OFFICIAL STATEMENT
Dated December 20, 2018

HTS Continuing Disclosure Services
A Division of Hilltop Securities.

Ratings:
S&P: "AA-"
See ("OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, and is not includable in the alternative minimum taxable income of individuals. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including the alternative minimum tax on corporations.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS

$2,380,000
CITY OF BELLVILLE, TEXAS
(A General Law Municipal Corporation of the State of Texas located in Austin County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

Dated Date: December 15, 2018 **Due: August 15, as shown on the inside cover**
(Interest accrues from Date of Delivery)

PAYMENT TERMS . . . Interest on the $2,380,000 City of Bellville, Texas, General Obligation Refunding Bonds, Series 2019 (the "Bonds") will accrue from January 16, 2019, (the "Delivery Date") and will be payable August 15 and February 15 of each year commencing August 15, 2019, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described in Appendix D. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "APPENDIX D - Book-Entry-Only System". The initial Paying Agent/Registrar is BOKF, NA dba Bank of Texas, Austin, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly, Chapter 1207, Texas Government Code ("Chapter 1207"), and are direct obligations of the City of Bellville, Texas (the "City") as provided in the ordinance authorizing the Bonds (the "Ordinance") adopted on September 18, 2018 (see "THE BONDS - Authority for Issuance"). As permitted by Chapter 1207, the City Council, in the Ordinance, delegated to certain City officials and staff members the authority to execute a Pricing Certificate (the "Pricing Certificate") establishing final terms of sale of the Bonds. The Pricing Certificate was executed by the Mayor on December 20, 2018, completing the sale of the Bonds.

SECURITY FOR PAYMENT . . . The Bonds are payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City. See "THE BONDS – Security and Source of Payment."

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund certain maturities of the City's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Obligations") in order to lower the overall debt service requirements of the City, and (ii) pay the costs of issuance of the Bonds.

CUSIP PREFIX: 079876
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter named below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel, (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on Wednesday, January 16, 2019.

SAMCO Capital Markets, Inc.

MATURITY SCHEDULE **CUSIP Number Prefix: 079876** [(1)]

Principal Amount*	Stated Maturity (August 15)	Interest Rate	Price or Yield	CUSIP Number Suffix[(1)]	Principal Amount*	Stated Maturity (August 15)	Interest Rate	Price or Yield	CUSIP Number Suffix[(1)]
$240,000	2019	4.000%	1.900%	CT3	$235,000	2024	4.000%	2.440%	CY2
205,000	2020	4.000%	2.000%	CU0	245,000	2025	4.000%	2.540%	CZ9
215,000	2021	4.000%	2.150%	CV8	255,000	2026	4.000%	2.630%	DA3
220,000	2022	4.000%	2.250%	CW6	265,000	2027	4.000%	2.730%	DB1
225,000	2023	4.000%	2.340%	CX4	275,000	2028	4.000%	2.830%	DC9

(Interest accrues from Date of Delivery)

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None the City, the Financial Advisor (as defined herein), Bond Counsel, the Underwriter, or counsel to the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein.

NO OPTIONAL REDEMPTION . . . The Bonds are not subject to optional redemption prior to stated maturity. See "THE BONDS – No Optional Redemption".

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

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor, Bond Counsel or the Underwriter or its Counsel. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

The agreements of the City and others related to the Bonds 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 Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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

NONE OF THE CITY, THE FINANCIAL ADVISOR, BOND COUNSEL NOR THE UNDERWRITER OR ITS COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM AS SUCH INFORMATION PROVIDED BY DTC.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with their 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.

TABLE OF CONTENTS

The cover page hereof, this page, the schedule, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY .... The City of Bellville is a political subdivision and municipal corporation of the State, located in Austin County, Texas. The City covers approximately 2.7 miles (see "INTRODUCTION - Description of City").

