OFFICIAL STATEMENT
Dated: November 13, 2018

Ratings: S&P Insured "AA"

S&P Underlying "A+"

NEW ISSUE: Book-Entry-Only **(See "RATINGS" herein)**

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. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum taxes. 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.

$5,055,000
CITY OF BRAZORIA, TEXAS
(Brazoria County)
Certificates of Obligation, Series 2018

Dated Date: November 1, 2018 **Due: February 15, as shown on inside cover**

PAYMENT TERMS… Interest on the $5,055,000 City of Brazoria, Texas, Certificates of Obligation, Series 2018 (the "Certificates"), will accrue from their delivery date to the underwriter listed below (the "Underwriter") and will be payable February 15 and August 15 of each year, commencing on August 15, 2019. 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 UMB Bank, N.A., 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 and improvements to the combined waterworks, sewer, and natural gas system (the "System") and drainage improvements 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, 2028, 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 2030, 2032, 2034, 2036, 2038, and 2043 are subject to mandatory sinking fund redemption prior to maturity. See "THE CERTIFICATES – Optional Redemption" and " – Mandatory Redemption" herein.

SECURITY AND SOURCE OF PAYMENT… The Certificates will constitute direct obligations of the City of Brazoria, 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 pledge of surplus revenues derived from the City's combined waterworks, sewer and natural gas system, after the payment of all operation and maintenance expenses thereof, of the City not to exceed $10,000, 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 ("BAM"). BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P").

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 Underwriter by its counsel, Naman Howell Smith & Lee, PLLC, Austin, Texas.*

DELIVERY… *The Certificates are expected to be available for delivery to the Underwriter through DTC on or about November 29, 2018.*

RAYMOND JAMES

MATURITY SCHEDULE

$5,055,000 Certificates of Obligation, Series 2018

CUSIP No.[(c)] Prefix 106151

Maturity (2/15)[(a)]	Principal Amount ($)	Interest Rate (%)	Initial Yield (%)[(b)]	CUSIP No.[(c)] Suffix
2020	130,000	3.000	2.250	EN9
2021	135,000	4.000	2.400	EP4
2022	140,000	4.000	2.500	EQ2
2023	145,000	4.000	2.600	ER0
2024	150,000	4.000	2.750	ES8
2025	155,000	4.000	2.900	ET6
2026	165,000	4.000	3.050	EU3
2027	170,000	4.000	3.150	EV1
2028	175,000	4.000	3.250	EW9

$375,000.00 4.00% Term Certificates due February 15, 2030, Priced to Yield 3.400%[(b)] CUSIP Suffix No. EY5
$405,000.00 4.00% Term Certificates due February 15, 2032, Priced to Yield 3.550%[(b)] CUSIP Suffix No. FA6
$440,000.00 4.00% Term Certificates due February 15, 2034, Priced to Yield 3.650%[(b)] CUSIP Suffix No. FC2
$475,000.00 4.00% Term Certificates due February 15, 2036, Priced to Yield 3.800%[(b)] CUSIP Suffix No. FE8
$510,000.00 4.00% Term Certificates due February 15, 2038, Priced to Yield 3.900%[(b)] CUSIP Suffix No. FG3
$1,485,000.00 4.00% Term Certificates due February 15, 2043, Priced to Yield 4.100%[(b)] CUSIP Suffix No. FM0

(a) The Certificates maturing on and after February 15, 2029, are subject to optional redemption, in whole or in part, on February 15, 2028, 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 2030, 2032, 2034, 2036, 2038, and 2043 are subject to mandatory sinking fund redemption prior to maturity. (See "THE CERTIFICATES – Optional Redemption" and "– Mandatory Redemption").

(b) The initial yields and prices are established by, and are the sole responsibility of the Underwriter 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 Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF BRAZORIA, TEXAS

CITY COUNCIL

Mayor	Roger Shugart
Mayor Pro-Tem	Gary Kersh
Councilmember	Marcus Rabren
Councilmember	Gail Logsdon
Councilmember	Roschelle Hicks
Councilmember	Susan Swanner Parker

ADMINISTRATIVE OFFICERS

Teresa Borders	City Manager
Sheila Williams	City Secretary
Charles Stevenson	City Attorney

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Orrick, Herrington & Sutcliff LLP, Houston, Texas	Bond Counsel
Curtis T. Craig, Certified Public Accountant, Rosenberg, Texas	Independent Auditor
Government Capital Securities Corporation, Southlake, Texas	Financial Advisor

For additional information regarding the City, please contact:

Teresa Borders
City Manager
City of Brazoria
201 South Main Street.
Brazoria, Texas 77422
(979) 798-2489
citymanager@cityofbrazoria.org

Jake Lawrence
Government Capital Securities Corporation
559 Silicon Drive, Suite 102
Southlake, TX 76092
(817) 722-0220
jlawrence@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 UNDERWRITER 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 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 Underwriter does not guarantee the accuracy or completeness of such information.

Neither the City, the Financial Advisor nor the Underwriter 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 and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. 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 ("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, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $524 million, $104.1 million and $419.9 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, if 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 assumes 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.

(*Remainder of Page Intentionally Left Blank*)

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 Brazoria, Texas (the "City"), is located in Brazoria County, Texas. For information regarding the City, see Appendices A and B.
The Certificates	$5,055,000 Certificates of Obligation, Series 2018, dated November 1, 2018, 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 August 15, 2019, 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 and improvements to the combined waterworks, sewer, and natural gas system (the "System") and drainage improvements, 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, Chapter 1502, Texas Government Code, and an ordinance to be enacted by the City Council of the City (the "City Council") on November 13, 2018. 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 a limited pledge in an amount not to exceed $10,000 of certain revenues derived from the System 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, 2028, 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 2030, 2032, 2034, 2036, 2038, and 2043 are subject to mandatory sinking fund redemption prior to maturity. See "THE CERTIFICATES – Mandatory Redemption" herein.
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 alternative minimum taxes. 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 City has made application to Standard & Poor's Rating Services, a Standard and Poor's Financial Services LLC business ("S&P") based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. The Certificates have also been assigned an underlying rating "A+" by S&P. An explanation of the significance of such rating may be obtained from S&P. 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.

(*Remainder of Page Intentionally Left Blank*)

SELECTED FINANCIAL INFORMATION
(Unaudited)

2018 Certified Taxable Assessed Valuation……... (100% of Market Value as of January 1, 2018)	$134,070,066 [(a)]
City Debt:	
Outstanding Tax Supported Debt (as of September 30, 2018)……..….	$310,000 [(b)]
Plus: The Certificates……...	$5,055,000
Total Tax Supported Debt……	$5,365,000
Debt Service Fund Balance (as of Sept. 30, 2017)……..	$7,705

	% of 2018 Assessed Valuation	2018 Per Capita (3,099)
Debt Ratios:		
Direct Tax Supported Debt…….	4.00%	$1,731

2018 Tax Rate (per $100 of Assessed Valuation)	
Maintenance and Operation	$0.4829
Debt Service ……	0.2390
Total ……	$0.7219
Estimated Annual Debt Service Requirements……..	
Average……	$ 332,974.97
Maximum (2019)…….	$ 466,124.22
Tax Collections	
Current Year…….	In process
Total Collections……..	In process

(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

$5,055,000
CITY OF BRAZORIA, TEXAS
(Brazoria County)
Certificates of Obligation, Series 2018

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 Brazoria, Texas (the "City") of $5,055,000 Certificates of Obligation, Series 2018 (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. 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 and improvements to the combined waterworks, sewer, and natural gas system (the "System") and drainage improvements, 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, Chapter 1502, Texas 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 by a pledge of surplus revenues derived from the City's combined waterworks, sewer and natural gas system, after the payment of all operation and maintenance expenses thereof, of the City not to exceed $10,000, 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, 2028 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 2030, 2032, 2034, 2036, 2038, and 2043 (the "Term Certificates") are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the in the City's Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of mandatory sinking fund redemption in the following principal amounts on February 15 in each of the years as set forth below:

Term Certificates Stated to Mature on February 15, 2030

Year	Principal Amount ($)
2029	185,000
2030	190,000*

Term Certificates Stated to Mature on February 15, 2032

Year	Principal Amount ($)
2031	200,000
2032	205,000*

Term Certificates Stated to Mature on February 15, 2034

Year	Principal Amount ($)
2033	215,000
2034	225,000*

Term Certificates Stated to Mature on February 15, 2036

Year	Principal Amount ($)
2035	235,000
2036	240,000*

Term Certificates Stated to Mature on February 15, 2038

Year	Principal Amount ($)
2037	250,000
2038	260,000*

Term Certificates Stated to Mature on February 15, 2043

Year	Principal Amount ($)
2039	275,000
2040	285,000
2041	295,000
2042	310,000
2043	320,000*

***Payable at 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 February 15 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 Certifilcates that have been optionally redeemed on or before February 15 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 of Funds:	
Par Amount of the Certificates	$5,055,000.00
Plus: Net Premium	101,954.45
Total Sources of Funds	$5,156,954.45
Uses of Funds	
Project Fund Deposit	$5,000,000.00
Issuance Costs[(a)]	155,532.33
Deposit to Debt Service Fund	1,422.12
Total Uses of Funds	$5,156,954.45

[(a)]Includes Underwriter's discount and the fees of Bond Counsel, the Paying Agent Registrar, the bond insurance, the rating agency and other costs related to the issuance of the Certificates

GENERAL INFORMATION REGARDING THE CERTIFICATES

General Description

The Certificates will be dated November 1, 2018 (the "Dated Date"), and will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the date of delivery to the underwriter listed on the cover page hereof (the "Underwriter"), and interest will be paid semiannually on each February 15 and August 15, commencing August 15, 2019. 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 UMB Bank, N.A., 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 Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The 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 Underwriter 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

UMB Bank, N.A., 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 business 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 Texas 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 requires the appraised value of a resident homestead to be based solely on the property's value as a resident homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed either the lesser of (1) the property's market value for the most recent tax year in which market value was determined by the Appraisal District or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, 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 the Texas 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 Texas Constitution ("Article VIII") and Texas 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.

