in connection with such public improvements, (iv) acquiring, developing, constructing, and equipping, an indoor aquatic center, including pool facilities and water recreation facilities, in and for the City, including the acquisition of land in connection with such public improvements, and (v) to pay the costs associated with the issuance of the Bonds.

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payments dates and the redemption dates of such Refunded Obligations, from funds to be deposited pursuant to a certain deposit agreement (the "Deposit Agreement") between the City and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the paying agent/registrar for the Refunded Obligations (the "Refunded Obligations Paying Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Initial Purchaser and other funds of the City, if any, the City will deposit with the Refunded Obligations Paying Agent, an amount sufficient to accomplish the discharge and final payment of the Refunded Obligations on their redemption dates. Such funds will be held uninvested by the Refunded Obligations Paying Agent in a special account. Under the Deposit Agreement, the amounts deposited pursuant to the Deposit Agreement is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. By the deposit of Bond proceeds and other funds of the City, if any, with the Refunded Obligations Paying Agent, the City will have effected the defeasance of all the Refunded Obligations in accordance with the law.

* Preliminary, subject to change.

As a result of such defeasance, and in reliance upon the sufficiency certificate of the City's financial advisor or the Refunded Obligations Paying Agent/Registrar, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Refunded Obligations Paying Agent/Registrar and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor the purpose of applying any limitation on the issuance of debt.

SOURCES AND USES OF OBLIGATION PROCEEDS . . . Proceeds from the sale of the Bonds, together with available City funds, if any, are expected to be expended as follows:

Principal Amount	\$ -
Net Reoffering Premium	
TOTAL SOURCES	<u><u>\$ -</u></u>
Deposit to Project Construction Fund	\$ -
Deposit to Current Refunding Fund	
Costs of Issuance	
TOTAL USES	<u><u>\$ -</u></u>

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 1, 2018 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of delivery of the Bonds 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, 2019, until maturity or, with respect to the Bonds, prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapters 1207 and 1331, Texas Government Code, as amended, the Election and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute direct obligations of the City and the principal thereof and interest thereon are payable from a direct and continuing annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City, as provided in the Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a 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 Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. In the Ordinance, the City reserves the right to give notice of its election or direction to redeem Bonds 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 Bonds 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 BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

BOOK-ENTRY-ONLY SYSTEM. . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City 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 Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the

identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, 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 Bonds 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, Bond 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, Bond 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 Bonds are in the Book-Entry-Only System references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the City, printed certificates will be issued to the registered owners of the Bonds, as the case may be, and the Bonds 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 Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

PAYMENT . . . Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at their stated maturity or, with respect to the Bonds, 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 Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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

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

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

Under current State law, upon such deposit as described above, the Bonds 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 Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 Bonds. 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.

BONDHOLDERS' REMEDIES . . . The Ordinance establishes as “events of default” (i) the failure to make payment of principal of or interest on any of the Bonds when due and payable; or (ii) default in the performance of observance of any other covenant, agreement or obligation of the City, which default materially and adversely affects the rights of the related 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. **Under State law, there is no right to the acceleration of maturity of the Bonds 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 Bonds, 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 Bonds 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. 3d 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 Obligations or covenants in the Ordinances. 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 Obligations.

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 Bonds, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Bonds.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds 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 Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that the rights of holders of the Bonds 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 Bonds then outstanding, amend, add to or rescind any of the provisions of the Ordinance; provided, that, without the consent of the Owners of all Bonds 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 Bonds, (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 Bonds; (iii) give any preference to any Bonds over any other Bond,

or (iv) reduce the aggregate principal amount of Bonds required to be held by Owners for consent to any such amendment, addition or rescission.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Denton Central Appraisal District and Dallas Central Appraisal District (collectively, the "Appraisal Districts"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal Districts are required under the Property Tax Code to appraise all property within the Appraisal Districts on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property in the most recent tax year, or (2) 110% of the appraised value of the residence homestead for the preceding tax year plus the market value of all new improvements to the property. The value placed upon property within the Appraisal Districts is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the respective Appraisal District. The Appraisal Districts are required to review the value of property within the Appraisal Districts at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

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

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

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000. Senate Joint Resolution 1 ("SJRI"), passed during the 84th Texas Legislature, authorized a constitutional amendment to allow the Legislature to prohibit a municipality that adopts an optional homestead exemption from reducing or repealing the amount of the exemption. SJRI was approved by the voters in the November 2015 Constitutional election, and Senate Bill 1, also passed during the 84th Texas Legislature, prohibits municipalities from reducing or repealing the amount of their optional homestead exemption that was in place for the 2014 tax year for a period running through December 31, 2019.

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

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

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children. Notwithstanding the foregoing, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. House Joint Resolution 75 ("HJR75"), passed during the 84th Texas legislature, proposed a constitutional amendment that allows the Legislature to provide for an exemption from ad valorem taxation of all or part of the market value of the residence homestead of the surviving spouse of a 100 percent or totally disabled veteran and who would have had qualified for the full exemption before the law authorizing a residence homestead exemption took effect. The proposition authorized by HJR75 was approved by voters in the November 2015 constitutional election. As such, the surviving spouse of a totally disabled veteran who died on or before January 1, 2010 and who would have qualified for the full exemption on the homestead's entire value if it had been available at that time, will be entitled to an exemption from ad valorem taxation of all or part of the market value of the residence homestead if the spouse has not remarried.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods in transit." Under Section 11.253 of the Texas Tax Code, "Goods-in-Transit" are exempt from taxation unless a taxing unit opts out of the exemption. Goods-in-Transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone (see "Tax Increment Financing Zone" below). Other overlapping taxing units may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the zone in excess of the "frozen value" to pay or finance the costs of certain public improvements in the zone. Taxes levied by the City against the values of real property in the zone in excess of the "frozen value" are not available for general city use but are restricted to paying or financing "project costs" within the zone. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. (See "Tax Abatement Policy" below).

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

Under Article VIII, Section 1-b(h) and State law, the governing body of a county, municipality, or junior college district may provide that the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older will not be increased above the amount of taxes imposed in the year such residence qualified for such limitation. Also, upon receipt of a petition signed by 5% of the registered voters of the county, municipality or junior college district, an election held to determine by majority vote whether to establish such a limitation on taxes paid on residence homestead of

persons 65 years of age or older or of persons who are disabled. The above-referenced tax limitation is transferable to (1) a different residence homestead within the city and (2) to a surviving spouse so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax limitation may not be repealed or rescinded.

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

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

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

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

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

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

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

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against

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

CITY APPLICATION OF TAX CODE. . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$60,000; the disabled are also granted an exemption of \$20,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

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

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 nonbusiness personal property; and Denton County (the “County”) collects taxes for the City.

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

The City does not tax freeport property.

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

The City has adopted a tax abatement policy.

The City has approved a freeze on the taxes of residence homesteads of persons 65 years of age and older or who are disabled. The freeze was effective beginning with the 2006 tax year.

TAX ABATEMENT POLICY. . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet qualified minimums pertaining to job creation and property value enhancement. The City grants abatements on a case by case basis. Since 1997, the City has approved 39 abatement agreements of which 5 are currently active.

TAX INCREMENT REINVESTMENT ZONES. . . In December 2001, the City Council established the Lewisville Tax Increment Reinvestment Zone Number One (the “TIRZ #1”). The TIRZ #1 is approximately 215 acres and is generally bounded by Interstate 35E on the west, Railroad Street on the east, College Street on the north and Purnell Street on the south.

The TIRZ #1 was originally established with a duration of 20 years. The City and the County both participate in the Tax Increment Fund created for the financing of the TIRZ #1. In 2007, the TIRZ #1 project and financing plans were revised to allow the TIRZ to remain in existence as long as outstanding debt remains and to allow the financing of public facilities. The City participates at 100% for the life of the TIRZ #1 and the County participates at 80% for 2016-2020 and 75% for 2021 through the expiration of the debt.

The amount of a taxing unit’s “tax increment” for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the tax increment financing district, multiplied by the taxing unit’s percentage level of participation. The captured appraised value is the total appraised value of the property for a year, less the tax increment base value of the taxing unit. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the tax increment financing district as of January 1 of the year in which the City created the tax increment financing district. TIRZ #1 has experienced an incremental increase in taxable value of \$145.7 million since inception. During the existence of a tax increment reinvestment zone, taxes levied by the City against the captured appraised value are restricted to paying project and financing costs within the zone and are not available for the payment of other obligations of the City, including the Bonds.

In October 2008, the City Council established the Lewisville Tax Increment Reinvestment Zone Number Two (the “TIRZ #2”). The TIRZ #2 is approximately 427 acres and is located at the intersection of I-35E and SH 121 adjacent to the Denton County Transportation Authority rail stop.

TIRZ #2 has been established for a duration of 30 years. The City and the County both participate in the Tax Increment Fund created for the financing of the TIRZ #2. The City and the County each participate at 80% for the life of the TIRZ #2.

TIRZ #2 started with a base value of \$9 million and has added \$129.5 million in incremental value. During the existence of a tax increment reinvestment zone, taxes levied by the City against the captured appraised value are restricted to paying project and financing costs within the zone and are not available for the payment of other obligations of the City, including the obligations.