THE BONDS .... The Bonds are issued as $2,380,000 General Obligation Refunding Bonds, Series 2019. Unless the Underwriter elects to combine two or more consecutive maturities into one or more term bond, the Bonds are to be issued as serial bonds maturing August 15 in the years 2019 through 2028 (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from their date of initial delivery to the Underwriter, and is payable initially on August 15, 2019 and each August 15 and February 15 thereafter until stated maturity (see "THE BONDS - Description of the Bonds). The Pricing Certificate was executed by the Mayor on December 20, 2018, completing the sale of the Bonds.

AUTHORITY FOR ISSUANCE.......... The Bonds are issued pursuant to the general laws of the State, including particularly, Chapter 1207, Texas Government Code ("Chapter 1207"), and an Ordinance passed by the City Council of the City (see "THE BONDS - Authority for Issuance") on September 18, 2018. As permitted by Chapter 1207, the City Council, in the Ordinance, delegated to certain City officials and staff members the authority to execute a Pricing Certificate (the "Pricing Certificate") establishing the final terms of the sale of the Bonds.

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see "THE BONDS - Security and Source of Payment").

QUALIFIED TAX-EXEMPT OBLIGATIONS.............................. The City will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS - Qualified Tax-Exempt Obligations").

NO OPTIONAL REDEMPTION .... The Bonds are not subject to optional redemption prior to stated maturity. See "THE BONDS – No Optional Redemption".

TAX EXEMPTION .... In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, and is not includable in the alternative minimum taxable income of individuals. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including the alternative minimum tax on corporations.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be utilized to (i) refund certain maturities of the City's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Obligations") in order to lower the overall debt service requirements of the City, and (ii) pay the costs of issuance of the Bonds.

RATINGS .... The Certificates are rated "AA-" by S&P without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

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

PAYMENT RECORD .... The City has never defaulted in payment of its tax supported tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Per Capita Taxable Assessed Valuation	Tax Debt[(3)]	Per Capita Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2015	4,215	$ 255,164,431	$ 60,537	$7,330,000	$ 1,739	2.87%	100.12%
2016	4,221	256,892,612	60,861	6,505,000	1,541	2.53%	99.57%
2017	4,236	275,153,969	64,956	5,645,000	1,333	2.05%	92.80%
2018	4,236	283,201,165	66,856	4,760,000	1,124	1.68%	96.26% (4)
2019	4,236	297,888,384	70,323	3,770,000 (5)	890 (5)	1.27%	NA

(1) Source: Municipal Advisory Council of Texas.
(2) As reported by the Austin County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) All of the City's currently outstanding debt is self-supporting although such debt is secured by a pledge to levy a tax. See Footnote 3 to Table 1.
(4) Collections for part year only, through August 31, 2018
(5) Includes the Bonds, excludes the Refunded Obligations.

CHANGE IN NET ASSETS

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Beginning Net Assets	$ 4,361,568	$ 4,921,891	$ 5,195,374	$ 6,360,725	$ 6,815,231
Total Revenue	2,668,973	2,579,298	2,831,088	3,039,714	2,292,780
Total Expenditures	2,927,058	3,139,621	3,104,571	3,105,406	2,747,286
Ending Net Assets	$ 4,103,483	$ 4,361,568	$ 4,921,891	$ 6,295,033	$ 6,360,725

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Beginning Balance	$ 342,575	$ 400,850	$ 409,125	$ 392,316	$ 401,574
Total Revenue	1,486,150	1,528,061	1,456,298	1,469,106	1,422,046
Total Expenditures	2,671,068	2,650,826	2,850,775	3,010,136	2,299,288
Other Sources	(4,918)	(58,275)	(8,275)	16,809	(9,258)
Ending Balance (1)	$ 337,657	$ 342,575	$ 400,850	$ 409,125	$ 392,316

(1) The City's estimated General Fund Balance for Fiscal Year ending September 30, 2018 is approximately $380,000.