Article VIII, Section 1-a of the Texas Constitution grants a $3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes.

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

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

Under Article VIII and State law, the city council of a City may take action to refrain from increasing the total ad valorem tax (except for increases attributable to certain improvements) on the residence homestead of the disabled persons or persons 65 years of age or older and their spouses above the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based on the disability or age of the owner or (2) the year the City chose to establish the above referenced limitation. On the receipt of a petition signed by five percent of the registered voters of the City, the City shall call an election to determine by majority vote whether to establish such a

tax limitation. Such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) 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.

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

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

Texas law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse and 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; Section 11.131 of the Texas Tax Code provides that a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead A partially disabled veteran or certain surviving spouses of partially disabled veteran are 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; this exemption also applies to a residence homestead that was donated by a charitable organization at some costs to such veterans. 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.
Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm, ranch or wildlife management 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.

Tangible personal property not producing income, except for manufactured homes, is exempt from ad valorem taxation unless the governing body of the political subdivision elects to tax such property. In addition, an individual is entitled to an exemption from taxation of one passenger car or light truck used in the course of the individual's occupation or profession if it is also used for personal activities that do not produce income.

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax

freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit". Section 11.253 of the Texas Tax Code defines "goods-in-transit" as personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory. Section 11.253 of the Texas Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the Freeport property 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 required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate." 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 grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $30,000; disabled are also granted an exemption of $10,000.

The City does not tax non business personal property.

Brazoria County collects taxes for the City. The city permits split payments and discounts are not allowed.

The City has adopted a tax abatement policy. The City has 1 active Tax Abatement with a business. For the 2018 tax year the total assessed valuation loss due to the abatement agreement equals $1,226,083 and the expiration date for the current Tax Abatement is in 2022.

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 provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System, an agent multi-employer public employee retirement system. For a discussion of the Retirement Plan, see Appendix D "Audited Financial Statements for the Fiscal Year Ended September 30, 2017."

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, 2017").

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, 2017, 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	$993,364
Total	$993,364

RATINGS

The City has made application to Standard & Poor's Rating Services, a Standard and Poor's Financial Services LLC business, ("S&P") based upon the Municipal Bond Insurance Policy to be issue by Build America Mutual Assurance Company. The Certificates have also been assigned an underlying rating of "A+" by S&P. 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 Underwriter 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. BAM's financial strength is rated "AA/Stable" by S&P.

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 alternative minimum taxes. 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 Brazoria, Texas (Tables 1-5) 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 D 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

The City has not been subject to any continuing disclosure agreement made by it in accordance with the Rule during the last 5 years.

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

Curtis T. Craig, Certified Public Accountant, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Curtis T. Craig, Certified Public Accountant relating to City's financial statements for the fiscal year ended September 30, 2017 is included in this Official Statement in APPENDIX D; however, Curtis T. Craig, Certified Public Accountant 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

Raymond James, the Underwriter, has agreed to purchase the Certificates from the City for $5,114,979.90 (being the principal amount of the Certificates, plus a net premium of $101,954.45, less an Underwriter's discount of $41,974.55).

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 Underwriter does 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 Underwriter for the purpose of offering the Certificates.

/s/ Roger Shugart
Mayor, City of Brazoria, Texas

ATTEST:

/s/ Sheila Williams
Secretary, City of Brazoria, Texas

APPENDIX A

FINANCIAL INFORMATION REGARDING
THE
CITY OF BRAZORIA, TEXAS

FINANCIAL INFORMATION FOR THE CITY

ASSESSED VALUATION **TABLE 1**

2018 Total Value of Taxable Property		$168,774,314
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 7,727,308	
Disabled and Deceased Veterans' Exemptions	1,008,370	
Productivity Value Loss	1,474,430	
Homestead 10% Cap Adjustment	2,021,373	
Abatement	1,226,083	
Total Exempt Property	20,929,914	
Other	316,770	34,704,248
2018 Net Taxable Assessed Valuation (100% of Actual)[(a)]		$134,070,066

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

Source: The City and Brazoria County Appraisal District

PRINCIPAL TAXPAYERS **TABLE 2**

Name	Type of Business	2018 Net Taxable Assessed Valuation	% of Total 2018 Assessed Valuation*
Austin Colony RV LP	Mobile Homes/Park	$ 4,058,520	3.03%
Brazoria Telephone Co.	Telephone Utility	2,874,120	2.14%
Buc-ee's Ltd.	Gas Station	1,948,727	1.45%
Texas New Mexico Power Co.	Electric Utility	1,590,000	1.19%
Texas Dow Emp. Credit Union	Banking	1,494,940	1.12%
Vernon R. Stewart	Residence	1,344,490	1.00%
O'Reilly Auto Enterprises LLC	Retail	1,231,600	0.92%
Union Pacific Railroad Company	Railroad	1,059,650	0.79%
The 2J's Investments LP	Commercial	1,000,270	0.75%
MBC JD Brazosport Ltd.	Commercial	931,400	0.69%
Total		$17,533,717	13.08%

* Based on 2018 Net Taxable Assessed Valuation of $134,070,066.

Source: The City 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
2013	$ 95,650,246	0.7707	99.99%	99.99%	9-30-14
2014	100,036,340	0.7707	100.27%	100.27%	9-30-15
2015	106,389,462	0.7907	99.96%	99.96%	9-30-16
2016	118,679,545	0.7907	99.01%	99.01%	9-30-17
2017	132,608,373	0.7220	In process		9-30-18
2018	134,070,066	0.7219	In process		9-30-19

_____

[a] *See "TAX INFORMATION - City Application of 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 2017 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**

	2018-19	2017-18	2016-17	2015-16	2014-15
Maintenance & Operations	$0.4829	$0.4782	$0.5159	$0.4887	$0.4621
I & S Fund	0.2390	0.2438	0.2748	0.3020	0.3086
TOTAL	$0.7219	$0.7220	$0.7907	$0.7907	$0.7707

_____

Source: The City

PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 5**

Fiscal Year 30-Sept	Existing Debt Service	Principal*	Interest*	Total Debt Service*
2019	$323,262.00	$ -	$142,862.22	$466,124.22
2020		$130,000	$198,950.00	$328,950.00
2021		$135,000	$194,300.00	$329,300.00
2022		$140,000	$188,800.00	$328,800.00
2023		$145,000	$183,100.00	$328,100.00
2024		$150,000	$177,200.00	$327,200.00
2025		$155,000	$171,100.00	$326,100.00
2026		$165,000	$164,700.00	$329,700.00
2027		$170,000	$158,000.00	$328,000.00
2028		$175,000	$151,100.00	$326,100.00
2029		$185,000	$143,900.00	$328,900.00
2030		$190,000	$136,400.00	$326,400.00
2031		$200,000	$128,600.00	$328,600.00
2032		$205,000	$120,500.00	$325,500.00
2033		$215,000	$112,100.00	$327,100.00
2034		$225,000	$103,300.00	$328,300.00
2035		$235,000	$94,100.00	$329,100.00
2036		$240,000	$84,600.00	$324,600.00
2037		$250,000	$74,800.00	$324,800.00
2038		$260,000	$64,600.00	$324,600.00
2039		$275,000	$53,900.00	$328,900.00
2040		$285,000	$42,700.00	$327,700.00
2041		$295,000	$31,100.00	$326,100.00
2042		$310,000	$19,000.00	$329,000.00
2043		$320,000	$6,400.00	$326,400.00
Total	**$323,262.00**	**$5,055,000.00**	**$2,946,112.22**	**$8,324,374.22**

APPENDIX B

GENERAL INFORMATION REGARDING
THE CITY OF BRAZORIA, TEXAS

General

The City of Brazoria is a city located at the junction of State Highway 36 and State Highway 332, approximately 50 miles from Houston central business district. The 2010 population was 3, 019, increasing 8.32% since 2000. Nearby chemical and petrochemical industries provide employment for many of the City's residence.

The City of Brazoria offers access to several financial institutes, churches of various denominations, and three daycare centers. The City is also located within minutes of Lake Jackson, which provides a variety of retail outlets, sporting and outdoor activities. The local economy is gaining strength and the City has recently seen increases in construction and sales tax.

Education

The City is served by the Columbia-Brazoria Independent School District. The District covers approximately 225 square miles in Brazoria County and serves the City and its surrounding rural areas. The District is comprised of one early childhood center for pre-kindergarten, 3 elementary schools for grades kindergarten through sixth, one junior high school for 7^{th} through 8^{th}, and one high school grades 9^{th} through 12^{th}. All campuses offer enriched curricula with special programs for gifted/talented students as well as students achieving below grade level and are equipped with computers and cafeteria service. The high school offers college classes.