TIRZ #2 will expire in 2038 or at such time that subsequent debt issuance payments and obligations are paid in full.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2017/18 Market Valuation Established by the Appraisal Districts (excluding totally exempt property)		\$10,781,625,808
Less Exemptions/Reductions at 100% Market Value:		
Over 65 / Disabled Persons	\$ 211,952,499	
Disabled Veterans	17,141,462	
Member Armed Services Surviving Spouse	520,251	
Community Housing Development Org.	49,373,694	
House Bill 366 Loss	124,873	
Freeport Loss	646,686,746	
Abatements	61,181,746	
10% Homestead Cap Loss	97,440,816	
Pollution Control	384,527	
Personal Property Vehicle	186,303	
Open-Space and Timberland Use Reductions	<u>82,641,047</u>	<u>1,167,633,964</u>
Adjustments ⁽¹⁾		(261,679,190)
2017/18 Net Taxable Assessed Valuation		\$ 9,352,312,654
Total Tax-Supported Debt Payable from Ad Valorem Taxes (as of 7-1-18) ⁽²⁾		
Outstanding General Obligation Debt ⁽³⁾	\$ 77,695,000	
The Bonds ⁽⁴⁾	<u>46,540,000</u>	\$ 124,235,000
Less: Self-Supporting Debt ⁽⁵⁾		30,230,000
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 94,005,000
General Obligation Interest and Sinking Fund (as of 7-1-18)		\$ 42,674
Ratio General Obligation Tax Debt to Net Taxable Assessed Valuation		1.33%
2018 Estimated Population - 105,000		
Per Capita Taxable Assessed Valuation - \$89,070		
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$895		

- (1) Includes adjustments for properties under review, exemptions not listed above, taxable values of freeze properties and TIF increment values.
- (2) Excludes the debt issued by the City that is payable from contract revenues paid by Denton County Fresh Water Supply Districts for improvements within the Lewisville-Castle Hills Public Improvement Districts. See "Schedule I – City Contract Revenue and Assessment Debt issued for the Castle Hills Public Improvement Districts" for a detailed description of this outstanding debt.
- (3) Excludes the Refunded Obligations; preliminary, subject to change.
- (4) Preliminary, subject to change.
- (5) Certain of the City's general obligation debt service is currently supported by an appropriation from the City's General Fund from moneys derived by the City from other revenues, income or resources in advance of the time when ad valorem taxes are scheduled to be levied for any given year. The City currently intends to continue such appropriation, but is not legally required to do so, and the City may discontinue such practice in the future. Should the City discontinue such appropriation, it will be required to assess an ad valorem tax sufficient to pay such debt service. For additional information see Table 10 and accompanying footnotes.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2018		2017		2016	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 4,220,963,292	39.15%	\$ 3,774,077,065	38.00%	\$ 3,316,535,697	35.63%
Real, Residential, Multi-Family	1,561,131,076	14.48%	1,492,500,043	15.03%	1,449,087,874	15.57%
Real, Vacant Lots/Tracts	158,306,661	1.47%	163,372,845	1.64%	185,528,971	1.99%
Real, Acreage (Land Only)	82,781,981	0.77%	87,220,146	0.88%	84,642,132	0.91%
Real, Farm and Ranch Improvements	36,067,863	0.33%	43,961,351	0.44%	50,844,385	0.55%
Real, Commercial and Industrial	2,746,131,651	25.47%	2,621,606,011	26.40%	2,452,472,408	26.35%
Real and Tangible Personal, Utilities, Minerals	164,865,011	1.53%	117,446,270	1.18%	159,399,515	1.71%
Tangible Personal, Business	1,701,819,428	15.78%	1,515,433,711	15.26%	1,510,240,239	16.23%
Tangible Personal, Other	20,951,008	0.19%	21,297,122	0.21%	21,512,769	0.23%
Real Inventory, Residential	14,230,516	0.13%	25,829,172	0.26%	11,474,155	0.12%
Special Inventory	74,377,321	0.69%	68,993,804	0.69%	65,751,640	0.71%
Total Appraised Value Before Exemptions	\$ 10,781,625,808	100.00%	\$ 9,931,737,540	100.00%	\$ 9,307,489,785	100.00%
Adjustments ⁽¹⁾	(261,679,190)		(408,785,284)		(402,914,007)	
Less: Total Exemptions/Reductions	1,167,633,964		979,745,874		946,815,617	
Taxable Assessed Value	<u>\$ 9,352,312,654</u>		<u>\$ 8,543,206,382</u>		<u>\$ 7,957,760,161</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2015		2014	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 3,033,075,276	35.47%	\$ 2,803,565,097	35.58%
Real, Residential, Multi-Family	1,273,999,203	14.90%	1,037,111,445	13.16%
Real, Vacant Lots/Tracts	178,538,260	2.09%	176,355,437	2.24%
Real, Acreage (Land Only)	87,170,277	1.02%	92,494,435	1.17%
Real, Farm and Ranch Improvements	39,832,837	0.47%	34,109,202	0.43%
Real, Commercial and Industrial	2,167,399,483	25.35%	2,088,982,854	26.51%
Real and Tangible Personal, Utilities	142,208,389	1.66%	150,296,569	1.91%
Tangible Personal, Business	1,532,238,651	17.92%	1,400,628,984	17.78%
Tangible Personal, Other	21,822,734	0.26%	23,113,300	0.29%
Real Inventory	11,301,832	0.13%	16,005,519	0.20%
Special Inventory	62,693,359	0.73%	56,784,695	0.72%
Total Appraised Value Before Exemptions	\$ 8,550,280,301	100.00%	\$ 7,879,447,537	100.00%
Adjustments ⁽¹⁾	(250,819,971)		(122,254,801)	
Less: Total Exemptions/Reductions	916,067,847		882,681,540	
Taxable Assessed Value	<u>\$ 7,383,392,483</u>		<u>\$ 6,874,511,196</u>	

(1) Includes adjustments for properties under review, exemptions not listed above, taxable values of freeze properties and TIF increment values.

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	(Net) G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of (Net) G.O. Tax Debt to Taxable Assessed Valuation	(Net) G.O. Tax Debt Per Capita
2014	98,330	\$6,874,511,196	\$ 69,913	\$57,665,000	0.84%	\$ 586
2015	99,480	7,383,392,483	74,220	52,075,000	0.71%	523
2016	100,400	7,957,760,161	79,261	57,440,000	0.72%	572
2017	103,640	8,543,206,382	82,432	60,060,000	0.70%	580
2018	105,000	9,352,312,654	89,070	121,350,000 ⁽⁴⁾	1.30% ⁽⁴⁾	1,156 ⁽⁴⁾

(1) Source: City Officials.

(2) As reported by the Appraisal Districts on the City's annual Certified State Property Tax Board Reports; subject to change during the ensuing year.

(3) Does not include self-supporting debt (see Tables 1 and 10 and accompanying footnotes).

(4) Projected, excludes the Refunded Obligations, includes the Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Collected Fiscal Year of Tax Levy	% Total Levy Collections
2014	\$ 0.44021	\$ 0.32289	\$ 0.11732	\$ 31,844,644	99.63%	100.13%
2015	0.43609	0.31877	0.11732	33,934,555	99.64%	100.04%
2016	0.43609	0.31877	0.11732	36,424,245	99.70%	99.98%
2017	0.43609	0.31877	0.11732	39,698,686	99.66%	100.31%
2018	0.43609	0.31877	0.11732	43,701,458	99.45% ⁽¹⁾	99.87% ⁽¹⁾

(1) Collections through June 30, 2018.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2017/18 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
RREF Chapel Hill LLC	Apartments	\$ 85,574,030	0.92%
DFW Lewisville Partners GP	Commercial	72,189,046	0.77%
TIC LAGO Vista LP etal.	Rental	68,096,000	0.73%
Teachers Insurance Annuity Association	Investments	65,218,959	0.70%
Columbia Medical Center Lewisville	Medical	65,013,486	0.70%
Digital Lewisville LLC	Community Website	62,362,097	0.67%
LSREF3 Bravo Dallas LLC	Investments	59,160,000	0.63%
TLF Logistics II Lakepointe Crossing LLC	Commercial	59,070,000	0.63%
SYSCO Food Services of Dallas LP	Manufacturer	57,858,398	0.62%
Hebron 121 Station 2 LLC	Apartments	55,000,000	0.59%
		<u>\$ 649,542,016</u>	<u>6.96%</u>

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 BONDS - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY⁽¹⁾

Net Principal and Interest Requirements, 2018	\$ 10,903,605
\$0.1166 Tax Rate at 100% Collection Produces	\$ 10,904,797
Net Average Annual Principal and Interest Requirements, 2018-2034	\$ 8,049,842
\$0.0861 Tax Rate at 100% Collection Produces	\$ 8,052,341
Net Maximum Principal and Interest Requirements, 2019	\$ 13,304,238
\$0.1423 Tax Rate at 100% Collection Produces	\$ 13,308,341

(1) Includes the Bonds; excludes self-supporting debt and the Refunded Obligations. 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	Total G.O. Tax Debt 7/1/2018	Estimated % Applicable	City's Overlapping G.O. Tax Debt 7/1/18	Authorized But Unissued Debt As Of 7/1/18
City of Lewisville	\$ 94,005,000 ⁽¹⁾	100.00%	\$ 94,005,000 ⁽¹⁾	\$ 54,405,000 ⁽²⁾
Lewisville Independent School District	1,200,267,216	27.95%	335,474,687	535,025,000
Coppell Independent School District	332,036,084	0.68%	2,257,845	83,865,000
Denton County	640,490,000	11.39%	72,951,811	57,165,554
Dallas County	187,435,000	0.03%	56,231	-
Dallas County Community College District	228,350,000	0.03%	68,505	-
Dallas County Hospital District	703,770,000	0.03%	211,131	-
Dallas County Schools	45,350,000	0.03%	13,605	-
Denton County Levee Improvement District #1	7,980,000	68.03%	5,428,794	4,115,000
Denton County RUD #1	-	0.00%	-	18,565,000
Total Direct and Overlapping G. O. Tax Debt			\$ 510,467,609	
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation			5.46%	
Per Capita Overlapping G. O. Tax Debt			\$ 4,861.60	

(1) Excludes self-supporting debt and the Refunded Obligations. Includes the Bonds. Preliminary, subject to change.