For additional information regarding the City, please contact:

Mr. Shawn Jackson
City Administrator
Ms. Cathy Ezell
Finance/Human Resources Director
City of Bellville
30 S. Holland
Bellville, Texas 77418
979-865-3136 - Telephone
sjackson@cityofbellville.com
cezell@cityofbellville.com

or

Ms. Anne Burger Entrekin
Hilltop Securities Inc.
70 Northeast Loop 410
Suite 710
San Antonio, Texas 78216
210-308-2200 - Telephone
anne.burgerentrekin@hilltopsecurities.com

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Joe Ed Lynn Mayor	11 Years	May 2018	Retired
Cassie Janish Alderman Position 1	7 Months	May 2019	County Court Clerk
John Moore Alderman Position 2	1 Year	May 2018	Business Owner
Donna Jacob Alderman Position 3	7 Months	May 2019	Retired
Clay Kistler Alderman Position 4	3 Years	May 2018	Appraiser
Douglas D. Lottridge Alderman Position 5	11 Years	May 2019	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the City	Total Government Service
Shawn Jackson	City Administrator	18 Years	18 Years
Cathy Ezell	Finance/Human Resources Director	7 Months	20 Years
Betty Hollon	City Secretary	19 Years	19 Years
Charley L. Smith	City Attorney	38 years	39 Years

CONSULTANTS AND ADVISORS

Auditors .... Belt Harris Pechacek, LLLP
Houston, Texas

Bond Counsel .... Hunton Andrews Kurth LLP
Houston, Texas

Financial Advisor .... Hilltop Securities Inc.
San Antonio and Dallas, Texas

[*This page intentionally left blank.*]

OFFICIAL STATEMENT

RELATING TO

$2,380,000
CITY OF BELLVILLE, TEXAS
(A General Law Municipal Corporation of the State of Texas located in Austin County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

INTRODUCTION

This Official Statement, which includes the schedule and Appendices hereto, provides certain information regarding the issuance of $2,380,000 City of Bellville, Texas, General Obligation Refunding Bonds, Series 2019. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds (the "Ordinance") adopted on September 18, 2018, except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY . . . The City is a municipal corporation of the State of Texas, duly organized and existing under the general laws of the State and was incorporated in 1927. The City operates under an Alderman/Administrator form of government with a City Council comprised of the Mayor and five Aldermen. The term of office is two years with terms of the Mayor and two of the Aldermen expiring in even-numbered years and the terms of three Aldermen expiring in odd-numbered years. The City Administrator is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police), highways and streets, electric, gas, water and sanitary sewer utilities, health and social services, culture – recreation, public improvements, and general administrative services. The 2010 census population for the City was 4,097, while the estimated population for 2018 is 4,236. The City covers approximately 2.7 miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund certain maturities of the City's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Obligations") in order to lower the overall debt service requirements of the City, and (ii) pay the costs of issuance of the Bonds.

REFUNDED OBLIGATIONS . . . The Refunded Obligations, and interest due thereon, are to be paid on their respective scheduled maturity date or dates from funds to be deposited with BOKF, NA dba Bank of Texas, Austin, Texas (the "Escrow Agent") pursuant to an Escrow Deposit Letter dated as of September 18, 2018 (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds along with other lawfully available funds of the City, if any, with the Escrow Agent in the amount necessary to accomplish the discharge and final payment of the Refunded Obligations. HilltopSecurities, in its capacity as Financial Advisor to the City, will provide a certificate as to the sufficiency (the "Sufficiency Certificate") of the amount initially deposited to the Escrow Fund without regard to investment to pay the principal of and interest on the Refunded Obligations when due at the scheduled date or dates of maturity. Such Governmental Obligations, if any, and cash held in the Escrow Fund will not be available to pay the debt service requirements on the Bonds.

