Dated: December 20, 2016

NEW ISSUE: Book-Entry-Only **Rating: S&P…….“AA”**
(See “RATINGS” herein)

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See “TAX MATTERS.

THE CERTIFICATES HAVE BEEN DESIGNATED
AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

$2,195,000
CITY OF SWEENY, TEXAS
(Brazoria County)
Combination Tax and Revenue Certificates of Obligation, Series 2017

Dated Date: January 1, 2017 **Due: As shown on inside cover**

PAYMENT TERMS… Interest on the $2,195,000 City of Sweeny, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2017 (the “Certificates”), will accrue from their delivery date to the underwriters listed below (the “Underwriters”) and will be payable February 15 and August 15 of each year, commencing on February 15, 2017. The Certificates will be issued only in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Certificates will be payable to the registered owner (the “Owner”) at maturity or prior redemption upon presentation at the principal corporate office of the paying agent/registrar (the “Paying Agent/Registrar”), initially BOKF, NA, Austin, Texas. The Certificates will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interests in the Certificates. See “BOOK-ENTRY-ONLY SYSTEM” herein.

PURPOSE… Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) repairs to the waste water treatment plant, new waterlines, replacing sewer lines and a new generator; and (2) professional services related thereto. See “THE CERTIFICATES – Sources and Uses of Funds” herein.

REDEMPTION… The Certificates maturing on and after February 15, 2029, are subject to optional redemption in whole or in part on February 15, 2027, or on any date thereafter at a redemption price equal to the principal amount thereof plus accrued interest as more fully described herein. Additionally, the certificates maturing on February 15 in the years 2029, 2036 and 2041 are subject to mandatory sinking fund redemption prior to maturity as described herein. See “THE CERTIFICATES – Optional Redemption” and “ – Mandatory Redemption” herein.

SECURITY AND SOURCE OF PAYMENT… The Certificates will constitute direct obligations of the City of Sweeny, Texas (the “City”), payable from ad valorem taxes levied against all taxable property within the City within the limits prescribed by law and from a limited subordinate pledge in an amount not to exceed $1,000 of certain revenues of the waterworks and sewer system of the City, as provided in the ordinance authorizing the Certificates.

INSURANCE… The scheduled payment of principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company.

See Principal Amounts, Maturities, Interest Rates, and Prices on the Inside Cover Page

LEGALITY… *The Certificates are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and Orrick, Herrington & Sutcliffe LLP, Bond Counsel, Houston, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, Powell & Leon, LLP, Austin, Texas.*

DELIVERY… *The Certificates are expected to be available for delivery to the Underwriters through DTC on or about January 19, 2017.*

OPPENHEIMER & CO.

MATURITY SCHEDULE

$2,195,000 Combination Tax and Revenue Certificates of Obligation, Series 2017

$825,000 Serial Certificates

Maturity[(a)]	Principal Amount	Interest Rate	Initial Yield/Price[(b)]	CUSIP[(c)]
08/15/2017	$80,000	2.000%	1.300%	870360 CX0
02/15/2018	45,000	2.000%	1.550%	870360 CY8
02/15/2019	45,000	2.000%	1.900%	870360 CZ5
02/15/2020	50,000	2.000%	2.150%	870360 DA9
02/15/2021	50,000	2.000%	2.400%	870360 DB7
02/15/2022	50,000	4.000%	2.750%	870360 DJ0
02/15/2023	50,000	4.000%	2.900%	870360 DC5
02/15/2024	55,000	4.000%	3.000%	870360 DK7
02/15/2025	55,000	4.000%	3.100%	870360 DL5
02/15/2026	60,000	4.000%	3.200%	870360 DD3
***	***	***	***	***
02/15/2030	90,000	4.000%	3.750%	870360 DM3
02/15/2031	95,000	4.000%	3.850%	870360 DN1
02/15/2032	100,000	4.000%	3.950%	870360 DF8

$1,370,000 Term Certificates

$255,000 4.000% Term Certificates due February 15, 2029, Price 103.352%[(a)(b)(c)]
$450,000 4.000% Term Certificates due February 15, 2036, Price 98.683%[(a)(b)(c)]
$665,000 4.000% Term Certificates due February 15, 2041, Price 96.986%[(a)(b)(c)]

(a) The Certificates maturing on and after February 15, 2029, are subject to optional redemption, in whole or in part, on February 15, 2027, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date or redemption. Additionally, the Certificates maturing on February 15 in the years 2029, 2036 and 2041 are subject to mandatory sinking fund redemption prior to maturity as described herein. (See "THE CERTIFICATES – Optional Redemption" and "– Mandatory Redemption").

(b) The initial yields and prices are established by, and are the sole responsibility of the Underwriters and may subsequently be changed.

(c) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Certificates. Neither the City, the Financial Advisor, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF SWEENY

CITY COUNCIL

Dale Lemon	Mayor
Sandra Blaine	Councilmember, Place 1
Jeff Farley	Councilmember, Place 2
Brian Brooks	Councilmember, Place 3
Bill Hayes	Councilmember, Place 4
Tim Pettigrew	Councilmember, Place 5

ADMINISTRATIVE OFFICERS

Cindy King	City Manager
Reatta Minshew	City Secretary
Charlie Stevenson	City Attorney

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Orrick, Herrington & Sutcliffe LLP, Houston, Texas	Bond Counsel
Kennemer, Masters & Lunsford, LLC, Lake Jackson, Texas	Independent Auditor
Government Capital Securities Corporation, Southlake, Texas	Financial Advisor

For additional information regarding the City, please contact:

Cindy King
City Manager
City of Sweeny
102 W. Ashley Wilson Road
Sweeny, Texas 77480
(979) 548-3321
clking@ci.sweeny.tx.us

Justin Padron
Government Capital Securities Corporation
559 Silicon Drive, Suite 102
Southlake, Texas 76092
(817) 722-0220
jpadron@govcapsecurities.com

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

Neither the City, the Financial Advisor nor the Underwriters make any representation as to the accuracy, completeness or adequacy of the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

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

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BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $493.9 million, $61.0 million and $432.8 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre- sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement, including the schedules and appendices hereto. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement including the Appendices hereto.

The Issuer	The City of Sweeny, Texas (the "City"), is located in Brazoria County, Texas. For information regarding the City, see Appendices A and B.
The Certificates	$2,195,000 Combination Tax and Revenue Certificates of Obligation, Series 2017, (the "Certificates") dated January 1, 2017, maturing on the dates and in the amounts set forth on the inside front cover of this Official Statement. Interest on the Certificates will accrue from their date of delivery and will be paid semiannually on February 15 and August 15, commencing February 15, 2017, until maturity or prior redemption.
Purpose of Certificates	Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) repairs to the waste water treatment plant, new waterlines, replacing sewer lines and a new generator; and (2) professional services related thereto. See "THE CERTIFICATES – Sources and Uses of Funds" herein.
Authorization and Security	The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, and an ordinance to be enacted by the City Council of the City (the "City Council") on December 20, 2016. The Certificates are payable from ad valorem taxes to be levied, within the limits prescribed by law, on all taxable property within the City and from a limited subordinate pledge in an amount not to exceed $1,000 of certain revenues of the waterworks and sewer system of the City, as provided in the ordinance authorizing the Certificates.
Optional Redemption	The Certificates maturing on and after February 15, 2029, are subject to optional redemption in whole or in part on February 15, 2027, or on any date thereafter at a price of par plus accrued interest as more fully described herein. See "THE CERTIFICATES – Optional Redemption" herein.
Mandatory Redemption	The Certificates maturing on February 15 in the years 2029, 2036 and 2041 (the "Term Certificates") are subject to mandatory sinking fund redemption prior to maturity as described herein. (See "THE CERTIFICATES – MANDATORY REDEMPTION").
Tax Exemption	In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See "TAX MATTERS. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.
Qualified Tax Exempt Obligations	The City has designated the Certificates as "qualified tax-exempt obligations". (See "TAX MATTERS – PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS" herein.)
Ratings	The Certificates are rated "AA" by S&P Global Ratings ("S&P") based upon the Municipal Bond Insurance Policy issued by Build America Mutual Assurance Company. An explanation of the significance of such rating may be obtained from S&P's. See "RATINGS" herein.

Book-Entry-Only System	The Certificates are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry only system described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the purchasers thereof. Principal of, premium if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.
Payment Record	The City has never defaulted on the payment of its bonded indebtedness.

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2016 Certified Taxable Assessed Valuation…….. (100% of Market Value as of January 1, 2016)	$122,637,725 [a]
City Debt:	
Outstanding Tax Supported Debt (as of September 30, 2016)…….….	$2,060,000 [b]
Plus: The Certificates……...	$2,195,000
Total Tax Supported Debt…….	$4,255,000
Estimated Overlapping Debt……...	$3,786,297
Direct and Estimated Overlapping Debt…….	$8,041,297
Debt Service Fund Balance (as of Sept. 30, 2016)……..	$ 488,378

	% of 2016 Assessed Valuation	2016 Per Capita (3,769)
Debt Ratios:		
Direct Tax Supported Debt…….	3.40%	$1,129
Direct Tax Supported and Estimated Overlapping Debt……..	6.55%	$2,133

2016 Tax Rate (per $100 of Assessed Valuation)	
Maintenance and Operation…….	$0.734686
Debt Service ……	0.012376
Total ……	$0.747062
Estimated Annual Debt Service Requirements……..	
Average……	$143,919.04
Maximum ……...…….	$149,100.00
Tax Collections	
2014 Tax Year…….……	97.63%
Total Collections (as of 2014 Tax Year)……..	93.26%

(a) Provided by the Brazoria Central Appraisal District (the "Appraisal District") and net of exemptions. Such value is further subject to changes as additions, corrections and deletions are made to the tax roll.

(b) Includes self-supporting debt.

OFFICIAL STATEMENT
RELATING TO

$2,195,000
CITY OF SWEENY, TEXAS
(Brazoria County)
Combination Tax and Revenue Certificates of Obligation, Series 2017

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the schedules and the appendices hereto, provides certain information regarding the issuance by the City of Sweeny, Texas (the "City") of $2,195,000 Combination Tax and Revenue Certificates of Obligation, Series 2017 (the "Certificates").

The Certificates will be authorized to be issued, sold and delivered by an ordinance enacted by the City's governing body (the "City Council"), and such ordinance is referred to herein as the "Ordinance." Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Ordinance, except as otherwise indicated herein.

The City is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the laws of the State, which was initially approved by the electorate of the City on April 14, 1945. For information regarding the City, see Appendices A and B of this Official Statement.

All financial and other information presented in this Official Statement has been provided by the City, 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 to be repeated in the future.

THE CERTIFICATES

Purpose

Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) repairs to the waste water treatment plant, new waterlines, replacing sewer lines and a new generator; and (2) professional services related thereto. See "THE CERTIFICATES – Sources and Uses of Funds" herein.

Authorization

The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, as amended, and the Ordinance.

Security for the Certificates

The Certificates are payable from ad valorem taxes to be levied and collected, within the limits prescribed by law, on all taxable property within the City and from a limited subordinate pledge in an amount not to exceed $1,000 of certain revenues of the waterworks and sewer system of the City, as provided in the Ordinance.

Optional Redemption

The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2029, in whole or in part, in integral multiples of $5,000, on February 15, 2027 or any date thereafter, such redemption date or dates to be fixed by the City, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar (as defined herein) to select by lot the Certificates, or portions thereof, within each maturity to be redeemed.

Mandatory Redemption

The Certificates maturing on February 15 in the years 2029, 2036 and 2041 (the "Term Certificates") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as provided in the Ordinance) on the following dates, in each case at a redemption price equal to the principal amount of the Certificates or the portion thereof so called for redemption plus accrued interest to the date fixed for redemption:

$1,370,000 Term Certificates, Maturing 2029, 2036 and 2041

	Mandatory Redemption Dates	**Principal Amounts**
Term Certificates Maturing	February 15, 2027	$80,000
	February 15, 2028	85,000
February 15, 2029	February 15, 2029*	90,000
	*stated maturity	

	Mandatory Redemption Dates	**Principal Amounts**
Term Certificates Maturing	February 15, 2033	$105,000
	February 15, 2034	110,000
	February 15, 2035	115,000
February 15, 2036	February 15, 2036*	120,000
	*stated maturity	

	Mandatory Redemption Dates	**Principal Amounts**
Term Certificates Maturing	February 15, 2037	$120,000
	February 15, 2038	125,000
	February 15, 2039	135,000
	February 15, 2040	140,000
February 15, 2041	February 15, 2041*	145,000
	*stated maturity	

The particular Term Certificates to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary random selection method, on or before January 1 of each year in which Term Certificates are to be mandatorily redeemed. The principal amount of Term Certificates to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Certificates that have been optionally redeemed on or before January 1 of such year and which have not been made the basis for a previous reduction.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Certificate 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. If notice is so given and sufficient funds are provided for the payment of the redemption price of the Certificates, interest shall cease to accrue after the date fixed for redemption whether or not the Certificates have been submitted for payment. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, AND THE FUNDS NECESSARY TO REDEEM SUCH CERTIFICATES HAVING BEEN PROVIDED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION

THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Sources and Uses of Funds

The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources	
Principal Amount of Certificates	$2,195,000.00
Net Original Issue Premium	2,384.75
Total Sources of Funds	$2,197,384.75
Uses	
Deposit to Project Fund	$2,099,000.00
Costs of Issuance	45,445.00
Underwriters' Discount	24,931.78
Bond Insurance	27,715.61
Additional Proceeds	292.36
Total Uses of Funds	$2,197,384.75

GENERAL INFORMATION REGARDING THE CERTIFICATES

General Description

The Certificates will be dated January 1 (the "Dated Date"), and will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the date of delivery to the underwriters listed on the cover page hereof (the "Underwriters"), and interest will be paid semiannually on each February 15 and August 15, commencing February 15, 2017. Interest will accrue on the Certificates on the basis of a 360-day year consisting of twelve 30-day months. The Certificates will be issued as book-entry only securities pursuant to arrangements made with The Depository Trust Company, New York, New York. See "BOOK-ENTRY-ONLY SYSTEM."