(2) Excludes the new money portion of the Bonds.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service ⁽¹⁾			The Bonds ⁽²⁾			Total Gross Debt Service Requirements	Less: Self Supporting Debt Requirements	Total Net Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
2018	\$ 11,135,000	\$ 3,841,212	\$ 14,976,212	\$ -	\$ -	\$ -	\$ 14,976,212	\$ 4,072,607	\$ 10,903,605	
2019	9,910,000	3,006,013	12,916,013	2,630,000	1,912,281	4,542,281	17,458,294	4,154,056	13,304,238	
2020	9,115,000	2,617,562	11,732,562	2,160,000	2,005,550	4,165,550	15,898,112	3,547,533	12,350,580	
2021	7,640,000	2,239,612	9,879,612	2,275,000	1,894,675	4,169,675	14,049,287	3,538,429	10,510,859	
2022	7,315,000	1,927,731	9,242,731	2,400,000	1,777,800	4,177,800	13,420,531	3,562,010	9,858,522	40.32%
2023	7,270,000	1,641,550	8,911,550	2,525,000	1,654,675	4,179,675	13,091,225	3,637,696	9,453,529	
2024	6,665,000	1,373,581	8,038,581	2,510,000	1,528,800	4,038,800	12,077,381	3,459,362	8,618,019	
2025	4,635,000	1,144,206	5,779,206	2,640,000	1,400,050	4,040,050	9,819,256	1,993,328	7,825,928	
2026	4,505,000	947,550	5,452,550	2,785,000	1,264,425	4,049,425	9,501,975	2,035,938	7,466,037	
2027	4,750,000	747,000	5,497,000	2,930,000	1,121,550	4,051,550	9,548,550	2,077,472	7,471,079	70.77%
2028	4,115,000	565,800	4,680,800	2,955,000	974,425	3,929,425	8,610,225	1,149,820	7,460,405	
2029	3,270,000	420,256	3,690,256	3,110,000	822,800	3,932,800	7,623,056	1,144,501	6,478,556	
2030	2,300,000	310,256	2,610,256	3,270,000	663,300	3,933,300	6,543,556	1,146,990	5,396,566	
2031	2,400,000	214,900	2,614,900	3,440,000	495,550	3,935,550	6,550,450	1,149,706	5,400,744	
2032	2,505,000	107,075	2,612,075	3,580,000	351,375	3,931,375	6,543,450	1,147,000	5,396,450	93.62%
2033	1,300,000	26,000	1,326,000	3,590,000	221,400	3,811,400	5,137,400	-	5,137,400	
2034	-	-	-	3,740,000	74,800	3,814,800	3,814,800	-	3,814,800	100.00%
	<u>\$ 88,830,000</u>	<u>\$ 21,130,306</u>	<u>\$ 109,960,306</u>	<u>\$ 46,540,000</u>	<u>\$ 18,163,456</u>	<u>\$ 64,703,456</u>	<u>\$ 174,663,762</u>	<u>\$ 37,816,446</u>	<u>\$ 136,847,316</u>	

(1) "Outstanding Debt" does not include lease/purchase obligations. Excludes the Refunded Obligations, preliminary subject to change. Excludes the debt issued by the City that is payable from contract revenues paid by Denton County Fresh Water Supply Districts. See "Schedule I – City Contract Revenue and Assessment Debt Issued for the Castle Hills Public Improvement District" for a detailed description of this outstanding debt.

(2) Average life of the Bonds - _____ years. Interest calculated at an average rate for purposes of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/18 ⁽¹⁾		\$ 10,903,605
Budgeted Interest and Sinking Fund, 9/30/17	\$ 2,313,611	
Budgeted Interest and Sinking Fund Tax Levy	11,073,936	
Paying Agent Fees	(7,500)	
Estimated Investment Income	<u>23,504</u>	<u>\$ 13,403,551</u>
Estimated Balance, 9/30/18		\$ 2,499,946

(1) Excludes the Refunded Obligations and self-supporting debt, preliminary, subject to change.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

4B Economic Development Corporation Net Revenues for fiscal year ending 9/30/17	\$ 4,243,086
Less: 2018 Requirements for Sales Tax Revenue Bonds	<u>-</u>
Balance Available for Other Purposes	\$ 4,243,086
2018 Requirements for 4B Tax Revenue Self-Supporting General Obligation Debt ⁽¹⁾	\$ 2,785,675
Percentage of Sales Tax Revenue Certificates of Obligation Self-Supporting	100.00%
Tax Increment Reinvestment Zone Net Revenues for fiscal year ending 9/30/17	\$ 762,533
Less: 2016 Requirements for Revenue Bonds	<u>-</u>
Balance Available for Other Purposes	\$ 762,533
2018 Requirements for Tax Increment Reinvestment Zone Revenue Self-Supporting General Obligation Debt ⁽²⁾	\$ 636,500
Percentage of Increment Tax Revenue Certificates of Obligation Self-Supporting	100.00%
Waterwork and Sewer System Revenues available for Debt Service as of 9/30/17	\$ 14,194,468
Less: 2018 Requirements for Revenue Bonds	<u>7,178,754</u>
Balance Available for Other Purposes	\$ 7,015,714
2018 Requirements for Waterworks and Sewer Revenue Self-Supporting General Obligation Debt ⁽³⁾	\$ 650,432
Percentage of System Revenue General Obligation Debt Self-Supporting	100.00%

- (1) Includes portions of the, General Obligation Refunding and Improvement Bonds, Series 2012, General Obligation Refunding Bonds, Series 2015 and the Bonds, which portions are currently being paid from sales tax revenues. In the event of insufficient revenues, the City will be required to assess and collect ad valorem taxes to pay debt service on the general obligation debt.
- (2) Includes a portion of the Combination Tax and Revenue Certificates of Obligation, Series 2007B, and General Obligation Refunding Bonds, Series 2015 which portions are currently being paid from tax increment financing revenues. In the event of insufficient revenues, the City will be required to assess and collect ad valorem taxes to pay debt service on the general obligation debt.
- (3) Includes a portion of the General Obligation Refunding Bonds, Series 2010 payable from waterworks and sewer system revenues. In the event of insufficient revenues, the City will be required to assess and collect ad valorem taxes to pay debt service on the general obligation debt.

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TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued ⁽¹⁾	Unissued Balance
Streets	11/3/2015	\$ 71,600,000	\$ 11,785,000	\$ 10,825,000	\$ 48,990,000
Parks and Recreation	11/3/2015	39,900,000	2,895,000	24,215,000	12,790,000
Police and Fire	11/3/2015	10,500,000	4,900,000		5,600,000
Aquatic Center	11/3/2015	13,000,000	1,500,000	11,500,000	-
Totals		<u>\$ 135,000,000</u>	<u>\$ 21,080,000</u>	<u>\$ 46,540,000</u>	<u>\$ 67,380,000</u>

(1) Preliminary, subject to change. Includes premium on the Bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City anticipates the issuance of additional general obligation debt in the approximate amount of \$12.36 million in the summer or fall of 2020.

TABLE 12 - OTHER OBLIGATIONS

The City has no unfunded debt outstanding as of October 31, 2017.

PENSION PLAN . . . The City participates as one of 872 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

In addition, the City granted on annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

The City elected to increase the annuities (annuity increases) of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. The City has adopted annuity increases at the rate of 70% of the increase (if any) in the Consumer Price Index all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement Eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	75% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	363
Inactive employees entitled to but not yet receiving benefits	300
Active employees	743
	<u>1,406</u>

Contributions - Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Lewisville were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2017, the City made contributions of 16.27% for the months in 2016 and 16.55% for the months in 2017 which were the actuarially required contributions.

Net Pension Liability - The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2016 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 Disabled Retiree 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 male 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.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation. After the Asset Allocation Study analysis and experience investigation study, the TMRS Board of Trustees amended the long-term expected rate of return on pension plan investments from 7% to 6.75% effective January 1, 2016.

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
Domestic equity	17.50%	4.55%
International equities	17.50%	6.10%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	3.65%
Real return	10.00%	4.03%
Real estate	10.00%	5.00%
Absolute return	10.00%	4.00%
Private equity	5.00%	8.00%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee 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.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/15	\$ 264,919,721	\$ 216,842,185	\$ 48,077,536
Changes for the year:			
Service cost	8,246,818	-	8,246,818
Interest	17,846,679	-	17,846,679
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,500,726)	-	(1,500,726)
Changes of assumptions	-	-	-
Contributions-employer	-	7,814,541	(7,814,541)
Contributions-employees	-	3,362,127	(3,362,127)
Net investment income	-	14,660,373	(14,660,373)
Benefit payments, including refunds of employee contributions	(9,295,778)	(9,295,778)	-
Administrative expense	-	(165,505)	165,505
Other changes	-	(8,918)	8,918
Net changes	15,296,993	16,366,840	(1,069,847)
Balance at 12/31/16	<u>\$ 280,216,714</u>	<u>\$ 233,209,025</u>	<u>\$ 47,007,689</u>

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

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

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Primary Government	\$ 86,695,366	\$ 46,572,813	\$ 12,964,179
Component Unit	1,652,098	434,876	247,050

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended September 30, 2017, the City recognized pension expense of \$10,623,841 related to the Primary Government. For the same period, the City recognized pension expense of \$168,982 related to a component unit, Lewisville Parks and Library Development Corporation (LPLDC).