By the deposit of Bond proceeds and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the investment thereof in the Governmental Obligations, if such funds are invested, the City will have effectuated the defeasance of the Refunded Obligations pursuant to the terms of the City ordinances authorizing their respective issuances. It is the opinion of Bond Counsel that, as a result of such defeasance and in reliance on the Sufficiency Certificate provided by HilltopSecurities, the Refunded Obligations will no longer be payable from the pledge of the City's ad valorem tax levied upon all property within the City made under the ordinance of the City authorizing the issuance of the Refunded Obligations, but will be payable solely from the amounts on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Obligations will be defeased and are not to be included in or considered to be indebtedness of the City for the purpose of a limitation of indebtedness or for any other purpose

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

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

Sources of Funds:	
Par Amount	$ 2,380,000.00
Premium	165,299.05
Total Sources of Funds	$ 2,545,299.05
Uses of Funds:	
Deposit to Escrow Fund	$ 2,457,345.01
Costs of Issuance	69,947.13
Underwriter's Discount	18,006.91
Total Uses of Funds	$ 2,545,299.05

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated December 15, 2018, and mature on August 15 in each of the years and in the amounts shown on page 2. Interest will accrue from the "Date of Delivery" to the Underwriter (anticipated to occur on or about January 16, 2019, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing August 15, 2019, until stated maturity. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described in Appendix D. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "APPENDIX D - Book-Entry-Only System".

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly, Chapter 1207, Texas Government Code, and by the Ordinance passed by the City Council. As permitted by Chapter 1207, the City Council has, in the Ordinance, delegated to certain City officials and staff members the authority to execute a Pricing Certificate (the "Pricing Certificate") establishing final terms of sale of the Bonds. The Pricing Certificate was executed by the Mayor on December 20, 2018, completing the sale of the Bonds.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the City is subject to an annual ad valorem tax levied, within the limits prescribed by law, by the City sufficient to provide for the payment of principal of and interest on all Bonds.

Although the City is obligated to levy an ad valorem tax to pay debt service on the Bonds, if necessary, the City does currently levy an ad valorem tax, and does not anticipate needing to do so in connection with repaying the Bonds. The City expects that it will be able to pay all debt service on the Bonds from a combination of revenues from its Waterworks and Sewer System and Electric System. See footnotes 2 and 3 to "Table 1 – Valuation, Exemptions and Tax Supported Debt."

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of an 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. The City operates under the general laws of the State of Texas as authorized by Article XI, Section 4 of the Texas Constitution, which limits the maximum tax rate to $1.50 per $100 Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all ad valorem tax supported debt, based on 90% tax collection.

NO OPTIONAL REDEMPTION . . . The Bonds are not subject to optional redemption prior to stated maturity.

AMENDMENTS . . . The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount, thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, or (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition or rescission.

DEFEASANCE . . . The City reserves the right to defease the Bonds in any manner now or hereafter permitted by law.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA dba Bank of Texas, Austin, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "APPENDIX D - Book-Entry-Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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

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

BONDHOLDERS' REMEDIES . . . If the City (i) defaults in the payment of the principal, premium, if any, or interest on the Certificates, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, the failure to perform which materially, adversely affects the rights of the holders including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for 30 days after the City has received written notice of such defaults, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

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

In Tooke, the Court noted the enactment in 2005 of sections 271.151- 160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. Wasson Interests, Ltd. v. City of Jacksonville, No. 17—0198, 2018 WL 2449184, (Tex. June 1, 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the City's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the City was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

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 Bond holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary right of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

TAX INFORMATION

The City does not currently levy an ad valorem tax and does not anticipate doing so in order to repay debt service on the Bonds, though such a pledge has been made to secure repayment of the debt evidenced by the Bonds. The City anticipates repayment of the Bonds will be made from the available revenues of its waterworks and sewer system and electric system. See footnotes 2 and 3 to "Table 1 – Valuation, Exemptions and Tax Supported Debt." See also Tables 16 and 17 for a condensed statement of operation for each of the respective waterworks and sewer system and electric system.

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Austin County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed either the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the Appraisal District or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value 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, Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) 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; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is $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.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, 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. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitle to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. Additionally, effective January 1, 2018, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization either at no cost or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50 percent of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made.

Also effective January 1, 2018, the surviving spouses of police officers, firefighters, jailers, and other specified first responders who are killed or fatally injured in the line of duty are entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead.