Principal of the Certificates will be payable to the registered owners (the "Owners") at maturity or prior redemption upon presentation and surrender of such Certificates at the principal corporate office of the paying agent/registrar (the "Paying Agent/Registrar"), initially BOKF, NA, Austin, Texas. Interest on the Certificates will be payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to Owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment" herein), or by such other customary banking arrangement, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner. If the date for the payment of the principal of or interest on a Certificate shall be a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Certificates will mature on the dates, in the amounts and bear interest at the rates as set forth on inside cover page of this Official Statement.

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. (See "LEGAL MATTERS" and Appendix C – "Form of Opinion of Bond Counsel").

Defeasance

The Ordinance provides that the City may defease the Certificates and discharge its obligation to the holders of any or all of the Certificates to pay the principal of and interest thereon in any manner now or hereafter permitted by law, including by depositing with the Registrar or with the Comptroller of the State of Texas either: (a) cash in an amount equal to the principal amount of and interest thereon to the date of maturity or redemption; or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) 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 Board approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) 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 Board approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, which, in the case of (i), (ii), or (iii), may be in book entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Certificates are to be redeemed prior to their respective dates of maturity, provision shall be made for the giving of notice of redemption as provided in the Ordinance. Any surplus amount not required to accomplish such defeasance shall be returned to the City.

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

Amendments to the Ordinance

In the Ordinance, the City has reserved the right to amend such Ordinance without the consent of any holder of the Certificates in any manner not detrimental to the interests of the holders of the Certificates, including the curing of any ambiguity, defect or omission therein.

The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

OWNERSHIP

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificate for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Certificate is overdue, and neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

All payments made to the person deemed to be the owner of any Certificate in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar upon such Certificate to the extent of the sums paid.

OWNER'S REMEDIES

The Ordinance does not provide for the appointment of a trustee to represent the interests of the Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, the Ordinance does not establish specific events of default with respect to the Certificates and, under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of Certificates could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificates; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess, and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due or perform other material terms and covenants contained in the Ordinance. However, 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.

The City is also 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 Certificate holders 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered Certificates 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 security certificate will be issued for the Certificates, in the aggregate principal amount of such issue, 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.

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

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

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

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

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

Principal, interest, and redemption payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, 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 principal, interest, and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

Use of Certain Terms in Other Sections of this Official Statement

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

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

BOKF, NA, Austin, Texas has been named to serve as initial Paying Agent/Registrar for the Certificates. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a commercial bank; a trust company organized under applicable law; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will 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 and redemption payments of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Certificates is 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 will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, principal, interest, and redemption payments on the Certificates will be made as described in "BOOK-ENTRY ONLY SYSTEM" above.

Future Registration

In the event the book-entry only system should be discontinued, printed Certificates will be delivered to the Owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificate 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 at the Owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered Owner or assignee of the Owner after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be of like kind and in authorized denominations and for a like aggregate principal amount as the Certificate or Certificates surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in the settlement and transfer of the Certificates.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date is the last day of the month next preceding such interest payment date, as specified in the Ordinance. 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 (the "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 (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least 5 days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Certificate appearing on the 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.

Limitation on Transfer of Certificates

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate, or any portion thereof, called for redemption prior to maturity within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

Replacement of Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory

to them that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the City is the responsibility of the Brazoria County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. 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, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Additionally, the governing body of a political subdivision may grant an exemption of up to 20% of the market value of all residence homesteads, with a minimum exemption of $5,000. Pursuant to a constitutional amendment approved by the voters on November 3, 2015 and Senate Bill 1 passed by the 84th Legislature, cities may not reduce the amount of or repeal an optional homestead exemption granted for the 2014 tax year (fiscal year 2015) for a period running through December 31, 2019.

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a

maximum of $12,000. A disabled veteran (and their surviving spouse) who receives from the United States Department of Veterans Affairs or its successor a rating of 100% disabled is entitled to an exemption from taxation of the total appraised value of the resident's homestead. The surviving spouse of a 100% disabled veteran who died prior to the effective date of the homestead exemption is entitled to exemption, but only if the surviving spouse has not remarried since the death of the disabled veteran. A partially disabled veteran or the surviving spouses of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. 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." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit beginning the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

The City may 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. Tax revenues collected on values above the "frozen" value must be deposited in a tax increment fund for 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 exempts from taxation 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.

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 grant 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 and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the

surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded. The City can make no representations or predictions concerning the impact such tax limitation would have on the City's tax rate, financial condition or ability to make debt service payments.

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 require d 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." Effective 2005, 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 Property Tax Code

The City currently grants an exemption of $25,000 of the market value of the residence homestead for persons 65 years of age or older and an exemption of $20,000 of the market value of the residence homestead for persons that are disabled. See Appendix A – Table 1 for a listing of the total amount of these exemptions.

The City does not grant an additional exemption for residence homesteads.

The City does not tax nonbusiness personal property.

The City does not tax Freeport property.

Brazoria County collects property taxes for the City. The City does not permit split payments and does not allow discounts.

Municipal Sales Tax

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 for all general obligation debt service, as calculated at the time of issuance.

RETIREMENT PLAN

The City participates in the Texas Municipal Retirement System ("TMRS"). The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. The City's contributions to TMRS for the year ended September 30, 2015 totaled $157,805.

INVESTMENT POLICIES

Accounting Principles Generally Accepted in the United States

The City policy is to adhere to accounting principles generally accepted in the United States (see Appendix D "Audited Financial Statements for the Fiscal Year Ended September 30, 2015").

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 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 unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (i) that are issued by or through an institution that has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or 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 and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) 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; (10) 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; (11) no-load money market mutual funds registered with and regulated by the United States 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 (12) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the 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 below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (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 (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

Investment Policies

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

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

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

Additional Provisions

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

Current Investments

As of September 30, 2015, the City's investment portfolio was invested in the following categories. As of such date, the market value of such investments was approximately 100% of their book value.

Type of Investment	**Amount**
Cash (Texpool)	$967,355
Certificates of Deposit	$ 12,969
Total	$980,324

RATINGS

The Certificates are rated "AA" by S&P Global Ratings, ("S&P") based upon the Municipal Bond Insurance Policy issued by Build America Mutual Assurance Company. An explanation of the significance of such ratings may be obtained from S&P. The rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates. Neither the Underwriters nor the City has undertaken any responsibility to bring to the attention of the holders of the Certificates any proposed revision or withdrawal of the rating of the Certificates or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Certificates.

PENDING LITIGATION

There is no material litigation currently pending against the City.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Certificates are valid and binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel to the effect that (i) the Certificates issued in compliance with the provisions of the Ordinance are valid and legally binding obligations of the City and (ii) the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions (see "TAX MATTERS"). Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Certificates, and the opinion of Bond Counsel will make no statement as to such matters, or any other information that may have been relied on by anyone in making the decision to purchase the Certificates. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The applicable legal opinion will be printed on or attached to the definitive Certificates.

Bond Counsel has reviewed the statements and information appearing in the Official Statement under the captions "THE CERTIFICATES" (except the subcaption "Sources and Uses of Funds"), "GENERAL INFORMATION REGARDING THE CERTIFICATES," "REGISTRATION, TRANSFER AND EXCHANGE," "TAX INFORMATION − Tax Rate Limitations," "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance With Prior Undertakings") fairly summarizes the procedures and documents referred to therein and is correct as to matters of law. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy, completeness, or fairness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy, completeness, or fairness of any of the information contained herein.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Certificates which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Certificates. Beneficial Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Certificates") will be treated as having

amortizable certificate premium. No deduction is allowable for the amortizable certificate premium in the case of Certificates, like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The Issuer has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Certificates being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Certificates. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Certificates may adversely affect the value of, or the tax status of interest on, the Certificates. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Certificates is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Certificates may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Certificates to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Certificates ends with the issuance of the Certificates, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the Beneficial Owners regarding the tax-exempt status of the Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Certificates is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of Certificates presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the Issuer or the Beneficial Owners to incur significant expense.

LEGAL INVESTMENTS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code

applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Certificates are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included this Official Statement in Appendix A - Financial Information Regarding the City of Sweeny, Texas (Tables 1-9) and in Appendix D. The City will update and provide this information within six months after the end of each fiscal year.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

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

Material Event Notices

The City will also provide timely notices of certain events to the MSRB (not in excess of ten (10) days after the occurrence of the event). The City will provide notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. (Neither the Certificates nor the Ordinance make any provision for debt service reserves, liquidity enhancement, or credit enhancement). In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports".

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

Limitations and Amendments

The City has agreed to update information and to provide notices of material 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 the Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

This continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City amends its agreement, it must include with the next financial information and opening 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 type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

Compliance with Prior Undertakings

During the last five (5) years, the City has not failed to comply in all material respects with its continuing disclosure agreements made in accordance with the Rule.

OTHER INFORMATION

Financial Advisor

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the City for certain information concerning the City and the Certificates. The fee of the Financial Advisor for services with respect to the Certificates is contingent upon the issuance and sale of the Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, 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.

Audited Financial Statements

Kennemer, Masters & Lunsford, LLC, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Kennemer, Masters & Lunsford, LLC relating to City's financial statements for the fiscal year ended September 30, 2015 is included in this Official Statement in APPENDIX D; however, Kennemer, Masters & Lunsford, LLC has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement.

Underwriting

Oppenheimer & Co. Inc., the Underwriter, has agreed to purchase the Certificates from the City for $2,172,452.97 (being the principal amount of the Certificates, plus a net premium of $2,384.75, less an Underwriters' discount of $24,931.78).

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

Forward-Looking Statements

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are

difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Concluding Statement

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

The City has reviewed and approved the Official Statement and said instrument has been authorized for use and distribution by the Underwriters for the purpose of offering the Certificates.

APPENDIX A

FINANCIAL INFORMATION REGARDING
THE
CITY OF SWEENY, TEXAS

APPENDIX A
FINANCIAL INFORMATION REGARDING THE CITY OF SWEENY, TEXAS

ASSESSED VALUATION — TABLE 1

2016 Total Value of Taxable Property		$168,838,922
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 6,117,378	
Disabled and Deceased Veterans' Exemptions	1,867,583	
Productivity Value Loss	1,166,365	
Homestead 10% Cap Adjustment	6,516,268	
Abatement	70,283	
Freeport	-	
Other	30,463,320	46,201,197
2016 Net Taxable Assessed Valuation (100% of Actual)[(a)]		$122,637,725

[(a)] *See "TAX INFORMATION - City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures.*

Source: Brazoria County Appraisal District

PRINCIPAL TAXPAYERS — TABLE 2

Name	Type of Business	2016 Net Taxable Assessed Valuation	% of Total 2016 Assessed Valuation*
Texas New Mexico Power Co.	Electric Utility	$ 4,102,691	3.35%
United Rentals North America Inc.	Equipment Rentals	2,719,430	2.22%
Vernon R. Stewart	Residential	1,639,360	1.34%
Hilcorp Energy Co.	Oil & Gas	1,333,954	1.09%
Union Pacific Railroad Co.	Railroad	1,292,160	1.05%
Sweeny Hospital District	Healthcare	1,192,370	0.97%
Avana Villas LLC	Apartments	1,100,100	0.90%
Shugarland Telephone Co.	Telephone Utility	1,092,480	0.89%
Ricjard W. & Jonellen Reidl	Residential	919,500	0.75%
BDM Holdings LLC	Commercial	814,160	0.66%
Total		$16,206,205	13.22%

* Based on 2016 Net Taxable Assessed Valuation of $122,637,725.

Source: Texas Comptroller of Public Accounts and Brazoria County Appraisal District

PROPERTY TAX RATES AND COLLECTIONS[(a)] **TABLE 3**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Collection % Current	Collection % Total[(b)]	Fiscal Year Ended
2011	$108,607,684	$0.782818	96.52%	91.48%	9-30-12
2012	106,945,300	0.844034	97.07%	92.05%	9-30-13
2013	106,393,799	0.887456	97.04%	92.30%	9-30-14
2014	109,116,917	0.908000	97.63%	93.26%	9-30-15
2015	118,434,084	0.842869	In progress		9-30-16
2016	122,637,725	0.747062	N/A		9-30-17

_____

[(a)] *See "TAX INFORMATION - The City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures.*

[(b)] *Excludes interest and penalties.*

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Brazoria County Appraisal District, and the City's 2016 Annual Financial Statements.