Brazoria County

Brazoria County, created in 1836, is a Gulf Coast count, comprising most of the Brazoria Metropolitan Statistical Area. The World's largest basic chemical complex is located in the county, contributing to the extensive petroleum and chemical production in the area. The Gulf Coast Waterway slices through lowlands near Surfside Beach and is the most valuable waterway in America. The county was the seventh largest producing county of soybeans and the fourth largest producing county of rice in Texas in 2016.

Brazoria County is located in south central Texas, encompassing 911 square miles, and was created in 1846. The County is the third largest county of the nine counties comprising the Houston Consolidated Metropolitan Statistical Area. The County is traversed by Highways 36, 332, and 521 and State Highways 288 and 35. The economy is diversified by manufacturing, state supported institutions and agriculture. According to the 2010 U.S. Census, the County's 2010 population was 330,242.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

November 29, 2018

City of Brazoria, Texas
Certificates of Obligation, Series 2018

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Brazoria, Texas (the "City") in connection with the issuance of $[PAR] aggregate principal amount of Obligations designated as "City of Brazoria, Texas Certificates of Obligation, Series 2018" (the "Obligations"). The Obligations are authorized by an ordinance adopted by the City Council of the City (the "City Council") on November 13, 2018 (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 surplus revenues derived from the City's combined waterworks, sewer and natural gas system, after the payment of all operation and maintenance expenses thereof, of the City not to exceed $10,000.

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 alternative minimum taxes. 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, 2017

City of Brazoria, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

City of Brazoria, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2017

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City of Brazoria, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2017

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INTRODUCTORY SECTION

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City of Brazoria, Texas

PRINCIPAL OFFICIALS

September 30, 2017

MAYOR
BobbyJo Newell

CITY COUNCIL

Mayor Pro-Tem	Gary Kersh
Councilmember	Susan Swanner Parker
Councilmember	Gail Logsdon
Councilmember	Stephanie Cribbs
Councilmember	Roger Shugart

CITY ADMINISTRATOR
Teresa Borders

CITY SECRETARY
Sheila Williams

CITY ATTORNEY
Charles Stevenson

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FINANCIAL SECTION

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CURTIS T. CRAIG
CERTIFIED PUBLIC ACCOUNTANT

9422 Harmony Lake Ln.
Rosenberg, TX 77469
Tel: 281.725.2706 • Fax: 832.363.3687
curtis@curtistcraigcpa.com
www.curtistcraigcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council
City of Brazoria, Texas

I 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 Brazoria, Texas, (the "City") as of and for the year ended September 30, 2017, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Adverse Opinion on Government-Wide and Proprietary Fund Statements

As discussed in Note 1-I to the financial statements, the City does not maintain supporting capital asset records reported in its government-wide and proprietary fund financial statements. In addition, the City does not record any depreciation expense for governmental activities and records an annual estimated amount of depreciation expense for business-type activities and in the related proprietary Utility Fund. Accounting principles generally accepted in the United States of America require that all capital assets, including infrastructure, be capitalized and depreciated. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities, business-type activities and proprietary fund statements has not been determined.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Government-Wide and Proprietary Fund Statements" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities, the business-type activities or the proprietary fund of the City of Brazoria, Texas, as of September 30, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 7-13, 48 and 50-54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brazoria, Texas' basic financial statements. The introductory section, combining nonmajor and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and individual 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 my opinion, the combining nonmajor and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other supplementary information debt schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Curtis T. Craig, CPA

Rosenberg, Texas
April 23, 2018

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Management's Discussion and Analysis

As management of the City of Brazoria, Texas, (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 year ended September 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $20,754,743 (net position). Of this amount, $605,023 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by $58,182 during the 2017 fiscal year.
- The City's total expenses were $3,746,515. Program revenues of $1,459,434 reduced the net cost of the City's functions to be financed from the City's general revenues to $2,287,081.
- At the end of the fiscal year, unassigned fund balance for the General Fund was $618,603, or 33.0 percent of total General Fund expenditures.
- The City's total long-term liabilities decreased by $391,792 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar, as the focus is on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds - not the City as a whole.

The City has two types of funds:

Governmental Funds - Some of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship/differences between them.

The City maintains three major governmental funds, the General Fund, Debt Service Fund and the Disaster and Emergency Fund for financial reporting purposes. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these funds.

Proprietary Fund – The City maintains a single enterprise fund, the Utility Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements 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 29 through 45 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget and the City's pension benefits provided to its employees. Required supplementary information can be found on pages 48 through 54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $20,754,743 as of September 30, 2017.

The largest portion of the City's net position (95.2 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the City's net position (1.8 percent) represents restricted financial resources which are not available for future spending.

Lastly, the remaining portion of the City's net position (3.0 percent) represents unrestricted financial resources available for future operations.

SUMMARY OF STATEMENT OF NET POSITION
As of September 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Current and other assets	$ 1,429,504	$ 1,325,387	$ 118,762	$ 144,387	$ 1,548,266	$ 1,469,774
Capital assets, net	16,284,093	16,284,093	4,355,072	4,628,409	20,639,165	20,912,502
Total Assets	17,713,597	17,609,480	4,473,834	4,772,796	22,187,431	22,382,276
Deferred outflows of resources	171,704	211,144	78,242	94,509	249,946	305,653
Long-term liabilities	912,695	1,249,843	298,050	352,694	1,210,745	1,602,537
Other liabilities	200,576	135,765	228,846	219,709	429,422	355,474
Total Liabilities	1,113,271	1,385,608	526,896	572,403	1,640,167	1,958,011
Deferred inflows of resources	29,738	23,288	12,729	10,069	42,467	33,357
Net Position:						
Net investment in capital assets	15,602,459	15,260,459	4,165,931	4,391,850	19,768,390	19,652,309
Restricted	381,330	73,737			381,330	73,737
Unrestricted	758,503	1,077,532	(153,480)	(107,017)	605,023	970,515
Total Net Position	$ 16,742,292	$ 16,411,728	$ 4,012,451	$ 4,284,833	$ 20,754,743	$ 20,696,561

Net position of the City, which relates to governmental and business-type activities, increased by $58,182. Key elements of the increase are as follows:

CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2017 and 2016

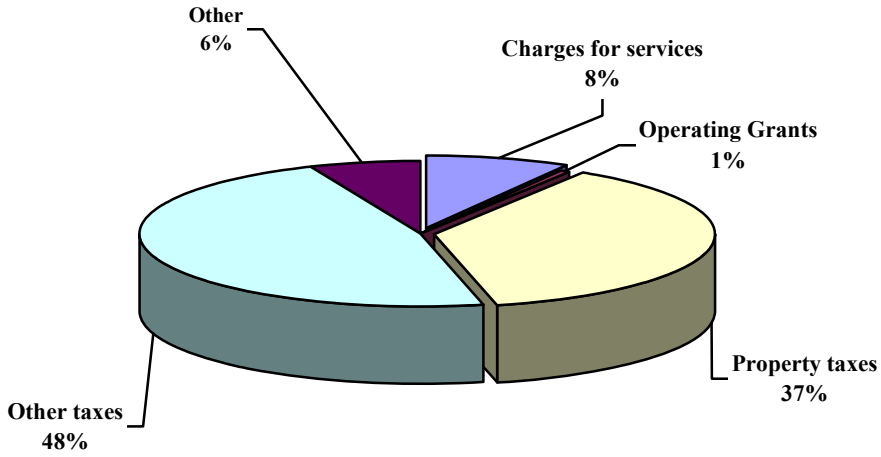
	Governmental Activities		Business-Type Activities		Totals	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Revenues						
Program revenues:						
Charges for services	$ 208,636	$ 229,330	$ 1,234,121	$ 1,186,816	$ 1,442,757	$ 1,416,146
Operating grants and contributions	16,677	4,578			16,677	4,578
General revenues:						
Property taxes	952,629	852,113			952,629	852,113
Other taxes	1,202,458	1,134,936			1,202,458	1,134,936
Other	163,024	159,555	27,152	31,749	190,176	191,304
Total Revenues	2,543,424	2,380,512	1,261,273	1,218,565	3,804,697	3,599,077
Expenses						
General administration	482,208	423,699			482,208	423,699
Police	965,754	899,427			965,754	899,427
Municipal court	71,581	73,870			71,581	73,870
Code enforcement	42,432	57,737			42,432	57,737
Streets and drainage	168,220	159,922			168,220	159,922
Parks and recreation	80,650	65,733			80,650	65,733
Public support	64,205	50,855			64,205	50,855
Interest and fiscal charges	37,810	52,796			37,810	52,796
Utilities			1,833,655	1,619,074	1,833,655	1,619,074
Total Expenses	1,912,860	1,784,039	1,833,655	1,619,074	3,746,515	3,403,113
Increase (Decrease) in Net Position Before Transfers	630,564	596,473	(572,382)	(400,509)	58,182	195,964
Transfers	(300,000)		300,000			
Change in Net Position	330,564	596,473	(272,382)	(400,509)	58,182	195,964
Net Position, Beginning	16,411,728	15,815,255	4,284,833	4,685,342	20,696,561	20,500,597
Net Position, Ending	$ 16,742,292	$ 16,411,728	$ 4,012,451	$ 4,284,833	$ 20,754,743	$ 20,696,561

The City's governmental net position increased by $330,564, as compared to an increase of $596,473 in the prior year.