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 and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age 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 when the spouse died, and (iii) the property was the residence homestead of the surviving spouse when the spouse died and the property remains the residence property of the surviving spouse. In addition, the Texas Legislature by general law may provide for the transfer of all or a proportionate amount of the tax limitation applicable to a person's homestead to be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. 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 repeated or rescinded.

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

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

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school district, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods in transit." "Goods in transit" is defined by a provision in the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, required, again, that governmental entities take affirmative action prior to December 31, 2011 to continue taxation of good-in-transit in the 2012 tax year and beyond. On November 15, 2011, the City adopted an ordinance that continued the taxation of good-in-transit for tax year 2012 and beyond.

TAX INCREMENT REINVESTMENT ZONES . . . A city or a county may create one or more tax increment financing reinvestment zones within a county or city ("TIRZ"), 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. Under prior law, taxes of overlapping taxing units levied against the value of property in the TIRZ in excess of the "frozen values" were captured and collected by the TIRZ to pay or finance the costs of certain public improvements in the TIRZ. Under current law, other overlapping taxing units levying taxes in the TIRZ may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIRZ in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIRZ.

Taxes levied by a county or city against the values of real property in a TIRZ created by a county or a city in excess of the "frozen" value are not available for general county or city use but are restricted to paying or financing "project costs" within the TIRZ.

TAX ABATEMENT /PHASE-IN REINVESTMENT ZONES/AGREEMENTS . . . Texas statutes permit the creation of tax abatement reinvestment zones to attract new commercial investment, to expand existing facilities, and to contribute to retaining or expanding primary employment within areas of economic development interests. The designation of a zone should contribute to the City's economic development and guidelines and criteria for governing tax phase-in agreements must be adopted at the discretion of Commissioners Court. Once a reinvestment zone has been designated, the City may offer a tax phase-in agreement to owners or lessees of taxable property within the reinvestment zone on a case-by-case basis. Areas designated as an enterprise zone under the Texas Enterprise Zone Act also constitute designation as a reinvestment zone. Tax phase-in agreements are contracts between the City and an owner or lessee of property wherein the owner or lessee makes an amount of new capital investment and jobs and the City abates all or a portion of ad valorem taxes under its authority on the new eligible real and personal property improvements within a reinvestment zone for a specific period of time. Tax phase-in agreements may abate up to 100% on real and/or personal property improvement values for up to 10 years.

The City has not executed any tax abatement agreements to grow and diversify the regional economy, to attract new industry and commercial enterprises, and to encourage the retention and development of existing businesses.

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 fund 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.

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. The valuation of assessment of oil and gas reserves depends upon pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar 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, an attorney's collection fee of up to 20% the amount of delinquent tax, penalty, and interest collected is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $5,000; the disabled are not granted an exemption.

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

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

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

The City does not tax nonbusiness personal property; and Austin County Appraisal District collects taxes for the City.

The City does not permit split payments, and discounts are not allowed. Installments are permitted on delinquent taxes only.

The City does tax freeport property.

The City does tax goods-in-transit.

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

The City has not created any tax increment financing reinvestment zones.

The City has not adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2018/19 Market Valuation Established by Austin County Appraisal District (Excludes totally exempt property)		$ 308,713,118
Less: Exemption/Reductions at 100% of Market Value		
Loss to 10% per Year Cap on Residential Homestead	$ 5,229,221	
Surviving Spouse Exemptions	215,115	
Over 65 Exemption	1,985,781	
Disabled Veteran Exemptions	1,073,027	
Other	192,610	
Productivity Loss	2,128,980	$ 10,824,734
2018/19 Taxable Assessed Valuation		$ 297,888,384
Tax Supported Debt Payable from Ad Valorem Taxes (as of 9-30-2018) (1)		
Tax Supported Debt	$ 2,345,000	
The Bonds	2,380,000	
Gross Tax Supported Debt Payable from Ad Valorem Taxes(1)		$ 4,725,000
Less: Self-Supporting Debt: Tax Supported Debt(2)(3)		
Outstanding Utility System Supported Tax Supported Debt(1)	$ 2,345,000	
The Bonds (2)(3)	2,380,000	$ 4,725,000
Net General Obligation Debt Payable from Ad Valorem Taxes(3)		$ -
Interest and Sinking Fund as of August 31, 2018		$ -
Ratio of Gross Tax Supported Tax Debt to Net Taxable Assessed Valuation		1.59%

2018 Estimated Population - 4,236
Per Capita Taxable Assessed Valuation - $70,323
Per Capita Gross Tax Supported Debt Payable from Ad Valorem Taxes - $1,115
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes(2)(3) - $0

---

(1) Excludes the Refunded Obligations.