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

TAX RATE DISTRIBUTION **TABLE 4**

	2016-17	2015-16	2014-15	2013-14	2012-13
Maintenance & Operations	$0.734686	$0.736764	$0.793719	$0.725356	$0.679961
Dedicated for Street Maintenance	-	-	-	-	-
I & S Fund	0.012376	0.104446	0.1141281	0.162100	0.164073
TOTAL	$0.747062	$0.842869	$0.908000	$0.887456	$0.844034

_____

Source: City

WATER RATES — TABLE 5

Existing Rates

Residential / Commercial (Effective October 1, 2016)		
Minimum per unit served for 0 - 1,500 gallons	$11.00	
Next 5,000 gallons	5.60	per thousand gallons
Next 10,000 gallons	6.20	per thousand gallons
Next 15,000 gallons	6.30	per thousand gallons
Next 25,000 gallons	6.40	per thousand gallons
Over 25,000 gallons	6.55	Per thousand gallons

PRINCIPAL WATER CUSTOMERS 2015-16 — TABLE 6

(For the twelve months ending September 30, 2016)

Name of Customer		Average Monthly Consumption in Gallons	Average Monthly Bill
Windmill Run		7,538	$13,243.49
Avanna Villa Apt		5,683	3,466.20
Sweeny Elem School		1,810	1,168.43
Sweeny Jr High School		1,755	1,132.40
McKinney Manor Apts		1,638	1,044.68
Sweeny High School		1,382	888.09
Calton Investments Apts		1,371	887.34
Sweeny Manor Apts		1,266	789.57
Sweeny House		1,018	649.67
Beal's Bubbles		540	763.84
	Total	24,001	$24,033.71

SEWER RATES **TABLE 7**

Existing Rates
Residential (Effective October 1, 2016)

Minimum per unit served for 0 - 1,500 gallons	$11.00	
Next 5,000 gallons	4.50	per thousand gallons
Next 10,000 gallons	5.00	per thousand gallons
Next 15,000 gallons	5.10	per thousand gallons
Next 25,000 gallons	5.15	per thousand gallons
Over 25,000 gallons	5.25	Per thousand gallons

The amount due for multi-family dwellings shall be the residential rate multiplied by the number of occupied dwelling units.

PRINCIPAL SEWER CUSTOMERS **TABLE 8**

(For the twelve months ending September 30, 2016)

Name of Customer	**Average Monthly Bill**
Windmill Run	$11,414.40
Avanna Villa Apartments	3,012.05
Sweeny Elem School	940.51
Sweeny Jr High School	911.63
McKinney Manor Apartments	941.28
Sweeny High School	715.81
Calton Investments Apartments	752.96
Sweeny Manor Apartments	705.60
Sweeny House	524.71
Beals Bubbles	622.29
Total	$20,541.24

PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 9**

		The Certificates		
Fiscal Year 30-Sept	**Existing Debt Service**	**Principal**	**Interest**	**Total Debt Service**
2017	$217,340.00	$80,000.00	$47,151.11	$344,491.11
2018	219,639.00	45,000.00	80,350.00	$344,989.00
2019	219,698.50	45,000.00	79,450.00	$344,148.50
2020	218,527.00	50,000.00	78,500.00	$347,027.00
2021	216,159.00	50,000.00	77,500.00	$343,659.00
2022	219,517.00	50,000.00	76,000.00	$345,517.00
2023	183,398.50	50,000.00	74,000.00	$307,398.50
2024	183,923.50	55,000.00	71,900.00	$310,823.50
2025	183,217.50	55,000.00	69,700.00	$307,917.50
2026	183,315.00	60,000.00	67,400.00	$310,715.00
2027	99,181.50	80,000.00	64,600.00	$243,781.50
2028	98,387.00	85,000.00	61,300.00	$244,687.00
2029	98,523.50	90,000.00	57,800.00	$246,323.50
2030	98,556.50	90,000.00	54,200.00	$242,756.50
2031	98,486.00	95,000.00	50,500.00	$243,986.00
2032	99,312.00	100,000.00	46,600.00	$245,912.00
2033	-	105,000.00	42,500.00	$147,500.00
2034	-	110,000.00	38,200.00	$148,200.00
2035	-	115,000.00	33,700.00	$148,700.00
2036	-	135,000.00	29,000.00	$164,000.00
2037	-	120,000.00	24,200.00	$144,200.00
2038	-	125,000.00	19,300.00	$144,300.00
2039	-	135,000.00	14,100.00	$149,100.00
2040	-	140,000.00	8,600.00	$148,600.00
2041	-	145,000.00	2,900.00	$147,900.00
Total	**$2,637,181.50**	**$2,195,000.00**	**$1,269,451.11**	**$6,116,632.61**

APPENDIX B

GENERAL INFORMATION REGARDING
THE CITY OF SWEENY, TEXAS

General

The City of Sweeny is a coastal town located southeast of the Houston metropolitan area. The City is accessible from Highway 35 and is located at the intersection of Farm Road 1459 and Farm Road 524. According to the 2010 U.S. Census, the City's 2010 population was 3,684. U.S. Census estimates indicate an estimated population of 3,769 as of 2014.

The City has a Police Department and their own volunteer Fire Department. The City is also home to a state recognized level IV trauma center, Sweeny Community Hospital, which operates the EMS.

Education

The City is served by the Sweeny Independent School District (the "District"). The average daily attendance in the District is 2040 students. The City is served by Sweeny Elementary School, Sweeny Junior High School and Sweeny High School. Wharton County Junior College and Brazosport College are just minutes away from the City.

Brazoria County

Brazoria County was created by the Republic of Texas on December 20, 1836, taking its name from the Brazos River. The 2010 U.S. Census shows 330,242 residents living in Brazoria County. Brazoria County encompasses about 1,609 square miles, with 1,358 square miles of land and 251 square miles of water. The County seat is located in the City of Angleton. The City of Sweeny is located in the westernmost part of Brazoria County.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

January 19, 2017

City of Sweeny, Texas
Combination Tax and Revenue Certificates of Obligation, Series 2017

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sweeny, Texas (the "City") in connection with the issuance of $2,195,000 aggregate principal amount of Obligations designated as "City of Sweeny, Texas Combination Tax and Revenue Certificates of Obligation, Series 2017" (the "Obligations"). The Obligations are authorized by an ordinance adopted by the City Council of the City (the "City Council") on December 20, 2016 (the "Ordinance"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed the Ordinance, the tax certificate of the City dated the date hereof (the "Tax Certificate"), certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated

damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Obligations and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Obligations constitute the valid and binding obligations of the City.

2. The City Council has power and is obligated to levy an annual ad valorem tax, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Obligations.

3. The Obligations are also secured by a pledge of subordinate revenues of the waterworks and sewer system of the City not to exceed $1,000.

4. Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

CITY OF SWEENY
SWEENY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2015

KENNEMER, MASTERS & LUNSFORD, LLC
CERTIFIED PUBLIC ACCOUNTANTS
8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566

CITY OF SWEENY
Sweeny, Texas

Annual Financial Report
For the Year Ended September 30, 2015

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FINANCIAL SECTION

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Ste 135
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

To The Honorable Mayor and
Members of City Council
Sweeny, TX 77480

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sweeny (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the Financial Statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension schedules on pages 11 through 20 and pages 72 through 77, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kennemer, Masters & Rungford, LLC

Lake Jackson, Texas
March 4, 2016

As management of the City of Sweeny (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $ 4,819,744 (net position). Of this amount, $ 841,625 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors with the City's fund designation.

- The City's total net position increased by $ 25,584.

- As of the close of the current fiscal year, the City of Sweeny's governmental activities reported combined ending net position of $ 1,121,584. $ 577,026 (unrestricted net position) is available for use within the City's fund designation and $ 590,025 has been restricted for specific uses. Further, the City's business-type activities reported combined ending net position of $ 3,698,160. $ 264,599 (unrestricted net position) is available for use within the City's fund designation.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $ 2,548,048. 30.47% of this total amount, $ 776,313 (unassigned fund balance) is available for use within the City's fund designation and $ 1,771,735 is non-spendable or has been restricted for specific uses. Further, the City's enterprise fund reported ending net position of $ 3,698,160. 7.15% of this amount, $ 264,599 (unrestricted net position) is available for use within the City's fund designation.

- At the end of the current fiscal year, total fund balance for the general fund was $ 805,953, of which $ 776,313 was unassigned.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the City include general government and administration, public safety, public works, culture and recreation, economic development, interest on long-term debt, and debt issue costs. The *business-type activities* of the City include water, sewer, and sanitation operations.

The government-wide financial statements can be found on pages 23 through 25 of this report.

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

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

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

The City maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, Economic Development Corporation, and Capital Projects, all of which are considered to be major funds. Data from the other three (3) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental funds financial statements can be found on pages 26 through 30 of this report.

- **Proprietary Funds.** The City maintains one category of *proprietary funds*—Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer, and gas operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 32 through 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38 through 69 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the statements of revenues, expenditures, and changes in fund balances – budget and actual – general fund and economic development corporation fund, and changes in net pension obligation as well as schedule of contributions and schedule of investment returns. Required supplementary information can be found on pages 72 and 77 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 80 through 81 of this report.

Government-wide Financial Analysis

With the implementation of GASB Statements, Nos. 68 and 71, comparable information for the year ended September 30, 2014 is not available, therefore, only one year is presented. Beginning with September 30, 2016 financial statements, comparative information will resume.

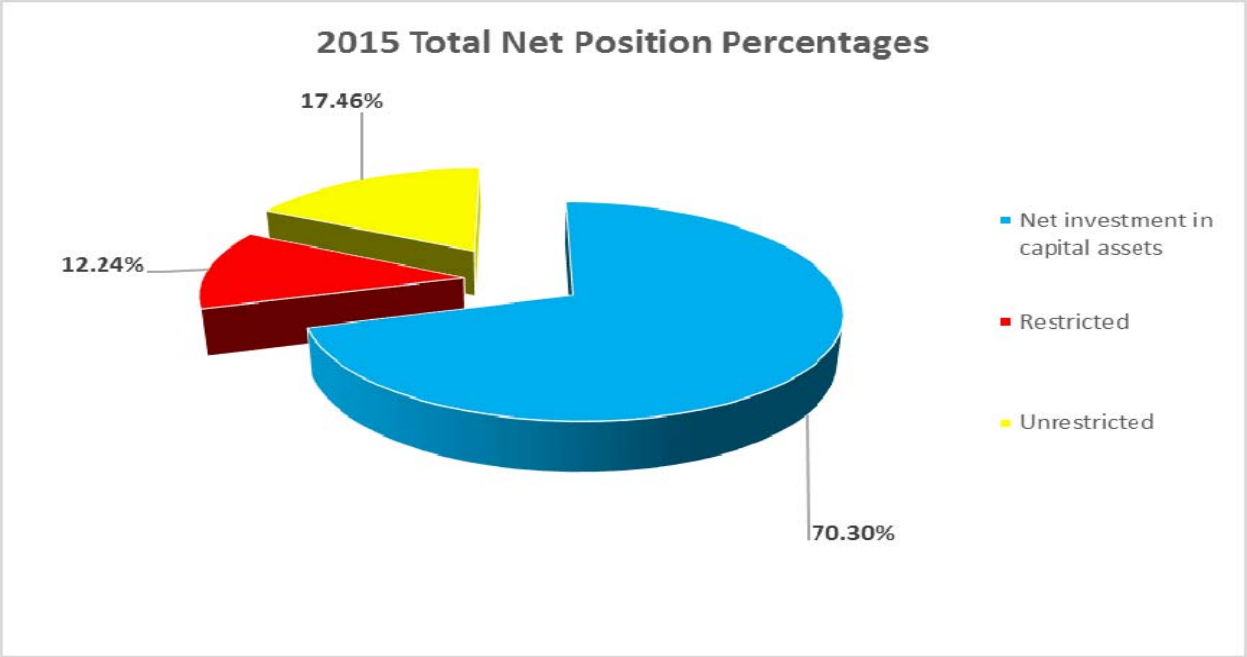
As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $ 4,819,744 as of September 30, 2015.

A portion of the City's net position of $ 590,025 (12.24%) represents resources that are subject to external restrictions on how they may be used. An additional portion of the City's net position of $ 3,388,094 (70.30%) reflects its investments in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of $ 841,625 (17.46%) may be used to meet the government's ongoing obligations to citizens and creditors. As of September 30, 2015, the City is able to report positive balances in all three categories of net position for the government as a whole. The governmental activities net investment in capital assets is reporting a negative balance for the current year in the amount of $ 45,467, primarily due to the prior transfers of capital assets to the business-type activities.

CITY OF SWEENY'S NET POSITION

	Governmental Activities September 30, 2015	Business-type Activities September 30, 2015	Totals September 30, 2015
Current and other assets	$ 2,697,167	$ 845,244	$ 3,542,411
Capital assets	1,939,696	3,465,737	5,405,433
Total assets	4,636,863	4,310,981	8,947,844
Deferred outflows of resources	85,808	62,271	148,079
Total deferred outflows of resources	85,808	62,271	148,079
Current and other liabilities	117,940	157,215	275,155
Long-term liabilities	3,419,216	477,010	3,896,226
Total liabilities	3,537,156	634,225	4,171,381
Deferred inflows of resources		63,931	40,867
Total deferred inflows of resources	63,931	40,867	104,798
Net Position:			
Net investment in capital assets	(45,467)	3,433,561	3,388,094
Restricted	590,025		590,025
Unrestricted	577,026	264,599	841,625
Total net position	$ 1,121,584	$ 3,698,160	$ 4,819,744



Analysis of the City's Operations. Overall the City had an increase in net position of $ 25,584.