The City's business-type net position decreased by $272,382, as compared to a decrease of $400,509 in the prior year.

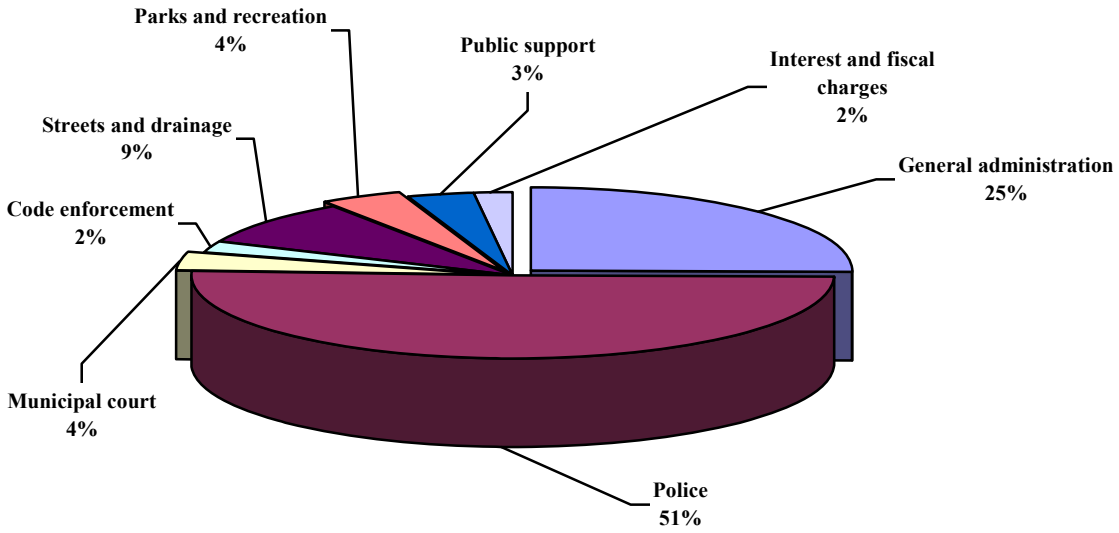
Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's activities.

GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2017, revenue from governmental activities totaled $2,543,424.

GOVERNMENTAL EXPENSES



For the fiscal year ended September 30, 2017, expenses from governmental activities totaled $1,912,860, the largest portion of which relates to police (50.5%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

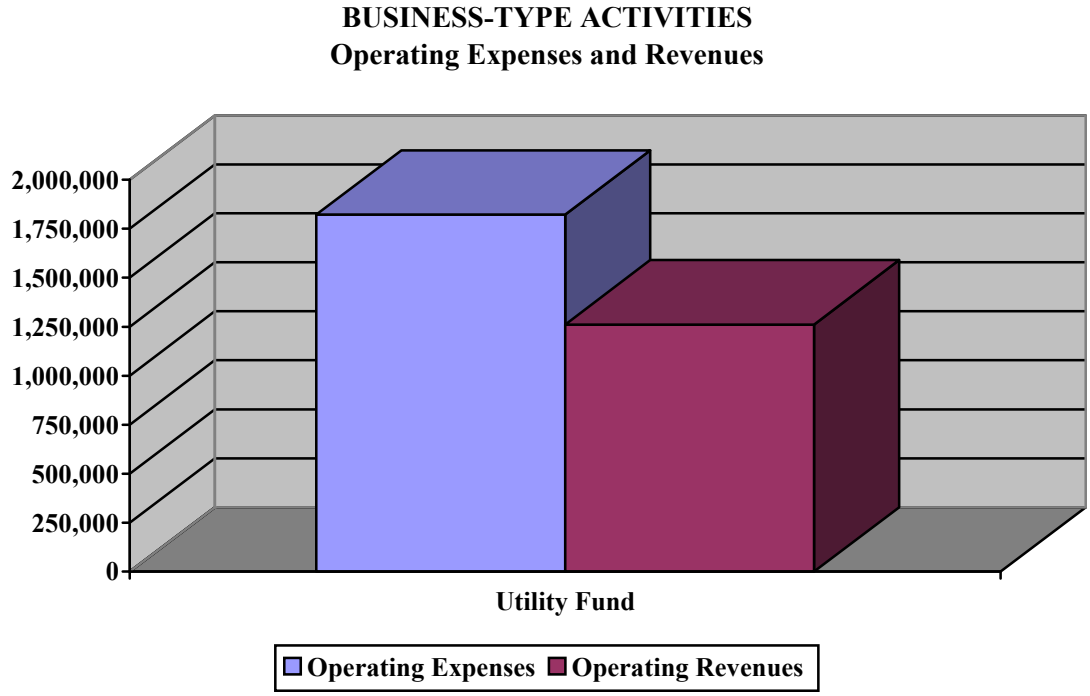
As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed as follows:

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, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2017, the City's governmental funds reported an ending fund balance of $1,169,546, which is an increase of $24,819 from last year's total of $1,144,727. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 33.0 percent of total General Fund expenditures.

Proprietary Fund - The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail (see Exhibits A-6, A-7, and A-8).

The Utility Fund has an unrestricted net position at fiscal year-end of ($153,480). The decrease in total net position of the Utility Fund for the year was $272,382. Other factors concerning the finances of the City's proprietary fund have already been addressed in the discussion of the City's business-type activities.



CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to $20,639,165 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment and infrastructure. Additional information on the City's capital assets can be found in Note 1-I in the notes to the financial statements.

Long-Term Liabilities - At the end of the current fiscal year, the City had total long-term liabilities outstanding of $1,210,745.

SCHEDULE OF LONG-TERM LIABILITIES
September 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Refunding bonds	$ 605,000	$ 890,000	$	$	$ 605,000	$ 890,000
Notes payable	65,796	101,494	189,141	236,559	254,937	338,053
Compensated absences	48,499	45,560	21,603	20,832	70,102	66,392
Net pension liability	193,400	212,789	87,306	95,303	280,706	308,092
Totals	$ 912,695	$ 1,249,843	$ 298,050	$ 352,694	$ 1,210,745	$ 1,602,537

The City's total long-term liabilities decreased by $391,792 during the current fiscal year.

All debt is scheduled to be retired by 2022.

Additional information on the City's long-term liabilities can found in Note 8 in the notes to the financial statements.

GENERAL FUND HIGHLIGHTS

- For the fiscal year ended September 30, 2017, fund balance in the General Fund increased to $686,329.
- For the 2017 fiscal year, total revenues were more than budgeted amounts by $40,535.
- For the 2017 fiscal year, total expenditures were less than appropriations by $285,865.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Brazoria, Texas' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Brazoria, Texas, Attn: Teresa Borders, 201 S. Main Street, Brazoria, Texas 77422.

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BASIC FINANCIAL STATEMENTS

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CITY OF BRAZORIA, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and cash equivalents	$ 991,554	$ 1,810	$ 993,364
Receivables, net:			
Property taxes	70,220		70,220
Customer accounts		107,910	107,910
Other	161,746		161,746
Inventory	39,531	108,948	148,479
Prepaids	28,195	38,352	66,547
Internal balances	138,258	(138,258)	
Capital assets, net of accumulated depreciation	16,284,093	4,355,072	20,639,165
Total Assets	17,713,597	4,473,834	22,187,431
Deferred Outflows of Resources			
Deferred outflows - pension activities	171,704	78,242	249,946
Total Deferred Outflows of Resources	171,704	78,242	249,946
Liabilities			
Accounts payable and other current liabilities	172,060	98,657	270,717
Accrued interest payable	10,838	1,146	11,984
Due to others	17,678		17,678
Customer deposits		129,043	129,043
Noncurrent liabilities:			
Due within one year	365,646	101,682	467,328
Due in more than one year	547,049	196,368	743,417
Total Liabilities	1,113,271	526,896	1,640,167
Deferred Inflows of Resources			
Deferred inflows - pension activities	29,738	12,729	42,467
Total Deferred Inflows of Resources	29,738	12,729	42,467
Net Position			
Net investment in capital assets	15,602,459	4,165,931	19,768,390
Restricted	381,330		381,330
Unrestricted	758,503	(153,480)	605,023
Total Net Position	$ 16,742,292	$ 4,012,451	$ 20,754,743

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions
Governmental Activities:			
General administration	$ 482,208	$ 13,830	$ 16,677
Police	965,754	27,303	
Municipal court	71,581	155,317	
Code enforcement	42,432	12,186	
Streets and drainage	168,220		
Parks and recreation	80,650		
Fire department support	44,305		
Library support	15,600		
Little league support	4,300		
Interest and fiscal charges	37,810		
Total Governmental Activities	1,912,860	208,636	16,677
Business-Type Activities:			
Utilities	1,833,655	1,234,121	
Total Business-Type Activities	1,833,655	1,234,121	
Totals	$ 3,746,515	$ 1,442,757	$ 16,677

General Revenues:

Taxes:

Property taxes, penalties and interest

Sales taxes

Franchise taxes

Garbage collections

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning

Net Position, Ending

See Notes to Financial Statements.