(2) Notwithstanding the ad valorem tax pledge serving as the security therefor, tax supported debt in the amounts shown for which repayment is provided from revenues of the waterworks and sewer system and electric system. The amount of self supporting debt is based on the revenue support as shown in Table 10. It is the City's current policy to provide these payments from utility system revenues; this policy is subject to change in the future. However, to maintain its debt as self-supporting, payments will be made by the City from Waterworks and Sewer System Revenues and Electric System Revenues. Though expected to be self-supporting from these respective sources, the sole or primary security for payment for these obligations is the City's pledge of ad valorem tax collections, within the limitations prescribed by law. See "THE BONDS – Security and Source of Payment.

(3) The City does not levy an interest and sinking fund tax for the payment of debt service. See Footnote 2 above.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value For Period Ending September 30,					
	2019		2018		2017	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 218,739,982	70.86%	$ 204,220,798	70.04%	$ 193,572,571	68.77%
Real, Residential Multi-family	10,899,941	3.53%	10,469,356	3.59%	10,499,553	3.73%
Real, Vacant Lots/Tracts	3,465,888	1.12%	3,455,208	1.18%	2,877,553	1.02%
Real, Acreage (Land Only)	2,147,079	0.70%	2,017,365	0.69%	1,654,075	0.59%
Real, Farm and Ranch Improvements	2,550,732	0.83%	2,506,414	0.86%	2,370,646	0.84%
Real, Commercial and Industrial	47,961,129	15.54%	46,794,369	16.05%	48,521,319	17.24%
Real and Tangible Personal, Utilities	5,187,043	1.68%	4,898,923	1.68%	4,995,617	1.77%
Tangible Personal, Commercial and Industrial	16,501,849	5.35%	16,096,998	5.52%	15,824,005	5.62%
Tangible Personal, Mobile Home and Other	998,999	0.32%	944,025	0.32%	970,423	0.34%
Special Inventory	260,476	0.08%	176,188	0.06%	199,108	0.07%
Total Appraised Value before Exemptions	$ 308,713,118	100.00%	$ 291,579,644	100.00%	$ 281,484,870	100.00%
Less: Total Exemptions/Reduction	(10,824,734)		(8,378,479)		(6,330,901)	
Taxable Assessed Valuation	$ 297,888,384		$ 283,201,165		$ 275,153,969	

	Taxable Appraised Value for Period Ending September 30,			
	2016		2015	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 184,359,918	70.51%	$ 183,165,042	70.55%
Real, Residential Multi-family	10,132,439	3.88%	9,095,316	3.50%
Real, Vacant Lots/Tracts	2,050,746	0.78%	2,058,184	0.79%
Real, Acreage (Land Only)	840,771	0.32%	840,858	0.32%
Real, Farm and Ranch Improvements	2,139,381	0.82%	1,951,093	0.75%
Real, Commercial and Industrial	39,722,647	15.19%	38,930,007	14.99%
Real and Tangible Personal, Utilities	4,889,943	1.87%	4,308,282	1.66%
Tangible Personal, Commercial and Industrial	16,181,727	6.19%	18,065,004	6.96%
Tangible Personal, Mobile Home and Other	997,382	0.38%	985,459	0.38%
Special Inventory	136,896	0.05%	229,452	0.09%
Total Appraised Value before Exemptions	$ 261,451,850	100.00%	$ 259,628,697	100.00%
Less: Total Exemptions/Reduction	(4,559,238)		(4,464,266)	
Taxable Assessed Valuation	$ 256,892,612		$ 255,164,431	