Governmental Activities: Governmental activities increased the City's net position by $ 90,479. This increase was primarily the result of transfers from the business-type activities.

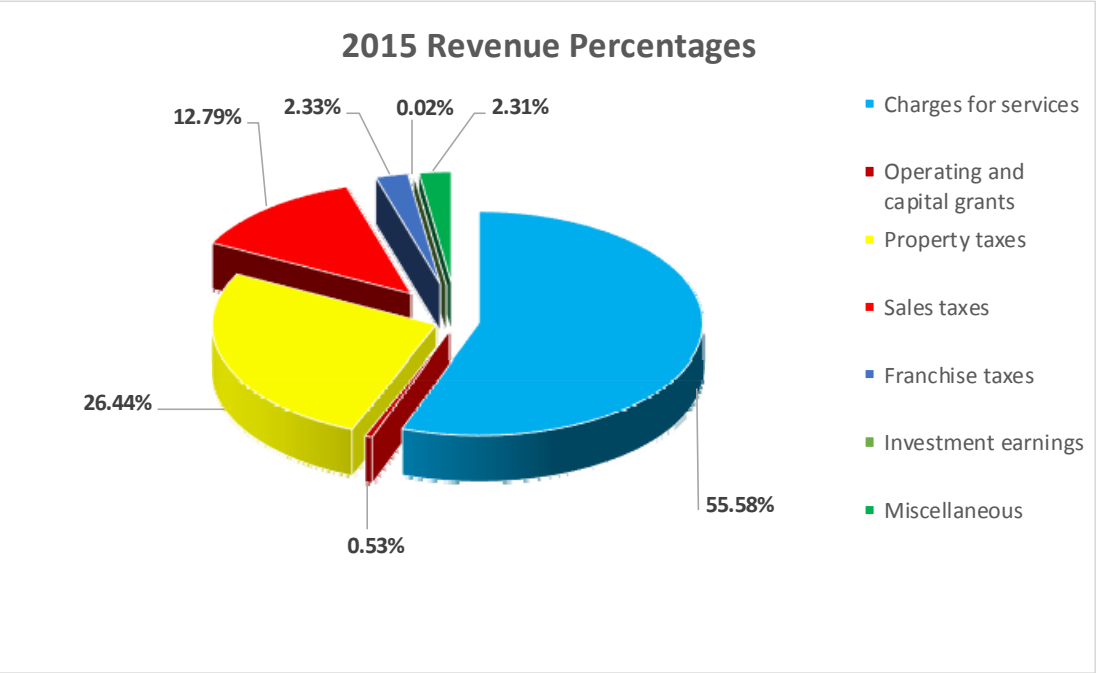
Total revenues for governmental activities were $ 2,156,704. General revenues were $ 1,650,497 or 76.53%. Major components of general revenues were property taxes of $ 994,429 (60.25%), sales taxes of $ 480,995 (29.14%) and franchise taxes of $ 87,663 (5.31%). Program revenues were $ 506,207, which consisted of charges for services of $ 493,551 (97.50%) and operating grants and contributions of $ 12,656 (2.50%).

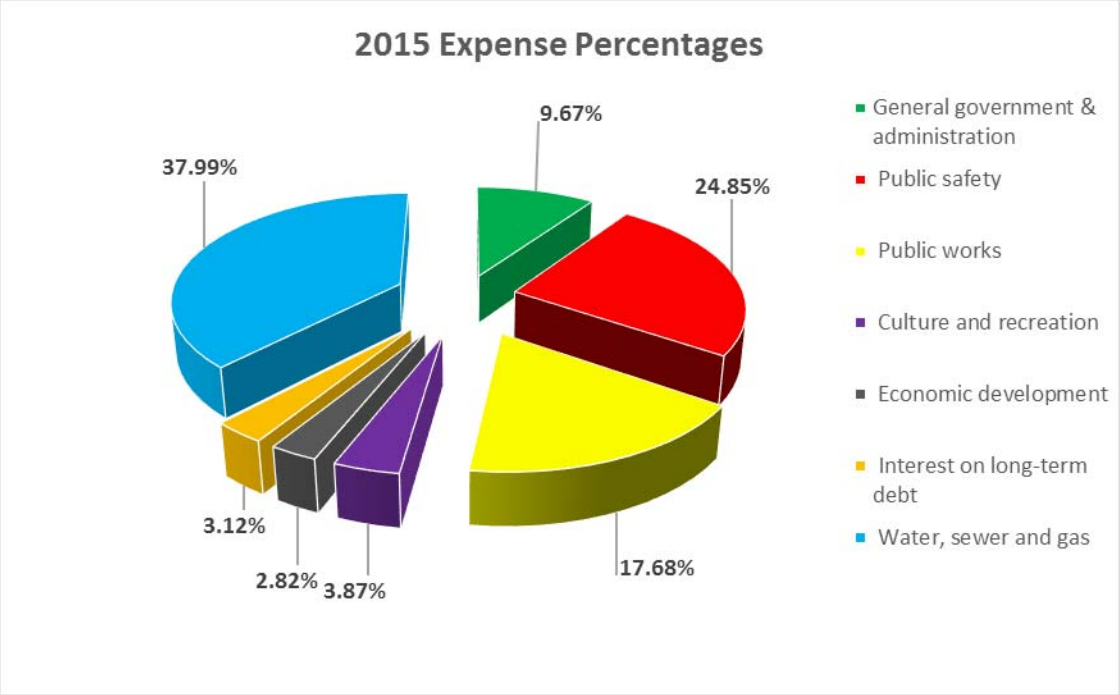
Business-type activities: Business activities decreased the City's net position by $ 64,895. Total revenues for business activities were $ 1,604,673, which were primarily comprised of charges for services of $ 1,597,346 (99.54%).

The following table provides a summary of the City's operations for the year ended September 30, 2015.

CITY OF SWEENY'S CHANGES IN NET POSITION

	Governmental Activities	Business-type Activities	Totals
	September 30, 2015	September 30, 2015	September 30, 2015
Revenues:			
Program Revenues:			
Charges for services	$ 493,551	$ 1,597,346	$ 2,090,897
Operating grants and contributions	12,656		12,656
Capital grants and contributions		7,265	7,265
General Revenues:			
Property taxes	994,429		994,429
Sales taxes	480,995		480,995
Franchise taxes	87,663		87,663
Investment earnings	575	62	637
Miscellaneous	86,835		86,835
Total revenues	2,156,704	1,604,673	3,761,377
Expenses:			
General government and administration	361,153		361,153
Public safety	928,302		928,302
Public works	660,586		660,586
Culture and recreation	144,511		144,511
Economic development	105,434		105,434
Interest on long-term debt	116,504		116,504
Water, sewer and gas		1,419,303	1,419,303
Total expenses	2,316,490	1,419,303	3,735,793
Increase (decrease) in net position before contributions and transfers	(159,786)	185,370	25,584
Transfers	250,265	(250,265)	-0-
Increase (decrease) in net position	90,479	(64,895)	25,584
Net position, Beginning (restated)	1,031,105	3,763,055	4,794,160
Net position, Ending	$ 1,121,584	$ 3,698,160	$ 4,819,744





Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $ 2,548,048. 30.47% of this total amount ($ 776,313) constitutes unassigned fund balance. The remainder of the fund balance is non-spendable or restricted to indicate that it is not available for spending as it has already been classified 1) for inventory $ 1,571, 2) municipal court technology $ 28,069, 3) debt service $ 491,791, 4) economic development $ 402,444, 5) disaster contingency $ 76,513, 6) police $ 7,535, 7) contributor purposes $ 5,038, 8) capital projects $ 758,774.

The General Fund fund balance decreased by $ 35,369, the Debt Service Fund balance increased by $ 6,051, the Economic Development Corporation Fund balance increased by $ 5,583, the Capital Projects Fund decreased by $ 17,388, and Other Governmental Funds increased by $ 6,070.

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

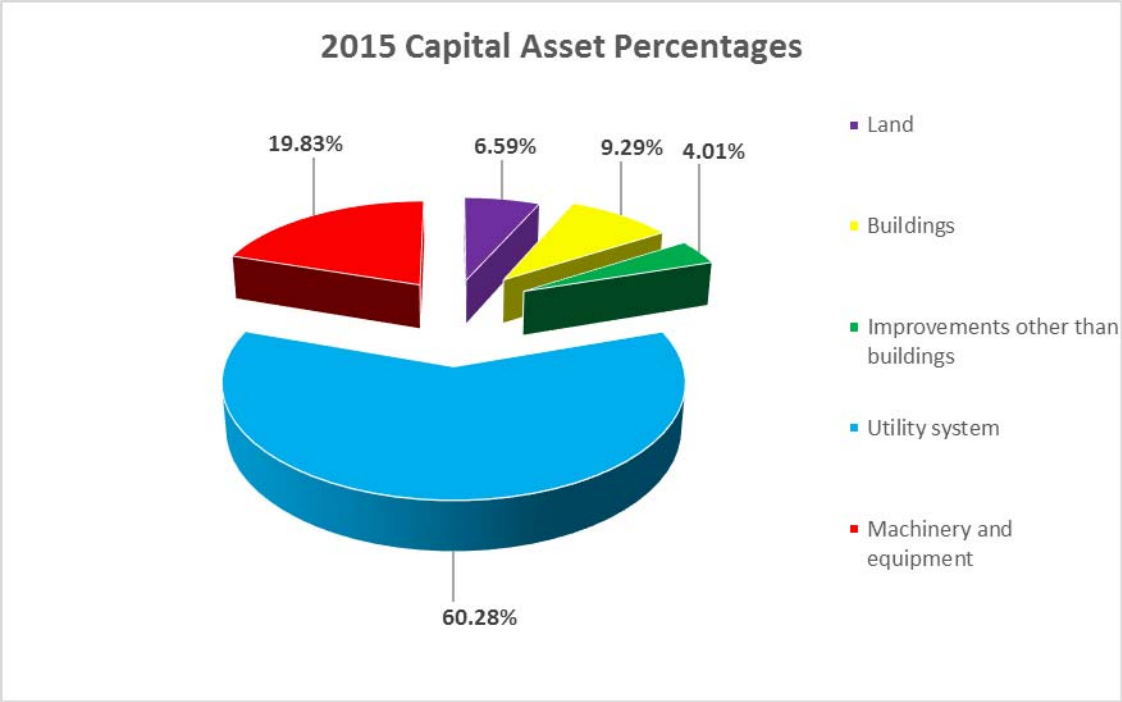
Unrestricted net position at September 30, 2015 amounted to $ 264,599. Total net position decreased $ 64,895 or 1.72%.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to $ 5,405,433 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, utility system and machinery and equipment. The City's capital asset additions for the current fiscal year was $ 60,578 ($ -0- for governmental activities and $ 60,578 for business-type activities).

City of Sweeny's Capital Assets
Net of Accumulated Depreciation

	Governmental Activities	Business-type Activities	Totals
	September 30, 2015	September 30, 2015	September 30, 2015
Land	$ 342,800	$ 13,460	$ 356,260
Buildings	502,385		502,385
Improvements other than buildings	216,499		216,499
Utility system		3,258,317	3,258,317
Machinery and equipment	878,012	193,960	1,071,972
Total	$ 1,939,696	$ 3,465,737	$ 5,405,433



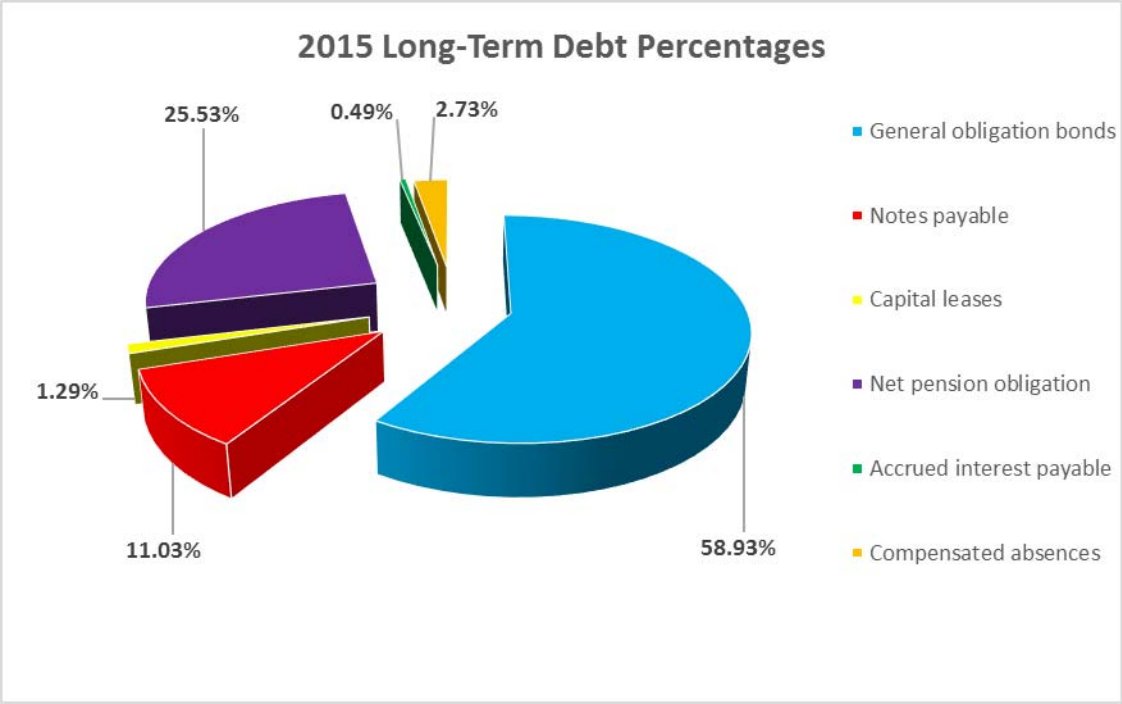
Additional information on the City of Sweeny's capital assets can be found in Note 7 on pages 55 through 57 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt, notes payable, capital leases, and net pension obligations of $ 3,771,010. Of this amount, $ 2,725,768 comprises bonded debt and notes payable backed by the full faith and credit of the City and other notes secured by the assets purchased. These bonds and notes will be retired with revenues from property and sales taxes. The remaining $ 1,045,242 represents capital leases and net pension obligations to be repaid solely by water and sewer revenues and maintenance and operations taxes.