Exhibit A-2

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	**Business-Type Activities**	**Totals**
$ (451,701)	$	$ (451,701)
(938,451)		(938,451)
83,736		83,736
(30,246)		(30,246)
(168,220)		(168,220)
(80,650)		(80,650)
(44,305)		(44,305)
(15,600)		(15,600)
(4,300)		(4,300)
(37,810)		(37,810)
(1,687,547)		(1,687,547)
	(599,534)	(599,534)
	(599,534)	(599,534)
$ (1,687,547)	$ (599,534)	$ (2,287,081)
$ 952,629	$	$ 952,629
1,073,681		1,073,681
128,777		128,777
138,729		138,729
24,295	27,152	51,447
(300,000)	300,000	
2,018,111	327,152	2,345,263
330,564	(272,382)	58,182
16,411,728	4,284,833	20,696,561
$ 16,742,292	$ 4,012,451	$ 20,754,743

CITY OF BRAZORIA, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2017

	General Fund	Debt Service Fund	Disaster and Emergency Fund
Assets			
Cash and cash equivalents	$ 494,741	$ 7,705	$ 113,274
Receivables, net:			
Property taxes	43,343	26,877	
Sales tax	77,590		
Franchise tax	39,216		
Customer services	44,940		
Due from other funds	149,645		
Prepaids	28,195		
Inventory	39,531		
Total Assets	$ 917,201	$ 34,582	$ 113,274
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	$ 145,547	$	$
Accrued expenses	24,304		
Due to other funds			11,387
Due to others	17,678		
Total Liabilities	187,529		11,387
Deferred Inflows of Resources			
Unavailable revenues - property taxes	43,343	26,877	
Total Deferred Inflows of Resources	43,343	26,877	
Fund Balances			
Nonspendable	67,726		
Restricted		7,705	
Committed			101,887
Unassigned	618,603		
Total Fund Balances	686,329	7,705	101,887
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 917,201	$ 34,582	$ 113,274

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.

Long-term liabilities, including bonds payable, notes payable and compensated absences, are not due and payable in the current period and are therefore not reported in the funds.

Deferred inflows/outflows of resources pertaining to actuarial pension differences between expected and actual economic experience (-$29,738), projected and actual investment earnings ($110,065), pension contributions made subsequent to the measurement date ($52,208), and assumption changes ($9,431) are not financial resources and, therefore, are not reported in the funds.

The net pension liability is not due and payable in the current period and is therefore not reported in the funds.

Revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.

Net Position of Governmental Activities

See Notes to Financial Statements.

Other Governmental Funds	Totals Governmental Funds
$ 375,834	$ 991,554
	70,220
	77,590
	39,216
	44,940
	149,645
	28,195
	39,531
$ 375,834	$ 1,440,891
$ 2,209	$ 147,756
	24,304
	11,387
	17,678
2,209	201,125
	70,220
	70,220
	67,726
373,625	381,330
	101,887
	618,603
373,625	1,169,546
$ 375,834	$ 1,440,891
	$ 16,284,093
	(730,133)
	141,966
	(193,400)
	70,220
	$ 16,742,292

CITY OF BRAZORIA, TEXAS

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

For the Year Ended September 30, 2017

	General Fund	Debt Service Fund	Disaster and Emergency Fund
Revenues			
Property taxes	$ 600,926	$ 321,615	$
Penalties and interest	20,907		
Sales taxes	1,073,681		
Franchise taxes	128,777		
Hotel/motel taxes	1,129		
Fines and forfeitures	152,911		
Garbage collection	130,490		8,239
Licenses, permits and fees	17,773		
Intergovernmental	16,677		
Investment earnings	4,582		2,826
Other	37,567		
Total Revenues	2,185,420	321,615	11,065
Expenditures			
Current:			
General administration	476,634		
Police	939,293		
Municipal court	69,594		
Code enforcement	41,881		
Streets and drainage	167,162		
Parks and recreation	80,490		
Fire department support	44,305		
Library support	15,600		
Little league support	4,300		
Debt Service:			
Principal payments	35,698	285,000	
Interest and fiscal charges	4,302	38,814	
Total Expenditures	1,879,259	323,814	
Excess (Deficiency) of Revenues Over (Under) Expenditures	306,161	(2,199)	11,065
Other Financing Sources (Uses)			
Transfers in			
Transfers (out)			(600,000)
Total Other Financing Sources (Uses)			(600,000)
Net Change in Fund Balances	306,161	(2,199)	(588,935)
Fund Balances - Beginning	380,168	9,904	690,822
Fund Balances - Ending	$ 686,329	$ 7,705	$ 101,887

See Notes to Financial Statements.

Other Governmental Funds	Totals Governmental Funds
$	$ 922,541
	20,907
	1,073,681
	128,777
	1,129
3,558	156,469
	138,729
11,303	29,076
	16,677
35	7,443
1,247	38,814
16,143	2,534,243
	476,634
5,751	945,044
600	70,194
	41,881
	167,162
	80,490
	44,305
	15,600
	4,300
	320,698
	43,116
6,351	2,209,424
9,792	324,819
300,000	300,000
	(600,000)
300,000	(300,000)
309,792	24,819
63,833	1,144,727
$ 373,625	$ 1,169,546

CITY OF BRAZORIA, TEXAS

Exhibit A-5

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

For the Year Ended September 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	24,819
Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		317,759
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in the net pension liability ($19,389), deferred outflows of resources ($39,440), deferred inflows of resources ($6,450) and accrued interest ($5,306).		(21,195)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This adjustment reflects the net change in property taxes receivable on the accrual basis of accounting.		9,181
Change in Net Position of Governmental Activities	$	330,564

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

Exhibit A-6

STATEMENT OF NET POSITION
PROPRIETARY FUND

September 30, 2017

	Business-Type Activities Enterprise Fund
	Utility Fund
Assets	
Current Assets:	
Cash and cash equivalents	$ 1,810
Receivables:	
Accounts, net	107,910
Prepaids	38,352
Inventory	108,948
Non-Current Assets:	
Capital assets	10,933,507
Less: accumulated depreciation	(6,578,435)
Total capital assets, net of accumulated depreciation	4,355,072
Total Assets	4,612,092
Deferred Outflows of Resources	
Deferred outflows - pension activities	78,242
Total Deferred Outflows of Resources	78,242
Liabilities	
Current Liabilities:	
Accounts payable and accrued expenses	98,657
Accrued interest	1,146
Customer deposits	129,043
Due to other funds	138,258
Compensated absences	2,160
Notes payable	99,522
Non-Current Liabilities:	
Compensated absences	19,443
Notes payable	89,619
Net pension liability	87,306
Total Liabilities	665,154
Deferred Inflows of Resources	
Deferred inflows -pension activities	12,729
Total Deferred Inflows of Resources	12,729
Net Position	
Net investment in capital assets	4,165,931
Unrestricted	(153,480)
Total Net Position	$ 4,012,451

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

Exhibit A-7

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

For the Year Ended September 30, 2017

	Business-Type Activities Enterprise Fund
	Utility Fund
Operating Revenues	
Charges for services	$ 1,198,127
Tap fees	35,994
Other	27,152
Total Operating Revenues	1,261,273
Operating Expenses	
Cost of sales and services	1,548,332
Depreciation	273,338
Total Operating Expenses	1,821,670
Operating (Loss)	(560,397)
Non-Operating Revenues (Expenses)	
Transfers in	300,000
Interest and fiscal charges	(11,985)
Total Non-Operating Revenues (Expenses)	288,015
Net (Loss)	(272,382)
Net Position, Beginning	4,284,833
Net Position, Ending	$ 4,012,451

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

Exhibit A-8 (Page 1 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended September 30, 2017

	Business-Type Activities Enterprise Fund Utility Fund
Cash Flows from Operating Activities	
Cash received from customers	$ 1,252,052
Cash paid to suppliers	(755,745)
Cash paid to employees	(495,841)
Net Cash Provided by Operating Activities	466
Cash Flows from Non-Capital Financing Activities	
Transfers in	300,000
Net Cash Provided by Non-Capital Financing Activities	300,000
Cash Flows from Capital and Related Financing Activities	
Principal paid on capital debt	(288,154)
Interest paid on capital debt	(12,302)
Net Cash (Used) by Capital and Related Financing Activities	(300,456)
Net Increase in Cash and Cash Equivalents	10
Cash and Cash Equivalents, Beginning	1,800
Cash and Cash Equivalents, Ending	$ 1,810

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

Exhibit A-8 (Page 2 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended September 30, 2017

Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities		
Operating (loss)	$	(272,382)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:		
Depreciation expense		273,338
(Increase) decrease in receivables		(9,221)
(Increase) decrease in inventory		(3,880)
(Increase) decrease in prepaids		(21,240)
Increase (decrease) in due to other funds		59,976
Increase (decrease) in customer deposits		1,755
Increase (decrease) in accounts payable and accrued expenses		(27,880)
Net Cash Provided by Operating Activities	$	466

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Brazoria, Texas (the "City"), have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the primary accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

The City is a political subdivision of the State of Texas, incorporated as a General Law Municipality, and is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present all governmental activities, agencies, organizations and functions for which the City's governing body is considered to be financially accountable.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity, are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or reporting entity. The overriding elements associated with these prescribed criteria for this purpose are an entity: having a separately elected governing body; being a legally separate entity; and being fiscally independent of other state or local governments. Other prescribed criteria include considerations pertaining to organizations to which the reporting entity is financially accountable, or which have such a significance in relationship, that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Brazoria Volunteer Fire Department ("VFD") is a separate nonprofit corporation governed by its own board of directors. Accordingly, these financial statements do not include the assets or operations of this legally separate entity. The City has utility billing procedures that provide for a regular monthly voluntary fee, which the City remits to the VFD for providing contractual fire services which are considered essential within the incorporated limits of the City. The City has also assisted with the acquisition of certain VFD capital assets; see also under the note addressing long-term liabilities, and also provides a level of financial support budgeted through its General Fund.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board Statement No. 34 - Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments ("Statement 34").

Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis ("MD&A") section providing an analysis of the City's overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for all of the City's governmental and business-type activities.
- Fund financial statements focusing on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the reclassification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the City as a whole. These statements include all non-fiduciary activities of the primary government. 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 function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use of directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. 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. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

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.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. 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 government 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 are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental funds:

General Fund
The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund
The Debt Service Fund is used to account for the accumulation of resources (primarily property taxes) for the payment of governmental long-term debt obligations.

Disaster and Emergency Fund
The Disaster and Emergency Fund accounts for monies to be used to offset costs associated with damages from tropical storms and hurricanes.

The government reports the following major proprietary fund:

Utility Fund
The Utility Fund is an enterprise fund, which is a fund type that focuses on the determination of operating income, changes in net position, and cash flows. Enterprise funds are accounted for in a manner similar to private businesses, where the intent of management is to cover operating costs through user charges.

The City's non-major governmental funds are comprised of several individual special revenue funds. These include one fund to control a specific fee dedicated for equipment replacement, another controlling revenues collected in connection with police enforcement activities, a third to control various court costs and remittances from the State of Texas that are restricted for specific law enforcement and court operations and a fourth to account for monies that are used to account for storm clean up and related costs. The City does not have any non-major proprietary funds.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash and temporary investments. These cash and temporary investments are generally available for the City's disbursement needs and have maturities of three months or less from the date of acquisition.

F. Investments

Investments, when held, are stated at cost, which approximates fair value.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

H. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the government-wide Statement of Net Position and are classified as "due from other funds" or "due to other funds" in the fund financial statements.

I. Capital Assets

The City does not maintain adequate detailed capital asset records for governmental activities, business-type activities or the proprietary fund; therefore, the total net investment in capital assets disclosed in the financial statements is not verifiable. The cost of assets deleted due to obsolescence, disposal, or replacement is not available, and the change in the balance carried in existing records is not reconcilable. The balances for governmental activities, business-type activities and the proprietary fund capital assets disclosed in these statements represent a general estimate by management in a previous fiscal year. Additionally, the City has not implemented the current accounting standards for governmental capital assets which require valuation at historical cost with an annual provision for depreciation charged to the respective governmental function associated with each asset. The lack of adequate records for capital assets produces an unknown effect on the disclosures for total capital assets and depreciation expense in the statement of net position and statement of activities for both governmental and business-type activities, and also in the proprietary fund financial statements.

The City does not record annual depreciation expense for governmental activities, however it does record annual estimated depreciation expense for business-type activities and in the proprietary fund financial statements. Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against operations with accumulated depreciation reported on the statement of net position. The estimate of depreciation expense for business-type activities and in the proprietary fund financial statements is based on an estimated useful life of the capital assets using the straight-line method. The City uses and average estimated useful life of 40 years for the capital assets, therefore, the City records two and a half percent of the total capital asset balance as annual estimated depreciation expense each year.

J. Compensated Employee Absences

The City records a liability for the amount of unused vacation and compensatory time earned, which it has vested in each employee at year-end. This liability is not reported in the fund level financial statements but is included in the government-wide financial statements. The liability applicable to proprietary fund employees is reported within that fund. Time accumulated for sick leave is not included in this accrual, as such time is not paid upon separation from employment.

K. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in the fund level financial statements consist of unavailable property taxes. Deferred inflows of resources reported in the government-wide financial statements consist of differences between expected and actual economic experience related to pension activities.

L. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources in the government-wide financial statements all relate to the pension liability - assumption changes, differences between projected and actual investment earnings and pension contributions made subsequent to the actuarial measurement date.

M. Pensions

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 additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Long-Term Obligations

The government-wide financial statements and proprietary fund financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net position. When applicable, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premiums or discounts.

The fund financial statements report bond premiums and discounts during the current period. The face amount of debt issued is reported as an other financing source. Premiums or discounts associated with the debt are reported as either an other financing source or financing use.

O. Fund Equity

Restricted equity balances represent those portions of equity not appropriable for expenditure or legally segregated for a specific future use. Unassigned equity represents available funds for the City's future use.

P. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. Restricted Resources

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

R. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are utility charges between the utility function and various other functions of the government.

S. Operating and Nonoperating Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Utility Fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Utility Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

T. Date of Management’s Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 23, 2018, the date that the financial statements were available to be issued.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City's budget is prepared for governmental fund types in accordance with generally accepted accounting principles. Annual appropriated budgets are adopted by City Council for the General Fund and Debt Service Fund. Appropriations lapse at fiscal year-end except those for contracted commitments for construction or significant acquisitions. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time during the fiscal year, City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to accordingly amend the budget.

For the 2017 fiscal year, expenditures exceeded appropriations in the General Fund as follows; Debt Service interest and fiscal charges - $4,302.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to state statutes. The depository bank deposits, for safekeeping and trust with the City's agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's amount of Federal Deposit Insurance Corporation insurance.

As of September 30, 2017, the carrying value of bank deposits is $993,364. Of this bank balance, $250,000 is covered by federal depository insurance and $743,364 is covered by securities pledged by the City's bank.

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Texas and its municipalities and school districts. Collateral pledged to cover the City's deposits is required to be held in the City's name by the trust department of a bank other than the pledging bank (the City's agent). Deposits at year-end are representative of the types of deposits maintained by the City during the year.

NOTE 4 - PROPERTY TAXES

The City's property taxes are levied annually in October on the basis of the appraisal district's assessed values as of January 1st of that calendar year. Appraised values are established by the appraisal district at market value and assessed at 100% of appraised value. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1st of the subsequent calendar year.

Property taxes are levied for operations and are based on rates adopted for the year of the levy. For the current year, the City levied property taxes of $0.790700 per $100 of assessed valuation (including $0.274816 for debt service). The resulting adjusted tax levy was $925,947 on the total adjusted taxable valuation of $117,104,717 for the 2016 tax year.

Property taxes receivable, as of September 30, 2017, consists of the following:

Tax Year	General Fund	Debt Service Fund	Totals
2016	$ 18,434	$ 9,826	$ 28,260
2015	7,789	4,811	12,600
2014	4,878	1,999	6,877
2013	2,658	2,117	4,775
2012	2,048	1,615	3,663
2011 and prior	12,900	9,671	22,571
Totals	$ 48,707	$ 30,039	$ 78,746

NOTE 5 – TAX ABATEMENT

In accordance with Article III, Section 52-a of the Texas Constitution and Chapter 380 of the Texas Local Government Code, the City may establish and provide for the administration of a program for making loans and grants of public money to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with Chapter 380, Texas Local Government Code, the City has established such a program to provide incentives and financial assistance to BUC-EE'S LTD, a Texas Limited Partnership, to encourage and promote the development of property, thereby enhancing and stimulating business and commercial activity in the City.

Under the property tax abatement agreement dated May 19, 2016, between the City and BUC-EE's LTD, a portion of ad valorem taxes from the property owned by BUC-EE's LTD, otherwise owed to the City, shall be abated as follows; Real Property Tax Abatement – For a term of five years, beginning on January 1 following the year the project reopens for business to the public, a portion of ad valorem taxes from the property otherwise owed to the City shall be abated as follows: Year 1 – 75%, Year 2 – 50%, Year 3 – 35%, Year 4 – 25%, and Year 5 – 15%. Personal Property Tax Abatement – For a term of four years, beginning on January 1 following the year the project reopens for business to the public, a portion of ad valorem taxes from the property otherwise owed to the City shall be abated as follows: Year 1 – 50%, Year 2 – 50%, Year 3 – 25%, and Year 4 – 10%.

During fiscal year 2017, the tax abatement described above was the only ad valorem tax abatement agreement that was active under the economic development program. Since the agreement states that the tax abatement will not begin until January 1st of the year following reopening, there was no tax abatement in fiscal year 2017, as the reopening did not take place until after January 1, 2017.

NOTE 6 - RECEIVABLES

Receivables as September 30, 2017, for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities		Business-Type Activities	
	General Fund	Debt Service Fund	Utility Fund	Totals
Net Receivables:				
Accounts	$	$	$ 107,910	$ 107,910
Taxes	43,343	26,877		70,220
Other	161,746			161,746
Totals	$ 205,089	$ 26,877	$ 107,910	$ 339,876

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the components of deferred inflows of resources reported in the governmental funds are as follows:

Delinquent property taxes receivable - General Fund	$ 43,343
Delinquent property taxes receivable - Debt Service Fund	26,877
Total	$ 70,220

NOTE 7 - CAPITAL ASSETS

As of September 30, 2017, the City does not maintain adequate detailed capital asset records for governmental or business-type activities. For more information on capital assets, please see Note 1-I in the notes to financial statements.