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

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 9-30	Estimated Population[(1)]	Taxable Assessed Value [(2)]	Taxable Assessed Value Per Capita	G.O. Tax Debt Outstanding at End of Year[(3)]	Ratio of GO Tax Debt To Taxable Assessed Valuation	G. O. Tax Debt Per Capita
2015	4,215	$ 255,164,431	$ 60,537	$ 7,330,000	2.87%	$ 1,739
2016	4,221	256,892,612	60,861	6,505,000	2.53%	1,541
2017	4,236	275,153,969	64,956	5,645,000	2.05%	1,333
2018	4,236	283,201,165	66,856	4,760,000	1.68%	1,124
2019	4,236	297,888,384	70,323	3,770,000 [(4)]	1.27% [(4)]	890 [(4)]

(1) Source: Municipal Advisory Council of Texas.
(2) As reported by the Austin County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) All of the City's currently outstanding debt is self-supporting although such debt is secured by a pledge to levy a tax. See Footnote 2 to Table 1.
(4) Includes the Bonds, excludes the Refunded Obligations.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund [(1)]	Tax Levy	% Current Collections	% Total Collections
2014	$ 0.26780	$ 0.26780	$ -	$ 650,950	98.82%	100.12%
2015	0.25910	0.25910	-	665,609	98.01%	99.57%
2016	0.28030	0.28030	-	771,257	92.07%	92.80%
2017	0.28030	0.28030	-	793,813	95.35%	96.26%
2018	0.28030	0.28030	-	834,981	97.51% [(2)]	98.35% [(2)]

(1) See Footnote 3 to Table 1.
(2) Collections for part year only, through August 31, 2018.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2018/19 Net Taxable Assessed Valuation	% of Total Taxable Net Assessed Valuation
TESCO Industries Inc.	Manufacturing	$ 3,364,775	1.13%
San Bernard Electric Coop Inc.	Electric Distribution	2,732,643	0.92%
MMM Heritage Bell Oaks	Apartments	1,554,797	0.52%
BLI East Texas #2 LTD	Commercial Real Estate	1,367,953	0.46%
GE Huebner Concrete Inc.	Concrete Products	1,367,740	0.46%
Bellville C & S Properties LLC	Commercial Real Estate	1,335,956	0.45%
Lonnie Lischka Company LP	General Contractor	1,264,780	0.42%
Brookshire Brothers #39	Grocer	1,240,207	0.42%
First National Bank of Bellville	Bank	1,206,267	0.40%
BNSF Railway Company	Railroad	1,202,770	0.40%
		$ 16,637,888	5.59%

AD VALOREM TAX DEBT LIMITATION . . . No additional ad valorem tax debt limitation is imposed on the City under current State law. See "THE BONDS - Tax Rate Limitation" for a description for State law and administrative policy regarding ad valorem tax debt limitations.

TABLE 6 - TAX ADEQUACY

Notwithstanding the ad valorem tax pledge serving as the security therefor, tax supported debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future. However, to maintain its debt as self-supporting, payments will be made by the City from the Waterworks and Sewer System Revenues and Electric System Revenues. Though expected to be self-supporting from these respective sources, the sole or primary security for payment for these obligations is the City's pledge of ad valorem tax collections, within the limitations prescribed by law. See "THE BONDS – Security and Source of Payment.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2018/2019 Net Taxable Assessed Value	2018/2019 Tax Rate	Total Tax Supported Debt as of 11/30/2018	Estimated % Applicable	City's Overlapping Tax Supported Debt As of 11/30/2018	Authorized But Unissued Debt As of 11/30/2018
City of Bellville	$ 297,888,384	$ 0.28900	$ 4,725,000 (1)	100.00%	$ 4,725,000 (1)	$ -
Austin County	3,276,796,404	0.39960	3,825,000	9.09%	347,693	-
Bellville ISD	1,397,864,263	1.26000	19,870,000	21.31%	4,234,297	-

Total Direct and Overlapping Tax Supported Debt	$ 9,306,990
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation	3.12%
Per Capita Overlapping Tax Supported Debt	$ 2,197

(1) Includes the Bonds and excludes the Refunded Obligations.