City of Sweeny's Long-term Debt
Bonds, Notes Payable, Capital Leases, Components of Debt and Compensated Absences

	Governmental Activities September 30, 2015	Business-type Activities September 30, 2015	Totals September 30, 2015
General obligation bonds	$ 2,296,000	$	$ 2,296,000
Notes payable	429,768		429,768
Capital leases	18,169	32,176	50,345
Net pension obligation	586,428	408,469	994,897
Components of Debt:			
Accrued interest payable	18,921		18,921
Compensated absences	69,930	36,365	106,295
Total	$ 3,419,216	$ 477,010	$ 3,896,226



All of the outstanding Bonds of the City payable from its limited taxes are insured and are, therefore, rated "Aaa" by Moody's Investors Service Inc ("Moody's"), and "AAA" by Standard & Poor's ("S&P"). The underlying rating on all of such Bonds and other obligations payable from such source are "A1" by Moody's and "A+" by S&P.

Additional information on the City of Sweeny's long term debt can be found in Note 8 on pages 57 through 60 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2012-16 Budget, General fund revenues and transfers-in are budgeted to increase by 04.74% from 2014-15 actual with general property taxes making up about 45.46% of General fund budgeted revenues and transfers in.

The property tax rate will decrease from $ 0.908000 per $ 100 valuation to $ 0.842689 per $ 100 valuation.

An average increase of $ 800 cost of living allowance will be given to City employees during FY 2016.

The Utility fund 2015-16 budget is proposed at 0.18% more than the preceding year's budget primarily as a result of an increase in the gas sales price and consistent sales in water and sewer revenue.

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sweeny, 102 Ashley Wilson Rd, Sweeny, Texas, 77480, or call (979) 548-3211.

BASIC FINANCIAL STATEMENTS

CITY OF SWEENY
Sweeny, Texas

STATEMENT OF NET POSITION

September 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,111,628	$ 966,043	$ 3,077,671
Current investments	12,969		12,969
Taxes receivable (net)	144,474		144,474
Accounts receivable (net)	35,656	137,160	172,816
Internal balances	390,869	(390,869)	-0-
Inventories	1,571	10,582	12,153
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		89,828	89,828
Investments		32,500	32,500
Capital Assets, Net:			
Land	342,800	13,460	356,260
Buildings	502,385		502,385
Furniture, equipment and vehicles	878,012	193,960	1,071,972
Improvements other than buildings	216,499		216,499
Utility system		3,258,317	3,258,317
Total assets	4,636,863	4,310,981	8,947,844
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	85,808	62,271	148,079
Total deferred outflows of resources	85,808	62,271	148,079
LIABILITIES			
Accounts payable	107,772	35,540	143,312
Accrued wages	10,168	4,290	14,458
Liabilities payable from restricted assets		117,385	117,385
Noncurrent Liabilities:			
Due within one year	493,320	112,595	605,915
Due in more than one year	2,925,896	364,415	3,290,311
Total liabilities	3,537,156	634,225	4,171,381
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	63,931	40,867	104,798
Total deferred inflows of resources	63,931	40,867	104,798
NET POSITION			
Net investment in capital assets	(45,467)	3,433,561	3,388,094
Restricted For:			
Debt service	472,870		472,870
Other purposes	117,155		117,155
Unrestricted	577,026	264,599	841,625
Total net position	$ 1,121,584	$ 3,698,160	$ 4,819,744

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

CITY OF SWEENY
Sweeny, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government and administration	$ 361,153	$	$
Public safety	928,302	66,323	12,356
Public works	660,586	427,228	
Culture and recreation	144,511		300
Economic development	105,434		
Interest on long-term debt & fees	116,504		
Total governmental activities	2,316,490	493,551	12,656
Business-type Activities:			
Water, sewer and gas	1,419,303	1,597,346	
Total business-type activities	1,419,303	1,597,346	-0-
Total	$ 3,735,793	$ 2,090,897	$ 12,656
General Revenue:			
Taxes:			
Property			
Sales			
Franchise			
Investment income			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position – beginning (restated)			
Net position – ending			

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
$	$(361,153)	$	$(361,153)
	(849,623)		(849,623)
	(233,358)		(233,358)
	(144,211)		(144,211)
	(105,434)		(105,434)
	(116,504)		(116,504)
-0-	(1,810,283)	-0-	(1,810,283)
7,265		185,308	185,308
7,265	-0-	185,308	185,308
$ 7,265	(1,810,283)	185,308	(1,624,975)
	994,429		994,429
	480,995		480,995
	87,663		87,663
	575	62	637
	86,835		86,835
	250,265	(250,265)	-0-
	1,900,762	(250,203)	1,650,559
	90,479	(64,895)	25,584
	1,031,105	3,763,055	4,794,160
	$ 1,121,584	$ 3,698,160	$ 4,819,744

CITY OF SWEENY
Sweeny, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2015

	General Fund	Debt Service Fund	Economic Development Corporation	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets and Deferred Outflows of Resources:						
Assets:						
Cash and cash equivalents	$ 267,074	$ 352,229	$ 374,891	$ 1,028,348	$ 89,086	$ 2,111,628
Current investments	12,969					12,969
Receivables (Net of Allowance for Uncollectibles):						
Taxes	111,600	5,321	27,553			144,474
Accounts	35,656					35,656
Due from other funds	698,667	148,549				847,216
Inventory	1,571					1,571
Total assets	1,127,537	506,099	402,444	1,028,348	89,086	3,153,514
Deferred Outflows of Resources:						
Deferred outflows of resources						
Total deferred outflows of resources	-0-	-0-	-0-	-0-	-0-	-0-
Total assets and deferred outflows of resources	$ 1,127,537	$ 506,099	$ 402,444	$ 1,028,348	$ 89,086	$ 3,153,514

(continued)

CITY OF SWEENY
Sweeny, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS - Continued

September 30, 2015

	General Fund	Debt Service Fund	Economic Development Corporation	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Liabilities, Deferred Inflows of Resources and Fund Balances:						
Liabilities:						
Accounts payable	$ 107,772	$	$	$	$	$ 107,772
Accrued payroll	10,168					10,168
Due to other funds	177,195	9,578		269,574		456,347
Total liabilities	295,135	9,578	-0-	269,574	-0-	574,287
Deferred Inflows of Resources:						
Deferred inflows of resources – Property taxes	26,449	4,730				31,179
Total deferred inflows of resources	26,449	4,730	-0-	-0-	-0-	31,179
Fund Balance:						
Non-spendable:						
Inventory	1,571					1,571
Restricted:						
Municipal court technology	28,069					28,069
Debt service		491,791				491,791
Economic development			402,444			402,444
Disaster contingency					76,513	76,513
Police					7,535	7,535
Contributor purposes					5,038	5,038
Capital projects				758,774		758,774
Unassigned	776,313					776,313
Total fund balances	805,953	491,791	402,444	758,774	89,086	2,548,048
Total liabilities, deferred Inflows of resources and fund balances	$ 1,127,537	$ 506,099	$ 402,444	$ 1,028,348	$ 89,086	$ 3,153,514

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

CITY OF SWEENY
Sweeny, Texas

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

September 30, 2015

Total fund balances – governmental funds balance sheet	$	2,548,048
Amounts reported for *governmental activities* in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include $ 3,823,469 in assets less $ 1,883,773 in accumulated depreciation.		1,939,696
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to $ 26,449 and $ 4,730, respectively.		31,179
Pension deferred outflows of resources of $ 91,717 less amortization of $ 5,909 and pension deferred inflows of resources of $ 89,217 less amortization of $ 25,286.		21,877
Payables for bond principal and other long-term debt are not reported in the funds.	(	2,743,937)
Payables for net pension obligation are not reported in the funds.	(	586,428)
Payables for bond interest are not reported in the funds.	(	18,921)
Payables for compensated absences are not reported in the funds.	(	69,930)
Net position of governmental activities – statement of net position.	$	1,121,584

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

CITY OF SWEENY
Sweeny, Texas

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

For the Year Ended September 30, 2015

	General Fund	Debt Service Fund	Economic Development Corporation	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property	$ 867,282	$ 131,188	$	$	$	$ 998,470
Sales	320,664		160,331			480,995
Franchise	87,663					87,663
Revenue producing facilities	392,088					392,088
Fines and fees	66,323					66,323
Licenses and permits	35,140					35,140
Investment income	255		196	85	39	575
Miscellaneous	86,835				12,656	99,491
Total revenues	1,856,250	131,188	160,527	85	12,695	2,160,745
Expenditures:						
Current:						
General government and administration	338,245		15,825			354,070
Public safety	870,464				6,395	876,859
Public works	550,808			18,584		569,392
Culture and recreation	120,541				230	120,771
Economic development			105,434			105,434
Debt Service:						
Principal retirement	49,444	229,000	24,121			302,565
Interest and fiscal charges	8,866	98,542	9,564			116,972
Total expenditures	1,938,368	327,542	154,944	18,584	6,625	2,446,063
Excess (deficiency) of revenues over expenditures	(82,118)	(196,354)	5,583	(18,499)	6,070	(285,318)
Other Financing Sources:						
Transfers in	46,749	202,405		1,111		250,265
Total other financing sources	46,749	202,405	-0-	1,111	-0-	250,265
Net change in fund balances	(35,369)	6,051	5,583	(17,388)	6,070	(35,053)
Fund balances - beginning	841,322	485,740	396,861	776,162	83,016	2,583,101
Fund balances - ending	$ 805,953	$ 491,791	$ 402,444	$ 758,774	$ 89,086	$ 2,548,048

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

CITY OF SWEENY
Sweeny, Texas

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

For the Year Ended September 30, 2015

Net change in fund balances – total governmental funds	$(	35,053)
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay of $ -0- exceeded depreciation expense of $ 191,615 in the current period.	(	191,615)
Governmental funds report pension payments are expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was $ 82,452 less than the amount reported in the funds.		82,452
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund decreased by $ 2,423 and the debt service fund decreased by $ 1,618	(	4,041)
Pension deferred outflows of resources of $ 23,275, less amortization of $ 5,909, and pension deferred inflows of resources of $ 89,217, less amortization of $ 25,286.	(	46,565)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. These amounts were for general obligation bonded debt, general obligation notes, and capital lease of $ 229,000, $ 49,875, and $ 23,690, respectively.		302,565
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt of $ 468 and the change in accrued compensated absences of $(17,732).	(	17,264)
Change in net position of governmental activities	$	90,479

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

CITY OF SWEENY
Sweeny, Texas

STATEMENT OF NET POSITION – PROPRIETARY FUND

September 30, 2015

	Enterprise Fund
Assets	
Current Assets:	
Cash and cash equivalents	$ 966,043
Receivables (Net of Allowance for Uncollectibles):	
Accounts	137,160
Due from other funds	179,293
Inventory	10,582
Total unrestricted current assets	1,293,078
Restricted Assets:	
Cash and cash equivalents	89,828
Current investments	32,500
Total restricted current assets	122,328
Total current assets	1,415,406
Capital Assets:	
Property, plant and equipment	9,953,156
Less accumulated depreciation	(6,487,419)
Total capital assets (net of accumulated depreciation)	3,465,737
Total noncurrent assets	3,465,737
Total assets	4,881,143
Deferred Outflows of Resources	
Deferred outflows of resources	62,271
Total deferred outflows of resources	$ 62,271

(Continued)

CITY OF SWEENY
Sweeny, Texas

STATEMENT OF NET POSITION – PROPRIETARY FUND – Continued

September 30, 2015

	Enterprise Fund
Liabilities	
Current Liabilities:	
Accounts payable	$ 35,540
Accrued payroll	4,290
Accrued compensated absences	36,365
Due to other funds	570,162
Capital leases - current	76,230
Total unrestricted current liabilities	722,587
Current Liabilities Payable from Restricted Assets:	
Customer deposits	117,385
Total current liabilities payable from restricted assets	117,385
Total current liabilities	839,972
Noncurrent Liabilities:	
Loans payable	364,415
Total liabilities	1,204,387
Deferred Inflows of Resources	
Deferred inflows of resources	40,867
Total deferred inflows of resources	40,867
Net Position	
Net investment in capital assets	3,433,561
Unrestricted	264,599
Total net position	$ 3,698,160