At September 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Primary Government		LPLDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions after measurement date	\$ 8,851,647	\$ -	\$ 140,794	\$ -
Differences in expected and actual pension experience	-	3,076,756	-	41,235
Changes in actuarial assumptions used to determine pension liability	-	-	-	-
Differences in projected and actual earnings on pension assets	9,671,712	-	126,479	-
Total	<u>\$ 18,523,359</u>	<u>\$ 3,076,756</u>	<u>\$ 267,273</u>	<u>\$ 41,235</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$8,992,441 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 (i.e. recognized in the city's financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31	
2017	\$ 2,523,877
2018	2,523,875
2019	2,155,943
2020	(360,314)
2021	(163,181)
Total	<u>\$ 6,680,200</u>

Subsequent Event - Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution due to this change. Accordingly, the City does not anticipate an impact that would deter from continuing to fund pension contributions at the annual required contribution rates in the coming years.

The City provides \$15,000 in life insurance upon retirement for employees with ten years of service with the City of Lewisville. Prior to October 1, 2013, the City purchased fully paid life insurance policies upon retirement for eligible employees. Beginning October 1, 2013, the City began purchasing life insurance through the City's group life insurance vendor. Premiums are now paid monthly for the coverage at a rate of \$1.35 per \$1,000 of coverage or \$20.25 per month. The City had 74 eligible retirees in fiscal year 2016-17 resulting in an annual expenditure of \$15,228.

Lewisville OPEB Liability Trust Fund - The City established an irrevocable trust in 2008 for the systematic funding of post-employment health benefits as a single-employer, defined benefit plan. Plan assets may be used only for the payment or reimbursement of benefits provided to retirees, in accordance with the terms of the plan. The City Manager is the benefit administrator of the plan.

Plan Descriptions and Contribution Information - The City provides comprehensive group medical benefits for employees at retirement who meet the eligibility requirements for postretirement benefits. Eligibility requirements are (1) age 60 and 5 years of service with the City, or (2) 20 years of service with Texas Municipal Retirement System, the City's pension provider. Election must be made at time of retirement to remain in the plan. Continuation of coverage is subject to the payment of required contributions by participating retirees and dependents. The City contributes a fixed amount toward each retiree's monthly premium, based on the tenure with the City. The City's substantive plan places a zero percent (0%) cap on future contribution increases. The employee remains on the plan until age 65 when they are moved to a fully insured Medicare supplement plan. The City contributes a flat \$50 per month toward the retiree's fully insured premium.

Management of trust is vested with the City's Investment Committee, which consists of the Director of Finance, Fiscal Services Manager, an assistant City Manager, and three other members designated by the City Manager.

At September 30, 2017, plan membership consisted of the following:

Number of retirees and beneficiaries receiving benefit	44
Active plan members	667

Investments – Investment Policy and Directive - The City has established an investment policy and directive for the OPEB plan assets. The policy may be amended by the City Council by a majority vote at any time. The directive is more detailed and may be amended by the City Manager at any time. The directive's stated objective is to achieve long-term growth of trust assets by maximizing long-term rates of return on investments and minimizing risk of loss to fulfill the City's current and long-term OPEB obligations. An investment strategy is pursued that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the adopted asset allocation table as of September 30, 2017:

Asset Class	Range Allocation	Target Allocation
Growth Assets		
Domestic Equity	19-59%	39%
International Equity	1-41%	21%
Other (ex Real Estate)	0-20%	0%
Income Assets		
Fixed Income	20-60%	40%
Other	0-20%	0%
Real Return Assets	0-20%	0%
Cash Equivalents	0-20%	0%
		<u>100%</u>

Investments – Rate of Return – For the year ended September 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City – The components of the net OPEB liability of the City at September 30, 2017, were as follows:

Total OPEB liability	\$ 4,587,050
Plan fiduciary net position	<u>4,125,487</u>
City's net OPEB liability	<u>\$ 461,563</u>
Plan fiduciary net position as a percentage of the total OPEB liability	89.94%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of October 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation & Salary Increases	Not applicable as the City's future costs are set at fixed amounts
Investment Rate of Return	7.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	None assumed since the benefits provided are not subject to medical inflation

Mortality rates are based on the RP-2014 Total Dataset Mortality Table projected with Scale MP-2016.

The actuarial assumptions used in the October 1, 2016 valuation were based on the results of actual plan experience in recent years, as applicable.

The long-term expected rate of return on OPEB plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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 returns by the target asset allocation percentage and by adding expected inflation.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth Assets	
Domestic Equity	5.2%
International Equity	5.2%
Income Assets	
Fixed Income	3.8%

Discount Rate – The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that City future contributions will be made at rates equal to 60% of the annual benefit payments expected to be paid from the trust. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current discount rate:

	<u>1% Decrease (6%)</u>	<u>Discount Rate (7%)</u>	<u>1% Increase (8%)</u>
Net OPEB liability (asset)	\$ 976,751	\$ 461,563	\$ 33,042

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates would not be applicable to the City's plan since the contribution amounts are set at a fixed rate and, therefore, not affected by healthcare cost increases.

The Lewisville OPEB Liability Trust Fund does not issue a separate financial report. Additional information can be found in the Required Supplement Information (RSI) and Financial (Fiduciary Statements) sections of the City's Comprehensive Annual Financial Report.

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FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET ASSETS

	Governmental Activities				
	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Revenues:					
Program Revenues:					
Charges for Service	\$ 18,139,209	\$ 16,103,319	\$ 14,736,307	\$ 13,824,396	\$ 13,124,152
Operating Grants and Contributions	4,291,331	2,459,898	2,112,550	3,439,677	2,415,909
Capital Grants and Contributions	26,620,718	27,519,322	17,073,948	23,980,160	4,745,018
General Revenues:					
Property Taxes	39,199,153	35,885,150	33,461,203	31,594,277	29,734,268
Other Taxes	46,284,751	43,172,134	41,329,491	38,961,880	36,531,801
Intergovernmental	-	-	-	-	624,125
Interest on Investments	1,132,897	805,331	828,823	371,766	210,934
Other	1,878,636	918,757	1,137,672	1,244,947	820,768
Total Revenues	<u>\$ 137,546,695</u>	<u>\$ 126,863,911</u>	<u>\$ 110,679,994</u>	<u>\$ 113,417,103</u>	<u>\$ 88,206,975</u>
Expenditures:					
General Government	\$ 19,373,580	\$ 16,558,383	\$ 14,889,822	\$ 14,937,012	\$ 13,005,019
Public Safety	51,065,140	48,023,020	43,314,229	42,102,487	40,983,264
Public & Development Services	26,561,696	24,054,096	24,838,325	26,636,252	25,089,041
Culture, Parks & Recreation	12,290,135	11,595,165	10,590,147	9,453,483	9,377,831
Interest on Long-Term Debt	3,201,522	3,007,969	4,630,523	3,929,397	2,602,891
Total Expenses	<u>\$ 112,492,073</u>	<u>\$ 103,238,633</u>	<u>\$ 98,263,046</u>	<u>\$ 97,058,631</u>	<u>\$ 91,058,046</u>
Transfers	\$ 3,927,402	\$ 3,869,947	\$ 3,743,920	\$ 3,814,737	\$ 3,735,515
Increase (Decrease) in Net Assets	28,982,024	27,495,225	16,160,868	20,173,209	884,444
Beginning Net Assets	403,575,841	376,080,616	379,139,967	359,594,793	358,710,349
Prior Period Adjustment	-	-	(19,220,219) ⁽²⁾	(628,035) ⁽¹⁾	-
Ending Net Assets	<u>\$ 432,557,865</u>	<u>\$ 403,575,841</u>	<u>\$ 376,080,616</u>	<u>\$ 379,139,967</u>	<u>\$ 359,594,793</u>

(1) As a result of implementation of GASB 65, items previously reported as assets and liabilities, an adjustment was made to write off all unamortized bond issuance costs from previous years.