NOTE 8 - LONG-TERM LIABILITIES

Governmental Activities Long-Term Liabilities

The City's governmental activities general obligation long-term debt is comprised of the following:

Bonds	Original Issue Amounts	Matures	Interest Rate (%)	Amounts Outstanding
Governmental Activities:				
Tax Refunding Bonds, Series 2006	$ 2,360,000	2019	4.10	$ 455,000
Limited Tax Refunding Bonds, Series 2009	635,000	2019	4.79	150,000
Total				$ 605,000

The City's has one note payable outstanding as of September 30, 2017, which is listed below:

Notes	Original Note Amounts	Matures	Interest Rate (%)	Amount Outstanding
Governmental Activities:				
First National Bank - Road & Drainage Improvements	$ 200,000	2018	4.25	$ 65,796
Total				$ 65,796

The City is also contingently liable for a note payable to Government Capital Corporation for the acquisition of equipment owned and utilized by the local Volunteer Fire Department. This note payable is being fully serviced by the local Volunteer Fire Department, a separate legal entity as described in Note 1-A. The unpaid balance as of September 30, 2017, is $64,281 and the note matures in 2019.

Business-Type Activities Long-Term Liabilities

The City's has three notes payable outstanding as of September 30, 2017, which are listed below:

Notes	Original Note Amounts	Matures	Interest Rate (%)	Amounts Outstanding
Business-Type Activities:				
Schertz Bank & Trust - Utility Metering & Billing System	$ 195,738	2018	3.976	$ 54,433
Texas Department of Transportation - Relocation of Utility Lines	340,000	2022	3.70	110,062
Southstar Bank - Magnolia Gardens Sewer Improvement Project	240,736	2018	4.00	24,646
Total				$ 189,141

The note payable to the Texas Department of Transportation ("TXDOT") originated in connection with a major capital project performed by TXDOT constructing a bridge over the Brazos River. The loan provided funding for relocation of utility service lines impacted by that project.

The note payable to Schertz Bank & Trust was incurred in 2012 and the proceeds from this financing arrangement were used for a capital project acquiring and implementing a new metering and automated billing system for utility services and replacing manually read meters.

The note payable to Southstar Bank was incurred in 2017 and the proceeds from this financing arrangement were used for the Magnolia Gardens sewer improvement project.

Changes in Long-Term Liabilities

Changes to long-term liabilities for the year ended September 30, 2017, are as follows:

	Balances Oct. 1, 2016	Additions	(Reductions)	Balances Sept. 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Refunding bonds	$ 890,000	$	$ (285,000)	$ 605,000	$ 295,000
Notes payable	101,494		(35,698)	65,796	65,796
Compensated absences	45,560	2,939		48,499	4,850
Net pension liability	212,789		(19,389)	193,400	
Total Governmental Activities	$ 1,249,843	$ 2,939	$ (340,087)	$ 912,695	$ 365,646
Business-Type Activities:					
Notes payable	$ 236,559	$ 240,736	$ (288,154)	$ 189,141	$ 99,522
Compensated absences	20,832	771		21,603	2,160
Net pension liability	95,303		(7,997)	87,306	
Total Business-Type Activities	$ 352,694	$ 241,507	$ (296,151)	$ 298,050	$ 101,682

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

For the year ended September 30, 2017, interfund receivables/payables consisted of the following:

	Payable Fund		
Receivable Fund	Disaster and Emergency Fund	Utility Fund	**Total**
General Fund	$ 11,387	$ 138,258	$ 149,645
Total	$ 11,387	$ 138,258	$ 149,645

For the year ended September 30, 2017, interfund transfers consisted of the following:

	Transfers In		
Transfers Out	Storm Clean Up Fund	Utility Fund	**Total**
Disaster and Emergency Fund	$ 300,000	$ 300,000	$ 600,000
Total	$ 300,000	$ 300,000	$ 600,000

NOTE 10 - FUND BALANCES

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following five categories:

Nonspendable:
To indicate fund balance associated with inventories, prepaids, long-term loans, notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:
To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed:
To indicate fund balance that can be used only for the specific purposes determined by a formal action of the City Council (the City's highest level of decision-making authority). City Council must place an item on the Council's agenda, followed by a formal action to approve such, in order to establish, modify or rescind a fund balance commitment.

Assigned:
To indicate fund balance to be used for specific purposes but do meet the criteria to be classified as restricted or committed. Currently, only City Council has the authority to assign fund balances.

Unassigned:
To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

Fund balances for all of the governmental funds as of September 30, 2017, were distributed as follows:

	General Fund	Debt Service Fund	Disaster and Emergency Fund	Other Governmental Funds	Totals
Nonspendable:					
Inventory	$ 39,531	$	$	$	$ 39,531
Prepaids	28,195				28,195
Subtotal	67,726				67,726
Restricted for:					
Court and law enforcement				43,514	43,514
Storm clean up				300,010	300,010
Vehicle and equipment replacement				30,101	30,101
Debt service		7,705			7,705
Subtotal		7,705		373,625	381,330
Committed for:					
Disaster and emergency			101,887		101,887
Subtotal			101,887		101,887
Unassigned	618,603				618,603
Totals	$ 686,329	$ 7,705	$ 101,887	$ 373,625	$ 1,169,546

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The City does not currently have any such policies.

NOTE 11 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Brazoria, Texas, participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("the TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at *www.tmrs.com*.

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

Benefits Provided

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

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

Plan provisions adopted by the City are as follows:

Employee deposit rate	5%
Municipal current matching ratio	2-1
Updated service credit:	
Rate (%)	100T
Year effective	1997R
Increased benefits to retirees:	
Rate (%)	70
Year effective	1997R
Military service credit effective date	
Buyback effective date	
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 25 yrs/any age
Restricted prior service credit effective date	5/03
Supplemental death benefits	Employees, Retirees
Statutory maximum (%)	11.50

Employees covered by benefit terms.

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

	2016
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	21
Active employees	25
Total	59

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 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 for the City of Brazoria, Texas, were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Brazoria, Texas, were 8.34% and 8.88% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $100,236, and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

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

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

disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal ("EAN") actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balance at 12/31/15	$ 3,877,402	$ 3,569,310	$ 308,092
Changes for the year:			
Service cost	121,451		121,451
Interest	263,392		263,392
Change of benefit terms			
Difference between expected and actual experience	(31,369)		(31,369)
Changes of assumptions			
Contributions - employer		88,427	(88,427)
Contributions - employee		54,316	(54,316)
Net investment income		240,988	(240,988)
Benefit payments, including refunds of employee contributions	(72,046)	(72,046)	
Administrative expense		(2,724)	2,724
Other changes		(147)	147
Net changes	$ 281,428	$ 308,814	$ (27,386)
Balance at 12/31/16	$ 4,158,830	$ 3,878,124	$ 280,706

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

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

	1% Decrease in Discount Rate (5.75%)	**Discount Rate (6.75%)**	**1% Increase in Discount Rate (7.75%)**
City's net pension liability (asset)	$ 890,007	$ 280,706	$ (222,246)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the City recognized pension expense of $137,094.

At September 30, 2017, 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	$	$ 42,467
Changes in actuarial assumptions	13,736	
Difference between projected and actual investment earnings	159,872	
Contributions subsequent to the measurement date	76,338	
Totals	$ 249,946	$ 42,467

$76,338 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended Dec 31:	
2017	$ 43,231
2018	46,307
2019	41,615
2020	(12)
2021	
Thereafter	
	$ 131,141

NOTE 12 – CONTINGENT LIABILITIES

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

As of September 30, 2017, two former employees have filed complaints with the Equal Employment Opportunity Commission. These claims are still in the investigatory phase and no hearings have yet been conducted. The City may be subject to a potential liability arising from these claims, but any reasonable estimate cannot be made as of September 30, 2017. As of September 30, 2017, no lawsuits have been filed against the City.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRAZORIA, TEXAS

Exhibit B-1

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

Year Ended September 30, 2017

	Budgeted Amounts			Variance from Final Positive
	Original	Final	Actual	(Negative)
Revenues				
Property taxes	$ 628,000	$ 628,000	$ 600,926	$ (27,074)
Penalties and interest	15,000	15,000	20,907	5,907
Sales taxes	1,000,000	1,000,000	1,073,681	73,681
Franchise taxes	128,400	128,400	128,777	377
Hotel/motel taxes		1,000	1,129	129
Fines	185,500	185,500	152,911	(32,589)
Garbage collection	129,000	129,000	130,490	1,490
Licenses, permits and fees	23,556	15,056	17,773	2,717
Intergovernmental			16,677	16,677
Investment earnings	75	800	4,582	3,782
Other	42,000	42,000	37,567	(4,433)
Total Revenues	2,151,531	2,144,756	2,185,420	40,664
Expenditures				
Current:				
General administration	581,301	584,220	476,634	107,586
Police	906,896	951,862	939,293	12,569
Municipal court	77,894	78,596	69,594	9,002
Code enforcement	80,126	85,134	41,881	43,253
Streets and drainage	254,982	256,219	167,162	89,057
Parks and recreation	72,641	98,693	80,490	18,203
Fire department support	50,500	50,500	44,305	6,195
Library support	15,600	15,600	15,600	
Little league support	4,300	4,300	4,300	
Debt Service:				
Principal payments	40,000	40,000	35,698	4,302
Interest and fiscal charges			4,302	(4,302)
Total Expenditures	2,084,240	2,165,124	1,879,259	285,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	67,291	(20,368)	306,161	326,529
Fund Balance - Beginning	380,168	380,168	380,168	
Fund Balance - Ending	$ 447,459	$ 359,800	$ 686,329	$ 326,529

CITY OF BRAZORIA, TEXAS

Exhibit B-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Budgets and Budgetary Accounting

The City's budget is prepared for governmental fund types in accordance with generally accepted accounting principles. Annual appropriated budgets are adopted by City Council for the General Fund and Debt Service Fund. Appropriations lapse at fiscal year-end except those for contracted commitments for construction or significant acquisitions. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time during the fiscal year, City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. City Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to accordingly amend the budget.