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

CITY OF SWEENY
Sweeny, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUND

For the Year Ended September 30, 2015

	Enterprise Fund
Operating Revenues:	
Water charges	$ 573,024
Sewer charges	468,993
Gas charges	473,817
Other	81,512
Total operating revenues	1,597,346
Operating Expenses:	
Payroll and related costs	456,377
Gas purchased for resale	175,064
Maintenance and repairs	224,916
Utilities	73,846
Other	200,572
Depreciation	287,038
Total operating expenses	1,417,813
Operating income	179,533
Non-Operating Revenues (Expenses):	
Interest revenue	62
Interest expense	(1,490)
Total non-operating revenues (expenses)	(1,428)
Net income before contributions and transfers	178,105
Capital contributions	7,265
Transfers out	(250,265)
Change in net position	(64,895)
Net position - beginning (restated)	3,763,055
Net position - ending	$ 3,698,160

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

CITY OF SWEENY
Sweeny, Texas

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended September 30, 2015

	Enterprise Fund
Cash Flows from Operating Activities:	
Cash received from customers	$ 1,653,793
Cash provided to other funds	65,976
Cash paid to suppliers for services	(684,566)
Cash paid to employees for services and benefits	(476,051)
Net cash provided by operating activities	559,152
Cash Flows from Non-Capital Financing Activities:	
Transfers out	(250,265)
Net cash used in non-capital financing activities	(250,265)
Cash Flows from Capital and Related Financing Activities:	
Principal payments under loans and capital leases	(11,678)
Interest and fees paid under debt obligations	(1,490)
Equipment purchases	(47,463)
Net cash used in capital and related financing activities	(60,631)
Cash Flows from Investing Activities:	
Investment earnings	62
Net cash provided by investing activities	62
Net decrease in cash and cash equivalents	248,318
Cash and cash equivalents - beginning of year	807,553
Cash and cash equivalents - ending of year	$ 1,055,871

(Continued)

CITY OF SWEENY
Sweeny, Texas

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - Continued

For the Year Ended September 30, 2015

	Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	$ 179,533
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	287,038
Change in Assets and Liabilities:	
Accounts receivable	51,450
Due from other funds	991
Inventory	(1,533)
Accounts payable and accrued expenses	(8,635)
Customer deposits	4,997
Accrued compensating absences	9,176
Pension liability	(28,850)
Due to other funds	64,985
Net cash provided by operating activities	$ 559,152
Noncash Transactions Affecting Financial Position:	
Capital improvements – Government	$ 7,265
Capital contributions	(7,265)
Net effect of noncash transactions	$ -0-

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

CITY OF SWEENY
Sweeny, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State And Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles (GAAP). Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity. Financial statements for component units can be obtained from City Hall.

Included in the reporting entity:

City of Sweeny (Primary government)

The City of Sweeny, Texas operates under a Home Rule Charter adopted in a special election on May 6, 2000. The City operates under a Council-Manager form of government and provides the following services as authorized by state law: public safety, streets and drainage, health and social services, culture-recreation, public improvements and general administrative services.

The following entity was found to be a component unit of the City and is included in the basic financial statements:

Blended Component Unit - Sweeny Economic Development Corporation (the "Corporation")

The City created the Corporation for the purpose of promoting economic development within the City. There are seven directors, all of which are residents of the City or extra territorial jurisdiction. All Board members are appointed by the City Council. The Corporation is authorized to sell bonds or other forms of indebtedness. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City. The Corporation provides all of its services to the City. The financial information for the Corporation is available from the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. The City does not have any fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has only one enterprise fund.

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from property, sales and franchise taxes, along with licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - Continued

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

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

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

Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The City has presented the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Debt Service Fund* accounts for the accumulation of resources for reduction of the City's general obligation long-term debt and the related expenditures for interest and fiscal agent fees.

The *Economic Development Corporation Fund* accounts for resources of the blended component unit which are to provide economic development opportunities to the City.

The *Capital Projects Fund* accounts for the issuances of the certificates of obligation for improvements to the City's infrastructure.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - Continued

The City reports the following major proprietary fund:

The *Enterprise Fund* is used to account for the provision of water, sewer and gas services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, gas system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest. All costs are financed through charges to customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the fund.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”, was issued June 2012. The management of the City does believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2014.

GASB Statement No. 69, “Government Combinations and Disposals of Government Operations”, was issued January 2013. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2013.

GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”, was issued April 2013. This statement is effective for periods beginning after June 15, 2013. The statement was implemented and did not have an impact on the City’s financial statements.

GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68”, was issued November 2013. The management of the City believes that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2014.

GASB No. 72, “Fair Value Measurement and Application” was issued February 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City, however there will be additional disclosures related to Fair Values. This statement is effective for periods beginning after June 15, 2015.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of Statements 67 and 68" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2016.

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2016.

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2017.

GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2015.

GASB No. 77 "Tax Abatement Disclosures" was issued in August 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2015.

Budgetary Data

All departments of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to members of the City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level without approval of a majority of the Council. Line item and department budgets may exceed appropriated amounts at the discretion of management as long as total expenditures for the fund do not exceed appropriated amounts. No revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - continued

The City adopts annual budgets for the general fund, debt service fund and proprietary fund type (Enterprise Fund). The budgets for the capital projects funds are prepared on a project basis with costs being incurred over the project period.

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Enterprise Fund to provide a meaningful comparison of actual results with the budget.

The following schedules reconcile the difference between the City's legally enacted basis and the GAAP basis:

Proprietary Fund Type:	Enterprise Fund
Change in net position	$(64,895)
Depreciation	287,038
Actuarial pension adjustments	28,850
Capital outlay	(47,463)
Debt principal payment	(11,678)
Change in net position - budget basis	$ 191,852

Encumbrance Accounting

The City does not employ a complete purchase order system for all expenditures and therefore does not utilize encumbrance accounting. Appropriations generally lapse at the end of the fiscal year.

Cash, Cash Equivalents, and Investments

The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools,* investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

Governmental Activities - Inventory is valued at cost and consists primarily of fuel and supplies. The consumption method of inventory is employed by the City, whereby the purchase of these supplies are charged directly to inventory for control and then expended as consumed.

Business-type Activities - Inventory is valued at cost and consists primarily of utility meters and supplies. The consumption method of inventory is employed by the City, whereby the purchases of these supplies are charged directly to inventory for control and then expended as consumed.

Restricted Assets

Restricted assets consist of capital and debt service restrictions along with deposits received from customers. Restricted assets for debt service consist of amounts placed in interest and sinking funds from operations and residual balances from proceeds of certificates of obligations.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the City is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the City, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value of the property tax roll on July 16, 2014, upon which the levy for the 2014-15 fiscal year was based, was $ 103,435,575. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2015, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were $ 0.793719 and $ 0.114281 per $ 100 valuation, respectively, for a total of $ 0.908000 per $ 100 valuation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes - Continued

Current tax collections for the year ended September 30, 2015 were 97.63% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled $ 29,703 and $ 5,321 for the general and debt service funds, respectively.

Interfund Payables and Receivables

Loans and advances between the City's governmental and or proprietary units (funds) do not affect the operating statements of either governmental and or proprietary funds. These transactions are not eliminated in the City's governmental funds balance sheet. However, interfund payables and receivables, loans and advances within sub-funds of the same reporting unit (fund) are eliminated.

Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. The City has adopted the accounting policy of prospectively capitalizing “infrastructure” assets beginning October 1, 2003 (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the City). All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. No interest was capitalized during the year ended September 30, 2015.

Depreciation, which is an allocation of cost over an asset’s estimated service life, has been determined using the straight-line method over the following years:

Buildings	30-40
Improvements other than buildings	15
Utility plant	10-40
Machinery and Equipment	5-15

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Compensated Absences

The City's sick leave policy provides twenty-four paid sick days per year and allows employees to carryover unused sick leave for a maximum of 40 days. The City does not pay for any unused sick leave upon termination, resignation or retirement.

The City's vacation policy provides that employees are credited with vacation time monthly at various rates based on length of service with the City. Vacation time can be accumulated and carried forward to the next calendar year. Upon termination, employees are paid for all days of unused accumulated vacation.

The estimated liabilities include required salary related payments. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable. As of September 30, 2015, there were no maturing compensated absences payable in the General Fund. Accrued compensated absences reported in governmental and business-type activities in the government-wide financial statements at September 30, 2015 totaled $ 69,930 and $ 36,365, respectively.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the current period.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Pension Plans

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

Fund Equity

During the fiscal year 2011, the City implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all government funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Net Position

Net position represent the differences between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Restricted net position, as presented in the government-wide Statement of Net Position, are reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB No. 68". GASB Statement No. 68 establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB Statement 71, amendment of GASB Statement No. 68, addresses the issue regarding application of the transition provisions. It requires a government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a government employer makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, it requires that the government recognize its contribution as a deferred outflow of resources. The following represents the retroactive restatement of net position as a result of implementation of GASB Statements No. 68 and 71 and prior period adjustment as noted above:

	Governmental Activities	Business-type Activities	Total
Net position, September 30, previously reported	$ 1,631,543	$ 4,178,970	$ 5,810,513
Addition of outflows of resources – subsequent pension contributions	73,736	48,496	122,232
Addition of net pension obligation - TMRS	(622,947)	(464,411)	(1,087,358)
Addition of net pension obligation - TESRS	(51,227)		(51,227)
Net position, September 30, restated	$ 1,031,105	$ 3,763,055	$ 4,794,160

Information was not available to restate the September 30, 2013 net position or the changes in net position for the year ended September 30, 2014, therefore, the MD&A presentation does not report comparative statements for the year ended September 30, 2014. Further, this change in accounting principle had no effect on governmental fund fund balance or changes in fund balance.

NOTE 3 - DEPOSITS, INVESTMENTS, AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if, when purchased it has a maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures. Cash and current investments as reported on the government-wide statement of net position at September 30, 2015 are as follows:

NOTE 3 - DEPOSITS, INVESTMENTS, AND DERIVATIVES - Continued

	Unrestricted	Restricted	Total
Cash and Cash Equivalents:			
Cash (petty cash accounts)	$ 94	$	$ 94
Financial Institution Deposits:			
Demand deposits	2,110,222	89,828	2,200,050
Local Government Investment Pool:			
Texpool	967,355		967,355
Total cash and cash equivalents	3,077,671	89,828	3,167,499
Current Investments:			
Financial Institution Investments:			
Certificates of deposit	12,969	32,500	45,469
Total current investments	12,969	32,500	45,469
Total	$ 3,090,640	$ 122,328	$ 3,212,968

Deposits

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At year-end, the carrying amount of the City's deposits was $ 2,245,519 while the financial institution balances totaled $ 2,307,171. The total of the financial institution balances were covered by insurance or by collateral held in the pledging institutions trust departments or agent in the City's name.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the “investment policy”) that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The City’s deposits and investments are invested pursuant to the investment policy, which is approved by the Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes and “Investment Strategy Statement” that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City’s investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City’s management believes it complied with the requirements of the PFIA and the City’s investment policy.

NOTE 3 - DEPOSITS, INVESTMENTS, AND DERIVATIVES - Continued

The City's Investment Officer submits an investment report each quarter to the Council. The report details the investment positions of the City and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009 with a nationally recognized investment rating of not less than "A" or its equivalent;
2. Certificates of deposit and or money market accounts if issued by a state or national bank domiciled in the State of Texas as permitted by Government Code 2256.010 and;
3. Public funds investment pools as permitted by Government Code 2256.016.

The City is invested in certificates of deposit at First State Bank of Louise to provide its liquidity needs. They all have a maturity of less than 365 days. All of the City's investments in certificates of deposits are insured, registered, or the City's agent holds the securities in the City's name; therefore, the City is not exposed to custodial credit risk.

The City also participates in a Local Government Investment Pool (TexPool). The State Comptroller oversees TexPool, with Lehman Brothers and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller.

The City invests in TexPool to provide its liquidity needs. TexPool was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of $ 1.00, although this cannot be fully guaranteed. TexPool is rated AAAm and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2015 TexPool had a weighted average maturity of 40 days. Although TexPool portfolios had a weighted average maturity of 40 days, the City considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The following table includes the portfolio balances of all investment types of the City at September 30, 2015.

	Fair Value	Weighted Average Maturity (Days)
Local government investment pool	$ 967,355	40
Certificates of deposit	45,469	99
	$ 1,012,824	43

NOTE 3 - DEPOSITS, INVESTMENTS, AND DERIVATIVES - Continued

Credit Risk - Credit Risk – As of September 30, 2015, the LGIP (which represent approximately 96% of the City's portfolio) is rated AAAm by Standard and Poor's. The certificates of deposits (which represent 4% of the City's portfolio) are fully insured at First State Bank of Louise.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements.

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The City made no direct investments in derivatives during the year ended September 30, 2015, and holds no direct investments in derivatives at September 30, 2015.

NOTE 4 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Receivables and Allowances

Receivables as of September 30, 2015, for the government's individual major funds and nonmajor, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Economic Development Corporation	Total
Taxes:				
Property taxes	$ 58,544	$ 12,734	$	$ 71,278
Franchise taxes	26,792			26,792
Sales tax	55,105		27,553	82,658
Accounts:				
Other	35,656			35,656
Gross receivables	176,097	12,734	27,553	216,384
Less: Allowance for uncollectibles	28,841	7,413		36,254
Net total receivable	$ 147,256	$ 5,321	$ 27,553	$ 180,130

Accounts receivable of $ 137,160 related to the proprietary fund consisted of amounts due from charges for services provided to customers. The City specifically identifies accounts to be written off prior to year end. Accordingly, an allowance for doubtful accounts is not considered necessary.