(2) As a result of the implementation of GASB 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27" and GASB 71, "Pension Transition of Contributions Made Subsequent to the Measurement Date" adjustments were made for changing the focus of pension accounting for employers from reporting the funding of the pension plan overtime to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

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TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2017	2016	2015	2014	2013
<u>Revenues:</u>					
Property & Other Taxes	\$ 64,494,201	\$ 59,937,289	\$ 56,980,740	\$ 53,801,074	\$ 50,753,584
Licenses and Permits	3,042,943	3,069,656	2,928,356	2,344,395	2,375,771
Intergovernmental	-	21,517	3,920	-	-
Charges for Services	10,319,431	8,329,794	7,276,264	6,228,323	6,051,283
Recreation	1,201,459	1,013,222	953,054	1,104,643	1,093,266
Fine and Forfeitures	2,664,995	2,946,444	2,907,155	3,090,645	2,954,961
Investment Earnings	257,082	160,591	191,313	77,542	48,905
Miscellaneous	676,002	469,425	728,761	1,071,867	882,124
Total Revenues	<u>\$ 82,656,113</u>	<u>\$ 75,947,938</u>	<u>\$ 71,969,563</u>	<u>\$ 67,718,489</u>	<u>\$ 64,159,894</u>
<u>Expenditures:</u>					
General Government	\$ 2,885,690	\$ 980,887	\$ 841,809	\$ 1,206,261	\$ 1,037,537
Mayor and Council	86,746	84,498	98,229	81,273	58,749
Administrative and Legal	2,490,225	2,454,496	2,030,322	2,299,893	2,137,540
Community Relations / Tourism	708,876	529,289	881,455	814,659	734,229
Police	23,199,377	21,335,110	20,549,038	20,234,248	19,461,171
Fire	19,268,282	17,717,505	17,166,670	16,632,033	16,110,146
Public Services	6,222,481	4,993,573	4,802,362	4,621,054	4,311,378
Parks and Leisure	7,888,998	6,905,623	6,366,503	6,178,955	5,971,888
Development Services	6,914,889	6,596,739	6,029,045	5,558,049	5,124,103
Finance	1,507,426	1,431,749	1,332,686	1,281,225	1,274,041
Human Resources	1,057,486	825,553	784,669	728,779	700,099
Information Technology	2,649,346	2,678,228	2,514,679	2,017,243	1,966,765
Municipal Court	983,494	921,753	894,137	903,904	878,494
Capital Outlay	247,705	293,298	100,302	2,702,316	631,755
Total Expenditures	<u>\$ 76,111,021</u>	<u>\$ 67,748,301</u>	<u>\$ 64,391,906</u>	<u>\$ 65,259,892</u>	<u>\$ 60,397,895</u>
Total Other Financing Sources (Uses)-Net	<u>\$ (4,163,414)</u>	<u>\$ (7,535,138)</u>	<u>\$ (1,979,265)</u>	<u>\$ (2,306,314)</u>	<u>\$ (3,343,568)</u>
Excess (Deficiency) of					
Revenues Over					
Expenditures and					
Other Sources (Uses)	\$ 2,381,678	\$ 664,499	\$ 5,598,392	\$ 152,283	\$ 418,431
Beginning Fund Balance	37,906,452	37,241,953	31,643,561	31,491,278	31,072,847
Ending Fund Balance	<u>\$ 40,288,130</u>	<u>\$ 37,906,452</u>	<u>\$ 37,241,953</u>	<u>\$ 31,643,561</u>	<u>\$ 31,491,278</u>

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TABLE 14 - MUNICIPAL SALES TAX HISTORY ⁽¹⁾

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. At an election held September 14, 2002, voters in the City approved the imposition of an additional sales and use tax of one-quarter of one percent (0.25%) for parks and library purposes. The tax went into effect January 1, 2003, and collections began in March, 2003. Said additional sales tax is collected solely for the benefit of a nonprofit corporation established by the City to administer the sales tax collections and projects and may be pledged to secure payment of sales tax revenue bonds. At an election held November 8, 2011, voters in the City approved the imposition of an additional sales and use tax of one-eighth of one percent (.125%) for a crime control and prevention district and an additional sales and use tax of one-eighth of one percent (.125%) for a fire control, prevention and emergency medical services district. These taxes went into effect April 1, 2012, and collections began June 2012. Said additional sales taxes are to be collected solely for the benefit of these two districts established by the City and may be used solely for the purposes for which they were levied. At an election held 2003, Lewisville voters improved the imposition on an additional sales and use tax of one-half of one percent (.5%) to participate in the Denton County Transportation Authority. Such additional sales tax is used solely to fund commuter bus and train stations connecting Lewisville to Dallas and Denton.

Fiscal Year Ended 9/30	Total 1% City Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2014	\$ 24,140,281	75.81%	\$ 0.3512	\$ 245.50
2015	25,887,678	76.29%	0.3506	260.23
2016	28,050,908	77.01%	0.3525	279.39
2017	29,680,613	74.76%	0.3474	286.38
2018	17,623,596 ⁽²⁾	40.05%	0.1884	167.84

(1) Does not include ¼% sales tax for 4B Economic Development Corporation effective 1/01/03 and does not include 1/8% sales tax each for the Lewisville Crime Control and Prevention and Lewisville Fire Control, Prevention, and Emergency Medical Services Districts effective April 1, 2012.

(2) Collections through June 2018. Due to modified accrual accounting, this amount represents seven (7) months of actual collections.

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable, except for unmatured interest on general long-term debt.

Proprietary Fund revenues and expenses are recognized on the full accrual basis. Revenues are recognized in the accounting period in which they are earned. Expenses are recognized in the accounting period in which they are incurred.

Fund Balances . . . The City Council has adopted a policy that the General Fund will maintain working capital resources at a minimum of 20% of operating expenditure budget and the City Manager is authorized by the governing body to establish other funds' reserve balances as operations dictate.

Use of Bond Proceeds . . . The City's policy is to use bonds for capital expenditures only. Such revenues are never to be used to fund normal City operations.

Budgetary Procedures . . . The City operates on an October through September fiscal year. Each year in July, the City Manager submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to the start of the fiscal year. If the Council fails to adopt a budget then the existing budget will continue to be in effect.

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

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas 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 is guaranteed or insured by or backed by the full faith and credit of, the State of Texas 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 (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or (B) are invested through (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the City adopts or (ii) a depository institution with a main office or branch office in this state that the City selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the City's account; and (b) 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 (c) the City appoints as the City's custodian of the banking deposits issued for the City's account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2256.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) 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 (6) 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 (6) above, clauses (11) through (13) 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 of Texas; and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under 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, the maximum average dollar-weighted maturity allowed for pooled fund groups, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under 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, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution; (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the 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 attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict its investment in mutual funds in the aggregate to no more than 15percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS

As of June 30, 2018, the City's investable funds were invested in the following categories:

Description	Market Value	% of Portfolio	Book Value	% of Portfolio
TexPool	\$ 21,682,989	9.26%	\$ 21,682,989	9.17%
Governmental Securities	212,588,176	90.74%	214,767,522	90.83%
Total	<u>\$234,271,166</u>	<u>100.00%</u>	<u>\$236,450,511</u>	<u>100.00%</u>

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TAX MATTERS

TAX EXEMPTION . . . In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to 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 Bonds, 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 Bonds 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. Bond Counsel will further rely on the report (the "Report") of Grant Thornton, LLP, certified public accountants, regarding the mathematical accuracy of certain computations. If the City should fail to comply with the covenants in the Ordinance or if the foregoing representations or Report should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, 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 Bonds.

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 Bonds. 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 Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Bonds 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 Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds 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 Bonds, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM . . . The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond 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 Bond 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 Bond 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 Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds 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 Bonds 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 Bond 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 Bonds.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS . . . The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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 Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond 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 Bonds 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 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds 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 Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond 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 Bonds 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 Bond 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 Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds 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 Bonds 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 Bonds 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 Bonds.

TAX LEGISLATIVE CHANGES . . . Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Bonds, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds 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 Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. 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 shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information of the type described in Tables 1 through 6 and 8 through 15, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles appended to the Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The City's current fiscal year end is September 30. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

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 Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (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.

For these purposes, 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.

AVAILABILITY OF INFORMATION . . . All information and documentation filings required to be made by the City in accordance with its undertaking made for the Bonds 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 Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City 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 Bonds 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 Bonds 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 Bonds. 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 Bonds in the primary offering of the Bonds. 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 . . . The City entered into certain undertakings under SEC Rule 15c2-12 with respect to obligations issued by the City for the benefit of Lewisville Castle Hills Public Improvement District No. 5, Lewisville Castle Hills Public Improvement District No. 6 and Lewisville Castle Hills Public Improvement District No. 7 (collectively, the "Castle Hills Districts"). In those undertakings, the City undertook to provide financial and operating information relating to the Castle Hills Districts and the developer of the Castle Hills Districts that was provided to the City by the Castle Hills Districts. In 2015, the Castle Hills Districts failed to provide such financial and operating information to the City in time for the City to file such information with the EMMA system within the required time frame. Such information was subsequently filed approximately three months late.

The City and the Castle Hills Districts have engaged FSC Continuing Disclosure Services, a Division of Hilltop Securities Inc. to provide continuing disclosure services related to debt issued for the benefit of the Castle Hills Districts.

OTHER INFORMATION

RATINGS

The presently outstanding tax-supported debt of the City is rated "AAA" by S&P and "AAA" by Fitch, in each case without regard to credit enhancement. Applications have been made to S&P and Fitch for contract ratings on the Bonds. 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 Bonds.

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 BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds 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 Bonds 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 Bonds 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 Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds 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 Bonds 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 Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under 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 Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

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 Bonds, the City accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds 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 Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the 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 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc. waives the right to submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. 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 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, 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 Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, 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 contained 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 Bonds 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 Bonds by the Initial Purchaser.

Mayor
City of Lewisville, Texas

ATTEST:

City Secretary

SCHEDULE OR REFUNDED OBLIGATIONS***General Obligation Refunding and Improvement Bonds, Series 2007**

Original Dated Date	Original Maturity Date	Interest Rates	Amount	Redemption Date
5/15/2007	2/15/2019	4.000%	\$ 245,000	9/21/2018
	2/15/2021 ⁽¹⁾	5.000%	535,000	9/21/2018
	2/15/2023 ⁽¹⁾	5.000%	605,000	9/21/2018
			<u>\$ 1,385,000</u>	

(1) Represents mandatory sinking fund installments of a Term Bond, maturing February 15, 2023.