CITY OF BRAZORIA, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Years*

	2016	2015	2014	2013
Total Pension Liability				
Service cost	$ 121,451	$ 115,599	$ 107,876	$ N/A
Interest (on the total pension liability)	263,392	253,000	233,748	N/A
Changes of benefit terms				N/A
Difference between expected and actual experience	(31,369)	(51,678)	6,427	N/A
Change of assumptions		35,370		N/A
Benefit payments, including refunds of employee contributions	(72,046)	(62,764)	(90,987)	N/A
Net Change in Total Pension Liability	281,428	289,527	257,064	N/A
Total Pension Liability - Beginning	3,877,402	3,587,875	3,330,811	N/A
Total Pension Liability - Ending (a)	$ 4,158,830	$ 3,877,402	$ 3,587,875	$ N/A
Plan Fiduciary Net Position				
Contributions - employer	$ 88,427	$ 89,898	$ 86,356	$ N/A
Contributions - employee	54,316	55,152	55,074	N/A
Net investment income	240,988	5,140	185,991	N/A
Benefit payments, including refunds of employee contributions	(72,046)	(62,764)	(90,987)	N/A
Administrative expense	(2,724)	(3,132)	(1,942)	N/A
Other	(147)	(155)	(160)	N/A
Net Change in Plan Fiduciary Net Position	308,814	84,139	234,332	N/A
Plan Fiduciary Net Position - Beginning	3,569,310	3,485,171	3,250,839	N/A
Plan Fiduciary Net Position - Ending (b)	$ 3,878,124	$ 3,569,310	$ 3,485,171	$ N/A
Net Pension Liability - Ending (a) - (b)	$ 280,706	$ 308,092	$ 102,704	$ N/A
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.25%	92.05%	97.14%	N/A
Covered Payroll	$ 1,086,321	$ 1,103,042	$ 1,101,482	$ N/A
Net Pension Liability as a Percentage of Covered Payroll	25.84%	27.93%	9.32%	N/A

Notes to Schedule: N/A

* GASB 68 requires ten years of data to be provided in this schedule, however, only three years are currently available.

Exhibit B-3

2012	2011	2010	2009	2008	2007
$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
N/A	N/A	N/A	N/A	N/A	N/A
$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
N/A	N/A	N/A	N/A	N/A	N/A

CITY OF BRAZORIA, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Years*

	2017	2016	2015	2014
Actuarially Determined Contributions	$ 100,236	$ 92,586	$ 89,898	$ N/A
Contributions in Relation to the Actuarially Determined Contributions	$ 100,236	$ 92,586	$ 89,898	$ N/A
Contribution Deficiency (Excess)	$	$	$	$ N/A
Covered Payroll	$ 1,146,204	$ 1,110,147	$ 1,103,042	$ N/A
Contributions as a Percentage of Covered Payroll	8.75%	8.34%	8.15%	N/A

* GASB 68 requires ten years of data to be provided in this schedule, however, only three years are currently available.

Exhibit B-4

2013	2012	2011	2010	2009	2008
$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
N/A	N/A	N/A	N/A	N/A	N/A

CITY OF BRAZORIA, TEXAS

Exhibit B-5

TEXAS MUNICIPAL RETIREMENT SYSTEM - NOTES TO THE SCHEDULE OF EMPLOYER 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	29 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table wih Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes	There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These special revenue funds are used to account for specific revenues that are restricted for particular purposes.

Vehicle and Equipment Replacement Fund - Accounts for a fee set by utility billing ordinance with intended use to assist the City with periodic expenditures related to acquiring equipment.

Police Special Fund - Accounts for the collection and expenditure of legally restricted revenue sources, such as forfeited funds through seizure activities and state assistance for law enforcement training.

Court Special Fund - Accounts for the collection and expenditure of legally restricted revenue sources, arising from municipal court costs collected for restricted use such as building security, court related technology and judicial efficiency.

Storm Clean Up Fund - Accounts for the expenditure of monies that are restricted for the use of storm clean up and related costs.

CITY OF BRAZORIA, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2017

	Vehicle and Equipment Replacement Fund	Police Special Fund	Court Special Fund	Storm Clean Up Fund	Totals
Assets					
Cash and cash equivalents	$ 30,101	$ 10,792	$ 34,931	$ 300,010	$ 375,834
Total Assets	30,101	10,792	34,931	300,010	375,834
Liabilities					
Accounts payable			2,209		2,209
Total Liabilities			2,209		2,209
Fund Balances					
Restricted	30,101	10,792	32,722	300,010	373,625
Total Fund Balances	30,101	10,792	32,722	300,010	373,625
Total Liabilities and Fund Balances	$ 30,101	$ 10,792	$ 34,931	$ 300,010	$ 375,834

CITY OF BRAZORIA, TEXAS

Exhibit C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

Year Ended September 30, 2017

	Vehicle and Equipment Replacement Fund	Police Special Fund	Court Special Fund	Storm Clean Up Fund	Totals
Revenues					
Fines and forfeitures	$	$ 1,152	$ 2,406	$	$ 3,558
Licenses, permits and fees	11,303				11,303
Investment earnings		25		10	35
Other	1,047	200			1,247
Total Revenues	12,350	1,377	2,406	10	16,143
Expenditures					
Current:					
Police		5,751			5,751
Municipal court			600		600
Total Expenditures		5,751	600		6,351
Excess of Revenues Over (Under) Expenditures	12,350	(4,374)	1,806	10	9,792
Other Financing Sources					
Transfers in				300,000	300,000
Total Other Financing Sources				300,000	300,000
Net Change in Fund Balances	12,350	(4,374)	1,806	300,010	309,792
Fund Balances - Beginning	17,751	15,166	30,916		63,833
Fund Balances - Ending	$ 30,101	$ 10,792	$ 32,722	$ 300,010	$ 373,625

CITY OF BRAZORIA, TEXAS

Exhibit C-3

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

Year Ended September 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 340,486	$ 321,615	$ (18,871)
Total Revenues	340,486	321,615	(18,871)
Expenditures			
Debt Service:			
Principal payments	285,000	285,000	
Interest and fiscal charges	39,008	38,814	194
Total Expenditures	324,008	323,814	194
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,478	(2,199)	(18,677)
Net Change in Fund Balance	16,478	(2,199)	(18,677)
Fund Balance - Beginning	9,904	9,904	
Fund Balance - Ending	$ 26,382	$ 7,705	$ (18,677)

CITY OF BRAZORIA, TEXAS

Exhibit D-1

COMBINING SCHEDULE OF LONG-TERM DEBT BY MATURITY DATE
GOVERNMENTAL ACTIVITIES

For the Year Ended September 30, 2017

Fiscal Year	Total Requirements - All Long-Term Debt			Tax Refunding Bonds, Series 2006		
Ending	Principal	Interest	Totals	Principal	Interest	Totals
2018	$ 360,796	$ 28,621	$ 389,417	$ 225,000	$ 18,655	$ 243,655
2019	310,000	13,262	323,262	230,000	9,430	239,430
	$ 670,796	$ 41,883	$ 712,679	$ 455,000	$ 28,085	$ 483,085

Fiscal Year	Limited Tax Refunding Bonds, Series 2009			Note Payable - First National Bank - Road & Drainage Improvements		
Ending	Principal	Interest	Totals	Principal	Interest	Totals
2018	$ 70,000	$ 7,185	$ 77,185	$ 65,796	$ 2,781	$ 68,577
2019	80,000	3,832	83,832			
	$ 150,000	$ 11,017	$ 161,017	$ 65,796	$ 2,781	$ 68,577

CITY OF BRAZORIA, TEXAS

Exhibit D-2

COMBINING SCHEDULE OF LONG-TERM DEBT BY MATURITY DATE
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND

For the Year Ended September 30, 2017

Fiscal Year Ending	Total Requirements - All Long-Term Debt			Note Payable - Texas Dept. of Transportation - Relocation of Utility Lines		
	Principal	Interest	Totals	Principal	Interest	Totals
2018	$ 99,522	$ 6,565	$ 106,087	$ 20,443	$ 4,072	$ 24,515
2019	21,199	3,316	24,515	21,199	3,316	24,515
2020	21,983	2,532	24,515	21,983	2,532	24,515
2021	22,797	1,718	24,515	22,797	1,718	24,515
2022	23,640	875	24,515	23,640	875	24,515
	$ 189,141	$ 15,006	$ 204,147	$ 110,062	$ 12,513	$ 122,575

Fiscal Year Ending	Note Payable - Schertz Bank & Trust - Utility Metering & Billing System			Note Payable - Southstar Bank - Magnolia Gardens Sewer Project		
	Principal	Interest	Totals	Principal	Interest	Totals
2018	$ 54,433	$ 2,164	$ 56,597	$ 24,646	$ 329	$ 24,975
2019						
	$ 54,433	$ 2,164	$ 56,597	$ 24,646	$ 329	$ 24,975

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

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Notices (Unless Otherwise Specified by BAM)

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

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