NOTE 5 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES AND UNEARNED REVENUE

Governmental funds defer the recognition of revenue in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2015, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows of Resources (Unavailable)
Delinquent property taxes receivable (general fund)	$ 26,449
Delinquent property taxes receivable (debt service fund)	4,730
Total deferred inflows of resources	$ 31,179

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date (December 31, 2014) to the current year-end of September 30, 2015 and report these as deferred outflows of resources. Governmental and business-type activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental and business-type activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2015, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

Governmental Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
TMRS deferred inflows and outflows of resources less current amortization	$ 17,726	$ 54,819
TESRS deferred inflows and outflows of resources less current amortization		9,112
Pension contributions subsequent to the measurement date	68,082	
Totals	$ 85,808	$ 63,931

There were no unearned revenues reported in the governmental activities as of September 30, 2015.

NOTE 5 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES AND UNEARNED REVENUE – Continued

Business-Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
TMRS deferred inflows and outflows of resources less current amortization	$ 13,215	$ 40,867
Pension contributions subsequent to the measurement date	49,056	
Totals	$ 62,271	$ 40,867

There were no unearned revenues reported in the business-type activities as of September 30, 2015.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2015, consisted of the following individual fund receivables and payables:

Fund	Receivable	Payable
General Fund:		
Debt Service	$	$ 142,623
Enterprise	564,236	34,572
Capital projects	134,431	
	698,667	177,195
Debt Service Fund:		
General	142,623	
Enterprise	5,926	9,578
	148,549	9,578
Enterprise Fund:		
General Fund	34,572	564,236
Debt service	9,578	5,926
Capital projects	135,143	
	179,293	570,162
Capital Projects Fund:		
General		134,431
Enterprise		135,143
	-0-	269,574
Total	$ 1,026,509	$ 1,026,509

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

Interfund transfers for the year ended September 30, 2015 consisted of the following individual fund transfers in and transfers out:

Fund	Transfers In	Transfers Out
General Fund:		
Enterprise	$ 46,749	$
	46,749	-0-
Debt Service Fund:		
Enterprise	202,405	
	202,405	-0-
Enterprise Fund:		
General fund		46,749
Debt service		202,405
Capital projects		1,111
	-0-	250,265
Capital Projects Fund:		
Enterprise	1,111	
	1,111	-0-
Total	$ 250,265	$ 250,265

These transfers were approved by the City Council as transfers of operational funds to cover planned expenditures/expenses.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

	Balance 10-01-14	Additions	Transfers, Retirements & Adjustments	Balance 09-30-15
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 342,800	$	$	$ 342,800
Total capital assets, not being depreciated	342,800	-0-	-0-	342,800
Capital Assets, Being Depreciated:				
Buildings	$ 1,219,076	$	$	$ 1,219,076
Improvements	317,796			317,796
Equipment	1,943,797			1,943,797

(continued)

NOTE 7 - CAPITAL ASSETS - Continued

	Balance 10-01-14	Additions	Transfers, Retirements & Adjustments	Balance 09-30-15
Total capital assets, being depreciated	$ 3,480,669	$ -0-	$ -0-	$ 3,480,669
Less Accumulated Depreciation For:				
Buildings	693,575	23,116		716,691
Improvements other than buildings	81,527	19,770		101,297
Equipment	917,056	148,729		1,065,785
Total accumulated depreciation	1,692,158	191,615	-0-	1,883,773
Total capital assets, being depreciated, net	1,788,511	(191,615)	-0-	1,596,896
Governmental activities capital assets, net	$ 2,131,311	$(191,615)	$ -0-	$ 1,939,696

	Balance 10-01-14	Additions	Transfers, Retirements & Adjustments	Balance 09-30-15
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 13,460	$	$	$ 13,460
Construction in progress	5,850	54,728	60,578	
Total capital assets, not being depreciated	19,310	54,728	60,578	13,460
Capital Assets, Being Depreciated:				
Utility system	9,203,162	60,578		9,263,740
Machinery and equipment	675,956			675,956
Total capital assets, being depreciated	9,879,118	60,578	-0-	9,939,696
Less Accumulated Depreciation For:				
Utility system	5,761,596	243,827		6,005,423
Machinery and equipment	438,785	43,211		481,996
Total accumulated depreciation	6,200,381	287,038	-0-	6,487,419
Total capital assets, being depreciated, net	3,678,737	(226,460)	-0-	3,452,277
Business-type activities capital assets, net	$ 3,698,047	$(171,732)	$ 60,578	$ 3,465,737

NOTE 7 - CAPITAL ASSETS - Continued

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

Governmental Activities:	
General government	$ 11,369
Public safety	70,642
Public works	84,883
Culture and recreation	24,721
Total depreciation expense-governmental activities	$ 191,615
Business-type Activities:	
Water, sewer and gas	$ 287,038
Total depreciation expense-business-type activities	$ 287,038

NOTE 8 - LONG-TERM DEBT

General Long-Term Debt

General long-term debt consists of a capital lease, general obligation notes payable, and general obligation bonds maturing serially.

Notes and Capital Leases Payable

During the year ended September 30, 2010, the City, through the Economic Development Corporation, borrowed $ 400,000 from the Texas Leverage Fund, to be used to physical improvements to an industrial park. The note bears a variable interest rate at the Federal Funds Rate plus 3% with monthly principal and interest payments beginning December 15, 2009. The current interest rate is 3.25%. During fiscal year 2015, the City made $ 24,121 in principal and $ 9,564 in interest payments leaving a balance of $ 281,156 at September 30, 2015.

During the year ended September 30, 2008, the City issued a note payable in the amount of $ 80,000 for the purchase of equipment. The note bears an interest rate of 4.50% and matures in fiscal year 2023. During fiscal year 2015 the City made principal payments of $ 5,049 and interest payments of $ 2,304, leaving a balance of $ 48,437 at September 30, 2015.

During the year ended September 30, 2011, the City issued a note payable in the amount of $ 75,000 for the purchase of fire equipment. The note bears an interest rate of 4.00% and matures in fiscal year 2021. During fiscal year 2015 the City made $ 7,028 in principal and $ 2,491 in interest payments leaving a balance of $ 48,476 at September 30, 2015.

During the year ended September 30, 2012, the City issued a capital lease in the amount of $ 36,299 for the purchase of two Ford Explorers. The lease bears an interest rate of 6.60% and matures in fiscal year 2015. During fiscal year 2015 the City made $ 5,553 in principal and $ 241 in interest payments leaving a balance of $ -0- at September 30, 2015.

During the year ended September 30, 2012, the City issued a capital lease in the amount of $ 25,464 for the purchase of one police vehicles. The lease bears an interest rate of 4.08% and matures in fiscal year 2015. During fiscal year 2015, the City made $ 8,017 in principal and $ 776 in interest payments leaving a balance of $ 6,721 at September 30, 2015.

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Notes and Capital Leases Payable

During the year ended September 30, 2013, the City issued a capital lease in the amount of $ 25,603 for the purchase of a fire vehicle. The lease bears an interest rate of 5.95% and matures in fiscal year 2017. During fiscal year 2015 the City made $ 6,387 in principal and $ 747 in interest payments leaving a balance of $ 8,532 at September 30, 2015.

During the year ended September 30, 2014, the City issued a capital lease in the amount of $ 10,200 for the purchase of police software. The lease bears an interest rate of 5.95% and matures in fiscal year 2016. During fiscal year 2015 the City made $ 3,733 in principal and $ 248 in interest payments leaving a balance of $ 2,916 at September 30, 2015.

During the year ended September 30, 2014, the City issued a note payable in the amount of $ 72,043 for the purchase of police vehicles. The note bears an interest rate of 5.95% and matures in fiscal year 2020. During fiscal year 2015 the City made $ 13,677 in principal and $ 2,060 in interest payments leaving a balance of $ 51,700 at September 30, 2015. General obligation notes and capital leases payable requirements to maturity are as follows:

Year Ended September 30,	Principal	Interest	Total Requirement
2016	$ 68,063	$ 15,516	$ 83,579
2017	55,261	12,844	68,105
2018	55,417	10,910	66,327
2019	49,491	8,980	58,471
2020	43,239	7,373	50,612
2021-2025	176,466	13,629	190,095
Total	$ 447,937	$ 69,252	$ 517,189

General Obligation Bonds

The following is a summary of the City's general obligation bond debt at September 30, 2015:

General Obligation Bonds	Interest Rate (%)	Series Date Issued	Series Date Maturity	Series Date Callable	Bonds Outstanding 09-30-15
Certificate of Obligation Series 2006	4.80	2006	2022	2017	$ 205,000
Certificate of Obligation Series 2009	4.49	2009	2016	-	102,000
Certificate of Obligation Series 2011	4.25	2011	2026	2023	733,000
Certificate of Obligation Series 2012	3.45	2012	2032	2022	1,256,000
					$ 2,296,000

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Bonds - Continued

General obligation bond transactions for the year ended September 30, 2015 are as follows:

Bonds outstanding, September 30, 2014	$ 2,525,000
Maturities	(229,000)
Bonds outstanding, September 30, 2015	$ 2,296,000

Presented below is a summary of general obligation bond requirements to maturity:

Year Ended September 30,	Principal	Interest	Total
2016	$ 237,000	$ 88,432	$ 325,432
2017	139,000	78,425	217,425
2018	148,000	72,724	220,724
2019	153,000	66,741	219,741
2020	158,000	60,570	218,570
2021-2025	777,000	209,428	986,428
2026-2030	496,000	80,006	576,006
2031-2032	188,000	9,797	197,797
Total	$ 2,296,000	$ 666,123	$ 2,962,123

Enterprise Capital Leases Payable

The following is a description of the outstanding enterprise fund debt at September 30, 2015, including a summary of related activity for the year then ended.

	Interest Expense	Principal Paid	Balance Outstanding 09-30-15
Capital lease, due in quarterly installments, interest rate of 7.30%, maturing February, 2019	$ 1,283	$ 8,535	$ 32,176
Capital lease, due in annual installments, interest rate of 6.60%, maturing in October 2014	207	3,143	-0-
Total Capital Leases	$ 1,490	$ 11,678	$ 32,176

NOTE 8 - LONG-TERM DEBT - Continued

Enterprise Capital Leases Payable - Continued

Aggregate maturities of the capital leases payable (including interest) for the years subsequent to September 30, 2015 are as follows:

Year Ended September 30,	Principal	Interest	Total Requirement
2016	$ 8,831	$ 987	$ 9,818
2017	9,137	681	9,818
2018	9,453	365	9,818
2019	4,755	155	4,910
	$ 32,176	$ 2,188	$ 34,364

Changes in Outstanding Debt

Transactions for the year ended September 30, 2015 are summarized as follows:

	Balance 10-01-14	Additions	Reductions	Balance 09-30-15	Due Within One Year
Governmental Type Activities:					
General obligation bonds	$ 2,525,000	$	$ 229,000	$ 2,296,000	$ 237,000
Notes payable	479,643		49,875	429,768	51,651
Capital leases	41,859		23,690	18,169	16,412
Net pension obligation	674,174	330,161	417,907	586,428	99,406
Components of Long-Term Debt:					
Accrued interest payable	19,389	18,921	19,389	18,921	18,921
Compensated absences	52,198	69,930	52,198	69,930	69,930
Total governmental activities	3,792,263	419,012	792,059	3,419,216	493,320
Business-Type Activities:					
Capital leases payable	43,854		11,678	32,176	8,831
Net pension obligation	464,411	231,235	287,177	408,469	67,399
Compensated absences	27,189	36,365	27,189	36,365	36,365
Total business-type activities	535,454	267,600	326,044	477,010	112,595
Total government	$ 4,327,717	$ 686,612	$ 1,118,103	$ 3,896,226	$ 605,915

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City of Sweeny participates as one of 860 plans in the nontraditional, join 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 publically available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

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

B. Benefits Provided

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

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

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. Members in most cities can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Some cities have elected retirement eligibility with 25 years of service regardless of age. Most plans also provide death benefits and all provide disability benefits. Effective January 1, 2002, members are vested after 5 years, unless a city opted to maintain 10-year vesting. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms. At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	9
Active employees	19
	46

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

C. Contributions

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

Employees of the City of Sweeny were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sweeny were 19.83% and 18.15% in the calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were $ 157,805, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions.

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. 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 2014 valuation.

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long term-expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	Long-Term Expected Net Real Rate of Return
Equities:		
Domestic	17.5%	4.80%
International	17.5%	6.05%
Fixed Income:		
Core	30.0%	1.50%
Non-Core	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2013	$ 5,115,724	$ 4,028,366	$ 1,087,358
Changes for the Year:			
Service cost	135,323		135,323
Interest	351,911		351,911
Difference between expected and actual experience	(176,006)		(176,006)
Contributions – employer		157,805	(157,805)
Contributions – employee		56,590	(56,590)
Net investment income		230,417	(230,417)
Benefit payment, including refunds of Employee contributions	(312,183)	(312,183)	-0-
Administrative expense		(2,406)	2,406
Other changes		(198)	198
Net changes	(955)	130,025	(130,980)
Balance at 12/31/2014	$ 5,114,769	$ 4,158,391	$ 956,378

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 7.0%, as well as what's the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-perentage-point higher (8.0%) than the current rate:

	1% Decrease In Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase In Discount Rate (8.0%)
City's Net Pension Liability	$ 1,595,333	$ 956,378	$ 426,289
Changes For the Year:			

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the city recognized pension expense of $ 121,416.