Combination Tax and Revenue Certificates of Obligation, Series 2007A

Original Dated Date	Original Maturity Date	Interest Rates	Amount	Redemption Date
5/15/2007	2/15/2024	4.375%	\$ 185,000	9/21/2018
	2/15/2030 ⁽¹⁾	5.000%	1,005,000	9/21/2018
	2/15/2032 ⁽¹⁾	4.500%	275,000	9/21/2018
			<u>\$ 1,465,000</u>	

(2) Represents mandatory sinking fund installments of a Term Certificate, maturing February 15, 2032.

**CITY CONTRACT REVENUE AND ASSESSMENT DEBT ISSUED FOR
THE CASTLE HILLS PUBLIC IMPROVEMENT DISTRICTS
(PRINCIPAL OUTSTANDING AS OF JUNE 30, 2018)**

- 1) The City's currently outstanding \$5,625,000 Combination Contract Revenue and Special Assessment Refunding and Capital Improvement Bonds, Series 1998, are special limited obligations of the City payable from certain contract revenues paid by Denton County Fresh Water Supply District #1-B. The contract revenues are payable from the proceeds of continuing, direct ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property within District #1-B. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied by District #1-B against benefited property within the Public Improvement District No. 1 that is coterminous with the boundaries of District #1-B. The special assessment revenues are collected only to the extent that contract revenues are insufficient to make payments on these bonds in any given calendar year. These bonds are not secured by and are not payable from ad valorem taxes levied by the City.
- 2) The City's currently outstanding \$1,435,000 Combination Contract Revenue and Special Assessment Capital Improvement Bonds, Series 2008, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-F. For this issue, no more than 90% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 10% is payable from special assessment revenues. The Bonds subject to special mandatory redemption prior to maturity from prepayments of Special Assessments. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property within District #1-F. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-F. These bonds are not secured by and are not payable from ad valorem taxes levied by the City.
- 3) The City's currently outstanding \$2,840,000 Combination Contract Revenue and Special Assessment Refunding and Utility System Bonds, Series 2011, are special limited obligations of the City payable from certain contract revenues paid by Denton County Fresh Water Supply District #1-E. The contract revenues are payable from the proceeds of continuing, direct ad-valorem taxes, without legal limitation as to rate or amount, levied by District #1-E against all taxable property within District #1-E. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-E. The special assessment revenues are collected only to the extent that the contract revenues are insufficient to make payment on these bonds in any given year. These bonds are not secured by and are not payable from ad valorem taxes levied by the City.
- 4) The City's currently outstanding \$2,665,000 Combination Contract Revenue and Special Assessment Utility System Bonds, Series 2011, are special limited obligations of the City payable from certain contract revenues paid by Denton County Fresh Water Supply District #1-F. For this issue, no more than 90% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 10% is payable from special assessment revenues. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Special Assessments. The contract revenues are payable from the proceeds of continuing, direct ad-valorem taxes, without legal limitation as to rate or amount, levied by District #1-F against all taxable property within the District #1-F. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-F. The Bonds are subject to special mandatory redemption from prepayments of Special Assessments. These bonds are not secured by and are not payable from ad valorem taxes levied by the City.
- 5) The City's currently outstanding \$4,820,000 Combination Contract Revenue and Special Assessment Road System Bonds, Series 2011, are special limited obligations of the City payable from certain contract revenues paid by Denton County Fresh Water Supply District #1-F. For this issue, no more than 90% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 10% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing, direct ad-valorem taxes, without legal limitation as to rate or amount, levied by District #1-F against all taxable property within the District #1-F. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-F. These bonds are subject to special mandatory redemption from prepayments of Special Assessments. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Special Assessments.

- 6) The City's currently outstanding \$12,530,000 Combination Contract Revenue and Special Assessment Refunding Bonds, Series 2013, are special limited obligations of the City payable from certain contract revenues paid by Denton County Fresh Water Supply District #1-D. The contract revenues are payable from the proceeds of continuing, direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-D against all taxable property within District #1-D. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-D. The special assessment revenues are collected only to the extent that contract revenues are insufficient to make payments on these bonds in any given calendar year. These bonds are not secured by and are not payable from ad valorem taxes levied by the City.
- 7) The City's currently outstanding \$3,065,000 Combination Contract Revenue and Special Assessment Utility System Bonds, Series 2014, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-G. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-G against all taxable property within District #1-G. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-G. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Assessments.
- 8) The City's currently outstanding \$4,235,000 Combination Contract Revenue and Special Assessment Road System Bonds, Series 2014, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-G. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-G against all taxable property within District #1-G. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-G. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Assessments.
- 9) The City's currently outstanding \$1,280,000 Combination Contract Revenue and Special Assessment Utility System Bonds, Series 2014, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-C. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-C against all taxable property within District #1-C. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-C. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Assessments.
- 10) The City's currently outstanding \$1,320,000 Combination Contract Revenue and Special Assessment Road System Bonds, Series 2014, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-C. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-C against all taxable property within District #1-C. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-C. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds subject to special mandatory redemption prior to maturity from prepayments of Assessments.
- 11) The City's currently outstanding \$3,115,000 Combination Contract Revenue and Special Assessment Utility System Bonds, Series 2014, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-F. For this issue, no more than 90% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 10% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing, direct ad-valorem taxes, without legal limitation as to rate or amount, levied against all taxable property within District #1-F. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied by District #1-F against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-F. The special assessment revenues are collected only to the extent that the contract revenues are insufficient to make payment on

these bonds in any given year. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Special Assessments.

- 12) The City's currently outstanding \$6,815,000 Combination Contract Revenue and Special Assessment Utility System Bonds, Series 2014, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-H. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property within District #1-H. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied by District #1-H against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-H. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Assessments.
- 13) The City's currently outstanding \$1,200,000 Combination Contract Revenue and Special Assessment Road System Bonds, Series 2014, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-H. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property within District #1-H. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied by District #1-H against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-H. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Assessments.
- 14) The City's currently outstanding \$3,300,000 Combination Contract Revenue and Special Assessment Refunding Bonds, Series 2015, are special limited obligations of the City payable from certain contract revenues paid by Denton County Fresh Water Supply District #1-B. The contract revenues are payable from the proceeds of continuing, direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-B against all taxable property within the District. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District That is coterminous with the boundaries of District #1-B. The special assessment revenues are collected only to the extent that contract revenues are insufficient to make payments on these bonds in any given calendar year. These bonds are not secured by and are not payable from ad valorem taxes levied by the City.
- 15) The City's currently outstanding \$7,830,000 Combination Contract Revenue and Special Assessment Refunding Bonds, Series 2015, are special limited obligations of the City payable from certain contract revenues paid by Denton County Fresh Water Supply District #1-D. The contract revenues are payable from the proceeds of continuing, direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-D against all taxable property within the District #1-D. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-D. The special assessment revenues are collected only to the extent that contract revenues are insufficient to make payments on these bonds in any given calendar year. These bonds are not secured by and are not payable from ad valorem taxes levied by the City.
- 16) The City's currently outstanding \$17,260,000 Combination Contract Revenue and Special Assessment Refunding Capital Improvement Bonds, Series 2015, are special limited obligations of the City payable from certain contract revenues paid by Denton County Fresh Water Supply District #1-E. The contract revenues are payable from the proceeds of continuing, direct ad-valorem taxes, without legal limitation as to rate or amount, levied against all taxable property within the District #1-E. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied by District #1-E against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-E. The special assessment revenues are collected only to the extent that the contract revenues are insufficient to make payment on these bonds in any given year. These bonds are not secured by and are not payable from ad valorem taxes levied by the City.
- 17) The City's currently outstanding \$10,650,000 Combination Contract Revenue and Special Assessment Utility System Bonds, Series 2015, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-G. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-G against all taxable property within District #1-G. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited

property within the Public Improvement District that is coterminous with the boundaries of District #1-G. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Assessments.

- 18) The City's currently outstanding \$1,690,000 Combination Contract Revenue and Special Assessment Utility System Bonds, Series 2016, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-C. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-C against all taxable property within District #1-C. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-C. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Assessments.
- 19) The City's currently outstanding \$3,145,000 Combination Contract Revenue and Special Assessment Road System Bonds, Series 2016, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-C. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-C against all taxable property within District #1-C. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-C. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds subject to special mandatory redemption prior to maturity from prepayments of Assessments.
- 20) The City's currently outstanding \$13,350,000 Combination Contract Revenue and Special Assessment Refunding Bonds, Series 2017 are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-F. For this issue, no more than 90% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 10% is payable from special assessment revenues. The Bonds subject to special mandatory redemption prior to maturity from prepayments of Special Assessments. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property within District #1-F. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-F. These bonds are not secured by and are not payable from ad valorem taxes levied by the City.
- 21) The City's currently outstanding \$7,690,000 Combination Contract Revenue and Special Assessment Utility System Bonds, Series 2017, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-H. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property within District #1-H. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied by District #1-H against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-H. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Assessments.
- 22) The City's currently outstanding \$15,310,000 Combination Contract Revenue and Special Assessment Road System Bonds, Series 2017, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-H. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property within District #1-H. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied by District #1-H against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-H. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Assessments.
- 23) The City's currently outstanding \$11,395,000 Combination Contract Revenue and Special Assessment Utility System Bonds, Series 2017, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-G. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special

assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-G against all taxable property within District #1-G. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-G. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity from prepayments of Assessments.