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$	$ 135,846
Difference between projected and actual investment earnings	41,255	
Contributions subsequent to the measurement date	109,753	
Total	$ 151,008	$ 135,846

$ 109,753 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2016	$(29,846)
2017	$(29,846)
2018	$(5,053)
2019	-0-
2020	-0-
Thereafter	-0-

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the "System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member Board of Trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2014, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,073
Terminated Members Entitled to Benefits by Not Yet Receiving Them	2,161
Active Participants (Vested and Nonvested)	4,036

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vested requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

B. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is $ 36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate is 0% since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two Contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

A small subset of participating departments have a different contribution arrangement which is being phased in over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who are pensioners when their respective departments merged with the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

C. Contributions

The contribution requirement per active emergency services personnel members per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, the total contributions (dues, prior service, and interest on prior service financing) of $ 9,000 were paid into TESRS by the City.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in subsection D below.

The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately $ 625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014, the actuarial liabilities exceeded the actuarial assets by $ 26,093,761.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of August 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50% per year
Salary increases	N/A
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	32%	5.2%
Small cap domestic	10%	5.8%
Developed international	21%	5.5%
Emerging markets	6%	5.4%
Master limited partnerships	5%	7.1%
Fixed Income:		
Domestic	21%	1.4%
International	5%	1.6%
Cash	0%	0.0%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. That UAAL was based on an actuarial value of assets that was $ 7.9 million less that the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive 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.

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

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 7.75%, 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 (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease In Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase In Discount Rate (8.75%)
City's Net Pension Liability	$ 13,783	$ 38,519	$ 74,518

NOTE 11 - RISK POOL PARTICIPATION

The City is a participant in the Texas Municipal League Group Benefits Risk Pool and the Texas Municipal League Intergovernmental Risk Pool for coverage of group life, medical, dental, liability, property and worker's compensation claims. The City pays monthly/annual premiums to the pool for the coverages stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Therefore, the City's exposure for claims is designated to be limited to their deductible.

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2015, the City incurred expenditures in excess of appropriations in the debt service fund of $ 437 and the economic development corporation fund of $ 80,624.

NOTE 13 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 4, 2016, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SWEENY
Sweeny, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes:				
Property	$ 876,610	$ 876,610	$ 867,282	$(9,328)
Sales	250,000	250,000	320,664	70,664
Franchise	82,000	82,000	87,663	5,663
Revenue producing facilities	377,600	377,600	392,088	14,488
Fines and fees	93,500	93,500	66,323	(27,177)
Licenses and permits	12,650	12,650	35,140	22,490
Investment income	50	50	255	205
Miscellaneous	53,103	53,103	86,835	33,732
Total revenues	1,745,513	1,745,513	1,856,250	110,737
Expenditures:				
Current:				
General government and administration	323,544	358,544	338,245	20,299
Public safety	765,224	895,224	870,464	24,760
Public works	561,852	601,852	550,808	51,044
Culture and recreation	156,000	156,000	120,541	35,459
Debt Service:				
Principal retirement			49,444	(49,444)
Interest and fiscal charges			8,866	(8,866)
Total expenditures	1,806,620	2,011,620	1,938,368	73,252
Excess (deficiency) of revenues over expenditures	(61,107)	(266,107)	(82,118)	183,989
Other Financing Sources (Uses):				
Transfers in	61,107	61,107	46,749	(14,358)
Total other financing sources (uses)	61,107	61,107	46,749	(14,358)
Net change in fund balance	-0-	(205,000)	(35,369)	169,631
Fund balance – beginning	841,322	841,322	841,322	-0-
Fund balance – ending	$ 841,322	$ 636,322	$ 805,953	$ 169,631

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

CITY OF SWEENY
Sweeny, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT CORPORATION FUND

For the Year Ended September 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes:				
Sales	$ 116,500	$ 116,500	$ 160,331	$ 43,831
Investment income	325	325	196	(129)
Total revenues	116,825	116,825	160,527	43,702
Expenditures:				
Current:				
General government and administration	20,270	20,270	15,825	4,445
Economic development	20,355	20,355	105,434	(85,079)
Debt Service:				
Principal retirement	24,121	24,121	24,121	-0-
Interest and fiscal charges	9,574	9,574	9,564	10
Total expenditures	74,320	74,320	154,944	(80,624)
Excess (deficiency) of revenues over expenditures	42,505	42,505	5,583	(36,922)
Other Financing Sources (Uses):				
Total other financing sources	-0-	-0-	-0-	-0-
Net change in fund balance	42,505	42,505	5,583	(36,922)
Fund balance – beginning	396,861	396,861	396,861	-0-
Fund balance – ending	$ 439,366	$ 439,366	$ 402,444	$(36,922)

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

CITY OF SWEENY
Sweeny, Texas

TMRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF DECEMBER 31, 2014

	2015
Service cost	$ 135,323
Interest (on the Total Pension Liability)	351,911
Difference between expected and actual experience	(176,006)
Benefit payments, including refunds of employee contributions	(312,183)
Net Change in Total Pension Liability	(955)
Total Pension Liability – Beginning	5,115,724
Total Pension Liability – Ending (a)	$ 5,114,769
Contributions – Employer	$ 157,805
Contributions – Employee	56,590
Net Investment Income	230,417
Benefit payments, including refunds of employee contributions	(312,183)
Administrative expense	(2,406)
Other	(198)
Net Change in Plan Fiduciary Net Position	130,025
Plan Fiduciary Net Position – Beginning	4,028,366
Plan Fiduciary Net Position – Ending (b)	$ 4,158,391
Net Pension Liability (a-b)	$ 956,378
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.30%
Covered Employee Payroll	$ 808,428
Net Pension Liability as a Percentage of Covered Employee Payroll	118.30%

Notes to Schedule:
N/A

(1) The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, only one year of required supplemental information is available.

CITY OF SWEENY
Sweeny, Texas

TMRS SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF DECEMBER 31, 2014

	2015
Actuarially determined contribution	$ 157,805
Contributions in relation to the actuarially determined contribution	157,805
Contribution deficiency (excess)	$ -0-
Covered-employee payroll	$ 808,428
Contributions as a percentage of covered-employee payroll	19.52%

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll, Closed
Remaining Amortization period	25 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary increases	3.50% to 12.00% including inflation
Investment rate of return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generated basis with scale BB

Other Information

Notes	Adopted 20 year, any age retirement eligibility

(1) The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, only one year of required supplemental information is available.

CITY OF SWEENY
Sweeny, Texas

TESRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF DECEMBER 31, 2014

	2015	
Service cost	$ 3,637	
Interest (on the Total Pension Liability)	16,022	
Changes in benefit terms		
Difference between expected and actual experience		
Changes in assumptions		
Benefit payments, including refunds of employee contributions	(12,306)	
Net Change in Total Pension Liability	7,353	
Total Pension Liability – Beginning (2)	207,247	(2)
Total Pension Liability – Ending (a)	$ 214,600	
Contributions by the City	$ 9,000	
Contributions by the State		
Net Investment Income	23,698	
Benefit payments, including refunds of employee contributions	(12,306)	
Administrative expense	(331)	
Other		
Net Change in Plan Fiduciary Net Position	20,061	
Plan Fiduciary Net Position – Beginning	156,020	
Plan Fiduciary Net Position – Ending (b)	$ 176,081	
Net Pension Liability (a-b)	$ 38,519	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.05%	
Number of Active Members (3)	N/A	
System's Net Pension Liability per Active Member	N/A	

Notes to Schedule:
(1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
(2) Determined from the end of year total pension liability using the roll back procedure allowed for the initial year of implementing GASB 67.
(3) There is no compensation for active members.

CITY OF SWEENY
Sweeny, Texas

TESRS SCHEDULE OF INVESTMENT RETURNS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF AUGUST 31, 2014

Fiscal Year Ending	Annual Money-Weighted Net Real Rate of Return (2)
August 31, 2013	13.84%
August 31, 2014	14.92%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

(2) The money-weighted rate of return expresses investment performance, net of investment expenses, reflecting changing amounts actually invested during the year.

OTHER SCHEDULES

CITY OF SWEENY
Sweeny, Texas

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Disaster Contingency	Police	Veteran's Memorial	
Assets and Deferred Outflows of Resources:				
Assets:				
Cash and cash equivalents	$ 76,513	$ 7,535	$ 5,038	$ 89,086
Total assets	76,513	7,535	5,038	89,086
Deferred Outflows of Resources:				
Deferred outflows of resources				
Total deferred outflows of resources	-0-	-0-	-0-	-0-
Total assets and deferred outflows of resources	76,513	7,535	5,038	89,086
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Liabilities				-0-
Total liabilities	-0-	-0-	-0-	-0-
Deferred Inflows of Resources:				
Deferred inflows of resources				
Total deferred inflows of resources	-0-	-0-	-0-	-0-
Fund Balances:				
Restricted:				
Disaster contingency	76,513			76,513
Police		7,535		7,535
Contributor purposes			5,038	5,038
Total fund balance	76,513	7,535	5,038	89,086
Total liabilities, deferred inflows of resources and fund balance	$ 76,513	$ 7,535	$ 5,038	$ 89,086

CITY OF SWEENY
Sweeny, Texas

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

For the Year Ended September 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Disaster Contingency	Police	Veteran's Memorial	
Revenues:				
Investment income	$ 39	$	$	$ 39
Miscellaneous		12,356	300	12,656
Total revenues	39	12,356	300	12,695
Expenditures:				
Current:				
Public safety		6,395		6,395
Culture and recreation			230	230
Total expenditures	-0-	6,395	230	6,625
Net changes in fund balances	39	5,961	70	6,070
Fund balance - beginning	76,474	1,574	4,968	83,016
Fund balance - ending	$ 76,513	$ 7,535	$ 5,038	$ 89,086

CITY OF SWEENY
Sweeny, Texas

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE

For the Year Ended September 30, 2015

	Budgeted Amounts			Variance from Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Taxes:				
Property	$ 124,700	$ 124,700	$ 131,188	$ 6,488
Total revenues	124,700	124,700	131,188	6,488
Expenditures:				
Debt Service:				
Principal retirement	229,000	229,000	229,000	-0-
Interest and fiscal charges	98,105	98,105	98,542	(437)
Total expenditures	327,105	327,105	327,542	(437)
Excess (deficiency) of revenues over expenditures	(202,405)	(202,405)	(196,354)	6,051
Other Financing Sources (Uses):				
Transfers in	202,405	202,405	202,405	-0-
Total other financing sources (uses)	202,405	202,405	202,405	-0-
Net change in fund balance	-0-	-0-	6,051	6,051
Fund balance - beginning	485,740	485,740	485,740	-0-
Fund balance - ending	$ 485,740	$ 485,740	$ 491,791	$ 6,051

CITY OF SWEENY
Sweeny, Texas

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (BUDGETING BASIS VARIANCE WITH GAAP) -
PROPRIETARY FUND

For the Year Ended September 30, 2015

	Budgeted Amounts		
	Original	Final	Actual
Operating Revenues:			
Water charges	$ 662,350	$ 662,350	$ 573,024
Sewer charges	529,850	529,850	468,993
Gas charges	480,600	480,600	473,817
Miscellaneous	78,250	78,250	81,512
Total operating revenues	1,751,050	1,751,050	1,597,346
Operating Expenditures:			
Payroll and related costs	463,065	463,065	456,377
Gas purchased for resale	175,000	175,000	175,064
Maintenance and repairs	190,667	275,667	224,916
Utilities	58,700	58,700	73,846
Other	164,478	234,478	200,572
Depreciation			287,038
Total operating expenses	1,051,910	1,206,910	1,417,813
Net operating income (loss)	699,140	544,140	179,533
Non-Operating Revenues (Expenses):			
Interest revenue			62
Interest expense			(1,490)
Capital outlay	(17,678)	(17,678)	
Debt principal payments			
Total non-operating revenues (expenses)	(17,678)	(17,678)	(1,428)
Net income before contributions and transfers	681,462	526,462	178,105
Contributions and transfers:			
Capital contributions			7,265
Transfers out	(263,512)	(263,512)	(250,265)
Total other financing sources (uses)	(263,512)	(263,512)	(243,000)
Change in net position	417,950	262,950	(64,895)
Net position - beginning (restated)	3,763,055	3,763,055	3,763,055
Net position - ending	$ 4,181,005	$ 4,026,005	$ 3,698,160

Adjustments To Budgetary Basis	Actual on Budgetary Budget	Variance Favorable (Unfavorable)
$	$ 573,024	$(89,326)
	468,993	(60,857)
	473,817	(6,783)
	81,512	3,262
	1,597,346	(153,704)
(28,850)	427,527	35,538
	175,064	(64)
	224,916	50,751
	73,846	(15,146)
	200,572	33,906
(287,038)	-0-	-0-
(315,888)	1,101,925	104,985
315,888	495,421	(48,719)
	62	62
	(1,490)	(1,490)
(47,463)	(47,463)	(29,785)
(11,678)	(11,678)	(11,678)
(59,141)	(60,569)	(42,891)
256,747	434,852	(91,610)
	7,265	7,265
	(250,265)	13,247
-0-	(243,000)	20,512
256,747	191,852	(71,098)
	3,763,055	-0-
$ 256,747	$ 3,954,907	$(71,098)

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $ _____
Total Insurance Payment: $_____

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

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

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

SPECIMEN

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

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

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