- 24) The City's currently outstanding \$5,905,000 Combination Contract Revenue and Special Assessment Road System Bonds, Series 2017, are special limited obligations of the City payable from certain contract and special assessment revenues paid by Denton County Fresh Water Supply District #1-G. For this issue, no more than 99% of the principal and interest payment on the bonds is from ad valorem taxes (contract revenues) and no less than 1% is payable from special assessment revenues. The contract revenues are payable from the proceeds of continuing direct ad valorem taxes, without legal limitation as to rate or amount, levied by District #1-G against all taxable property within District #1-G. These bonds are further payable and secured by a pledge of and lien on certain special assessment revenues levied against benefited property within the Public Improvement District that is coterminous with the boundaries of District #1-G. These bonds are not secured by and are not payable from ad valorem taxes levied by the City. These bonds are subject to special mandatory redemption prior to maturity for prepayments of Assessments.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City of Lewisville was incorporated in 1925. The current charter was adopted in 1963 and amended as recently as 2017. Lewisville is a home-rule city and operates under the Council-Manager form of government. The City Council is comprised of the Mayor and five members and is responsible for enacting ordinances, resolutions and regulations governing the City. In addition, the City Council appoints the members of various boards and commissions, the City Manager, City Attorney, City Judge, and City Secretary. As chief administrative officer, the City Manager is responsible for implementing Council policies, overseeing municipal operation, and appointing and supervising the various department directors.

The City provides the full range of municipal services as authorized by statute or charter. This includes public safety (police and fire), streets, water and sewer utilities, sanitation, health and social services, parks and leisure services, public improvements, community development with planning and zoning, tourism and general administrative services.

The following list includes the major employers in the City:

Employer	Number of Employees	Percentage of Total City Employment
JP Morgan Chase	2,878	4.59%
Lewisville Independent School District (Lewisville employment only)	2,852	4.55%
Vista Ridge Mall (all outlets)	1,500	2.39%
Xerox Corporation	823	1.31%
Medical Center of Lewisville	815	1.30%
City of Lewisville	781	1.25%
Bed Bath & Beyond	700	1.12%
Wal-Mart (all City locations)	685	1.09%
TIAA-CREF	600	0.96%
SYSCO	563	0.90%
	<u>12,197</u>	<u>19.46%</u>

Source: City of Lewisville Economic Development and Budget Departments, Texas Workforce Commission and North Central Texas Council of Governments.

ECONOMIC CONDITIONS AND OUTLOOK

The City of Lewisville continues to experience positive annual population and new residential and commercial growth. Between the years 2000 to 2010, Lewisville's population increased by 22.6% from 77,737 to 95,290 per the official Census data of 2010. The current population estimate from North Central Texas Council of Governments (NCTCOG) is 105,000. Lewisville is located in Denton County which is one of the Top 20 fastest-growing counties in the U.S per the U. S. Census. The City has added a tremendous number of infill development and redevelopment projects that have aided in the rejuvenation of the City. Lewisville's makeup is unique because the community is largely developed with limited vacant land available. Estimates are for residential population to be approximately 140,000 (including extraterritorial jurisdiction) at the time of build-out around 2030. According to Transwestern Commercial Services, the Denton/Lewisville office market enjoyed one of the lowest vacancy rates in the DFW region at 9.4% in the 3rd Quarter in 2017. Industrial vacancy also came in very low at 6%.

Highlights include:

- Majestic Airport Center is a master-planned Industrial park with over 160 acres of land and more than 3 million square feet of Class A warehouse and distribution facilities. Kellogg relocated their southwest regional distribution facility to Majestic Airport Center in 2012, occupying 1 million square feet and creating 300 new jobs. Jafra Cosmetics, Cabin Innovations, Hagemeyer North America Inc., Sonexus Health, Essilor of America and Ranger Air Aviation currently occupy the development, taking advantage of the Foreign Trade Zones and Triple Freeport exemption in place. The most recent occupant, Bed, Bath and Beyond has their Texas E-Commerce facility occupying 780,000 square feet with over \$100 million in real and business personal property investment and large projected sales tax generation since its opening in late 2016.
- Ferguson Enterprises relocated to Lewisville into a new 181,000 square foot regional warehouse and distribution facility at 514 Bennett Lane.

- Mortgage Contracting Services moved from Plano and now occupies a 120,000 square foot building that was vacated by Nationstar Mortgage bringing 500 employees to Lewisville.
- Norman Windows Fashion, a California company, expanded its operation to Texas, by purchasing a 400,000 square foot facility in Lewisville. They are the distributor of window blinds and drapes to major retailers such as Lowes and Home Depot.
- Hoya Optical completed its expansion in Lewisville adding 201 employees and investing \$14,000,000 in their facility. The total number of employees at this location is now 440.
- Mary Kay Inc. research and manufacturing facility is well under construction. The new 480,000 square foot facility is scheduled to open in 2018. The company is projected to invest over \$100 million dollars in land purchase, construction, business personal property and inventory as well as adding 600 jobs to the local economy.
- The hospitality industry is booming in Lewisville as several new hotels are under construction. A new 129-room La Quinta Inn & Suites was recently completed and at least four others are planned to open in 2018 including Home 2 Suites by Hilton, Candlewood Suites, TRU by Hilton, and ALOFT by Marriott.
- The Vista Ridge Mall was purchased by ICA Properties and renamed the Music City Mall. ICA is planning to attract new tenants and shoppers with live music and new retail venues.
- Other notable companies moving to Lewisville this year include:
 - Infinite Packaging & Printing—expansion (39,000 square feet)
 - STEM Academy of Lewisville (43,000 square feet)
 - MC2—trade show booth exhibit manufacturer (7,200 square feet)
 - Infinite Electronics (8,200 square feet)
 - Design Floors (12,000 square feet)

MAJOR INITIATIVES

Tax Increment Reinvestment Zone Number 1 - The City of Lewisville continues to revitalize Old Town Lewisville. The Old Town Tax Increment Reinvestment Zone was created in December 2001, with participation between the City and Denton County. The Zone will expire in 2028.

The Old Town Tax Increment Reinvestment Zone has experienced an incremental increase in taxable value of \$145.7 million since inception. Tax increment revenues from the Zone are used to finance infrastructure improvements and public facilities to stimulate revitalization of Old Town. Projects to date include parking improvements, wayfinding, infrastructure needs studies, sidewalk enhancements, beautification projects, the Medical Center of Lewisville Grand Theater (MCL Grand Theater), and the Wayne Ferguson Plaza.

- Several new restaurants have opened in Old Town including Cavalli Pizza, Twisted Root Burger, Prohibition Chicken, PERC Coffeehouse, Domino's Pizza, and Old Town Wine House.
- The Lewisville Feed Mill is being converted into a restaurant with over \$2 million in renovations and improvements. The current building will be renovated but will preserve as much of the historical character as possible. The restaurant is scheduled to open in the spring of 2018.
- The Uptown Village Townhome community has completed 40 units and is in the process of proceeding with phase 3 of the development for a total of 73 units including a pool and clubhouse in this phase.
- South Village, a mixed-use project, including 4,000 square feet of office space/retail space and 63 new residential units is under construction.
- Walters Street Brownstones, with 19 residential units, is under construction.

Tax Increment Reinvestment Zone Number 2 - This zone was created in October 2008, with participation between the City and Denton County. This Zone started with a base value of \$9 million and has added \$129.5 million in incremental value. The Zone will expire in 2038.

- Tax increment revenues from the Zone are used to finance infrastructure improvements for a 427-acre mixed-use development. The development, also known as Hebron 121 Station, is at the northeast corner of Interstate Highway 35-East (I-35E) and State Highway 121 Tollway (SH 121). The project consists of urban residential, retail, recreation, and entertainment uses.
- The first three phases of the residential development have been completed and consist of 1,210 multi-family units within 4-story structures; the total number of residential units projected for the project at completion will be 1,875.
- Other features present within this zone is the Denton County Transit Authority (DCTA) A-Train Station and a connecting bridge over Timber Creek from the project to the I-35 frontage road.

Lewisville 2025 Plan - The Lewisville 2025 Vision Plan is the City's strategic plan that includes nine Big Moves guiding the development of the City of Lewisville over the next 10 years. The plan serves to set a vision for the future and provide a framework as Lewisville looks to celebrate its centennial in 2025. The plan was developed with more than a year of public input and discussion that garnered hundreds of ideas and suggestions. That input was studied extensively by the Lewisville 2025 Committee, working with City staff and professional consultants. After an extensive public involvement process, the plan was complete and adopted in July 2014. The resulting Lewisville 2025 plan sets a clear shared vision for the kind of community Lewisville hopes to be in 2025. The plan identifies nine Big Moves to make that vision a reality. Some of the major accomplishments this prior year are listed below:

- **Green Centerpiece** (Create and educate the public about unique destinations within the areas of the floodway, public land, and adjacent private lands.)
 - In regards to Lewisville Lake Environmental Learning Area (LLELA), the City continues to work with all stakeholders to plan for new programming and activities in LLELA.
 - The City received approval from Corps of Engineers to create two new nature trails at LLELA:
 - The Stewart Creek Trail, which is an extension of the Bittern Marsh trail, will become the eastern most trail in LLELA, and will extend into portions of the property the public has never been allowed.
 - The Wildflower Loop also will be on the east side of LLELA. It will include an observation platform for visitors to look over the entire prairie. When the roughly one-mile trail opens, it will be a guided-tour only trail.
- **Extending The Green** (Implement the City's adopted Trails Master Plan and to give Lewisville residents access to these systems within a reasonable walking distance of their neighborhoods.)
 - The City was selected by TxDOT to receive Green Ribbon funding for FM 407 (Aspen Drive to Summit Avenue) and SH 121 Business (E. Main Street to FM 544) Median Landscape Project. Improvements include native, low-impact landscape, hardscape and irrigation. The hardscape includes a Lewisville Gateway sign on both roadways.
 - The new I-35E bridge over Lewisville Lake completed the trail connection from Garden Ridge Boulevard to Denton.
 - The City joined the Trust for Public Land "10-minute to a Park" initiative, committing to increase community access to public parks and open spaces.
- **Sustainability** (Provide a framework for all areas of municipal operations and place emphasis on green initiatives while reducing demands on limited resources.)
 - City of Lewisville Fleet Division earned 2017 Outstanding Bronze Fleet Award presented by NCTCOG. The award recognizes efforts of emissions reduction, fuel reductions, promotion of clean fleet policies, and petroleum reduction goals.
 - The City reduced electricity consumption by 151,410 Kwh across all City facilities this past year. This was accomplished by installing more energy efficient mechanical and lighting components.
 - The City adopted an Idling Directive which limits employee's ability to leave City vehicles idling while working. The limitations will promote sustainability, but also save taxpayer money on gas and car maintenance.
- **Old Town** (Identify new and renovated residential, retail and commercial opportunities and to raise the profile of the City's historic Old Town by increasing activities and quality events.)
 - The City opened the Visitor Information Center (VIC) in September, located at 247 W. Main Street. Unique to the Lewisville VIC are three public museum rooms that highlight Lewisville's history—Deep Roots, Arts & Culture, and Fighting Farmers of Lewisville High School. The building also houses the Community

Relations and Tourism Department, including the Special Events Division.

- Five new restaurants opened in 2017 as mentioned earlier.
- Valley Ridge Boulevard extension opened in October. The 1.6-mile extension provides a direct connection between I-35E and SH 121 Business and reduces the amount of cut-through commuter and truck traffic in Old Town, making Old Town more pedestrian friendly, and minimizing traffic disruptions during major events.
- **Thriving Neighborhoods** (Create neighborhood-specific reinvestment strategies and to work with neighborhood groups to evaluate, identify and fund needed improvements.)
 - As part of the Property Enhancement Program, the City awarded residents more than \$117,000 in reimbursement between July 2016 - September 2017.
 - Construction began on Fire Station #3 and Fire Station #8 in late 2017. Both stations are expected to open in late 2018.
 - LPD continued its premier Neighborhood Police Services program. In fiscal year 2016-17, in addition to regular duties, officers patrolled 61 neighborhoods, initiated 303 calls for service, traveled 2,065 miles, worked 310 additional hours, and patrolled 11 school zones and 14 athletic tournaments. Additionally, a popular program is an additional 48 man hours for Halloween evening patrol. Officers handed out over 3,000 LPD candy suckers to trick-or-treaters.
- **New Neighborhood Choices** (Create and encourage new residential choices such as upscale single-family homes, mixed-use complexes, and high-density housing close to the three DCTA stations.)
 - The Hebron 121 Station began construction on Phase 5 of the iconic complex along I-35E, adding 330 townhome and mansion style units, a fitness center, and another pool. Construction on Phase 6 is expected to begin in 2019.
 - The City issued more than 7,200 building-type permits. More than 250 were for new single-family home construction and more than 300 were for construction in Old Town.
- **Employment Centers** (Support the long-term success of these centers and promote a sense of pride between businesses and community services.)
 - Highlights of newly developed employment centers are detailed earlier in this letter.
 - Two Lewisville locations were submitted through the Dallas Regional Chamber's joint DFW regional bid as potential sites for Amazon's second headquarters building. One Lewisville site is still part of DFW's bid that made Amazon's top 10 list. It is expected there will be 50,000 jobs, paying an average of \$100,000, at Amazon's HQ2. Amazon has not said when it will announce the winning location.
- **Identity Focal Point** (Create a strong graphic presence at the major gateways so Lewisville stands apart from other cities along I-35E.)
 - Zoning has been approved for two key parts of the Northern Gateway near Justin Road and McGee Lane. The goal is to create a mixed-use center of activity west of I-35E. Plans call for a mixed-use office complex, hotel, entertainment venue and retail outlets alongside single-family homes and high-density residential neighborhoods. A system of hike and bike trails and sidewalks will connect neighborhoods with other areas of the development.
 - Construction on Tower Bay Lofts, a resort-style luxury apartment development near Lewisville Lake, is expected to start in early 2018 and will provide a focal point in the City's Northern Gateway.
- **Marketing & Communications** (Strengthen the communications program within the City, enhance the message to residents, and better promote the people and businesses in the City.)
 - Construction started in November on eight gateway monument signs located at entry points into the City. Two additional signs are being built by the state as part of its Median Beautification Program.
 - Old Town Visitor Marketing Plan was completed in July 2017 with parts of the plan being implemented in August 2017. The plan is designed to grow the perception and reputation of Old Town as a desirable location to visit, eat, and shop.

A series of real-time performance dashboards measuring a wide range of municipal services were added to the City website. (metrics.cityoflewisville.com). This performance dashboard system is a key component of the City's transparency plan, and helped the City get selected as one of the 100 "What Works City" participants.

Major Roadway Projects -

Substantial completion of the I-35E expansion occurred this year within Lewisville. The full project will widen the interstate from 10 to 16 lanes between I-635 and US Highway 380. The City worked with the State and the contractor to complete aesthetic improvements, utility relocation and signal installations along the corridor. The expansion includes free lanes, managed/tolled lanes, and additional new frontage lanes.

Corporate Drive, a \$44 million roadway project, encompasses several segments from Waters Ridge to Trinity Drive. Segment 1 & 7 (Waters Ridge to Railroad Street and Josey to Trinity Drive is complete; Segment 6 from FM544 to Josey is complete with the exception of the Kansas City Southern railroad underpass. Segment 5, Holford's Prairie to Old Denton Road, is in the design stage and construction could begin in early 2019. Finally, Segments 2-4, Railroad Street to Holford's Prairie is in the early stages of design. The largest roadway project in the City's history is being funded with City, Denton County and Regional Toll Revenues (RTR).

Residential Growth - A significant number of new residential subdivisions are either underway or planned in Lewisville including a 156-acre annexation of land into the City for a master planned community. The new residential developments have a higher price point than existing residences and are estimated to be in \$250,000 to \$400,000 price range. These projects include:

PROJECT	LOCATION	RESIDENCE TYPE	PLANNED UNITS	STATUS/COMPLETED
Highpoint Oak Estates	Southwest corner of Vista Ridge Mall Drive & Denton Tap Road	Single family	85	72 units completed; 13 under construction
The Hills of Vista Ridge	Oakbend & Vista Ridge Mall Drive	Single-family	124	72 units completed; 52 units - Under Construction
Wyndale Meadows	East of FM 544 & south of SH 121	Single-family	105	77 units completed
Willowbrook	2698 Denton Tap Rd.	Single-family	75	Building permits issued for 26 homes
Vista Villas	2100 Vista Dr.	Single-family	46	Public improvements being installed
Archer Way	Moccasin Trail & Archer Way	Single-family	38	In plan review
Highland Terrace	NEC of Highland & Denton Tap	Single-family	32	In plan review
Great Lake Crossing	SWC McGee Ln & Daffodil Ln.	Single-family	30	Plans approved
Crescent Estates	Summit Lane south of College Parkway	Single-family	62	31 units completed; 31 under construction
Fireside Village	College Parkway and Summit Avenue	Single-family	33	Broke ground
Lakewood Hills	Josey Lane and Windhaven Parkway	Single-family	523	Broke ground
Legacy Pointe	N. Kealy	Single-family	97	Under construction- Phase 1- -25 lots
South Village	Elm Street & Mill Street	Mixed Use	81	Under construction

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EDUCATION

The Lewisville Independent School District ("LISD") encompasses 13 communities and 127 square miles. LISD presently has 40 elementary schools, one early childhood center, 15 intermediate schools, five high schools, three ninth grade campuses, two ninth and tenth grade campuses, two career centers, one learning centers, a night high school, and a virtual learning academy. All LISD campuses received the "Met Standard" accountability rating by the Texas Education Agency in the areas of student achievement, student progress, closing performance gaps, and postsecondary readiness. Serving more than 53,000 students, LISD has experienced a period of rapid growth adding over 23,000 students within the last twenty years.

School Year	School Enrollment
	District Wide
2008-09	50,038
2009-10	50,664
2010-11	51,298
2011-12	51,782
2012-13	52,396
2013-14	52,696
2014-15	52,989
2015-16	53,400
2016-17	53,200
2017-18	52,462 ⁽¹⁾

(1) As of September 30, 2017.

BUILDING PERMIT VALUES

Fiscal Year	Commercial		Residential		Other ⁽²⁾	
	Number	Amount	Number	Amount	Number	Amount
2014	153	\$ 49,608,616	229	\$ 20,252,230	443	\$ 2,421,327
2015	87	125,973,960	801	79,250,114	275	2,988,263
2016	35	73,887,615	379	114,348,948	777	74,378,555
2017	24	88,975,876	277	62,970,702	792	52,369,218
2018 ⁽¹⁾	20	43,183,606	234	64,019,209	423	26,500,232

(1) As of June 30, 2018.

(2) This section represents miscellaneous commercial and residential permits. Beginning in FY 2016, permits for building additions and alterations are included here along with other building permits such as swimming pools and fences.

APPENDIX B

EXCERPTS FROM THE
CITY OF LEWISVILLE, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

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

APPENDIX C

FORM OF BOND COUNSEL'S OPINION