DEBT INFORMATION

TABLE 8 - TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9-30	Outstanding Debt Service (1) Principal	Outstanding Debt Service (1) Interest	Outstanding Debt Service (1) Total	The Bonds (2) Principal	The Bonds (2) Interest	The Bonds (2) Total	Less: Waterworks & Sewer System General Obligation Requirements	Tax Supported General Obligation Requirements (3)	% of Principal Retired
2019	$ 720,000	$ 61,650	$ 781,650	$ 240,000	$ 55,269	$ 295,269	$ 1,076,919	$ -	
2020	305,000	44,175	349,175	205,000	85,600	290,600	639,775	-	
2021	315,000	34,875	349,875	215,000	77,400	292,400	642,275	-	
2022	325,000	25,275	350,275	220,000	68,800	288,800	639,075	-	
2023	335,000	15,375	350,375	225,000	60,000	285,000	635,375	-	65.71%
2024	345,000	5,175	350,175	235,000	51,000	286,000	636,175	-	
2025	-	-	-	245,000	41,600	286,600	286,600	-	
2026	-	-	-	255,000	31,800	286,800	286,800	-	
2027	-	-	-	265,000	21,600	286,600	286,600	-	
2028	-	-	-	275,000	11,000	286,000	286,000	-	100.00%
	$ 2,345,000	$ 186,525	$ 2,531,525	$ 2,380,000	$ 504,069	$ 2,884,069	$ 5,415,594	$ -	

(1) "Outstanding Debt" does not include the Refunded Obligations or lease/purchase obligations.
(2) Average life of the issue – 7.056 years.
(3) See Footnote 3 to Table 1.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Total Debt Requirements, Fiscal Year Ending 9/30/2019		$ 1,076,919 (1)
Interest and Sinking Fund Account Balance, as of 9/30/2018	$ -	
Budgeted Transfers (from Utility System)	1,004,922	
Budget Transfers (from Economic Development Corp.)	72,604	$ 1,077,526
Estimated Balance, Fiscal Year Ending 9/30/2019		$ 607

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

	Utility System
Net Waterworks and Sewer System Revenue Available, Fiscal Year Ending 9-30-2018	$ 810,661
Net Electric System Revenue Available as of Fiscal Year Ending 9-30-2018	1,502,134
Balance Available for Other Purposes	$ 2,312,795
Less: Requirements for Utility System Bonds	$ -
Requirements for System Tax Debt, Fiscal Year Ending 9-30-18	$ 1,076,919
Percentage of System General Obligation Debt Self-Supporting	100.00%

TABLE 11 - AUTHORIZED BUT UNISSUED TAX SUPPORTED BONDS

The City does not have any authorized but unissued Tax Supported bonds; however, the City may from time to time and without an election issue debt obligations payable from its collection of ad valorem taxes, including (but not limited to) certificates of obligations, public property finance contractual obligations, capital leases, and tax notes with a state maturity of seven years or less.

Anticipated Issuance of Tax Supported Debt . . . The City does not anticipate the issuance of additional ad valorem tax supported debt within the next 12 months.

Table 12 - Other Obligations

The City does not have other obligations outstanding as of 9/30/2017.

Pension Fund . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note #14.)

Other Post-Employment Benefits . . . GASB Statements 45 requires government entities to perform periodic valuations to determine annual accounting costs related to other (than pension) Post-Employment Benefits (OPEB) and the extent of over or under-funding of the costs. The City's Employee Retiree Health Insurance Coverage (ERHIC) Policy meets the criteria for GASB Statement 45 disclosures. (For more detailed information concerning other post employment benefits, see APPENDIX B, "Excerpts from the City's Annual Financial Report" – Note #2.D.)

Plan Description. The City administers a single-employer defined benefit OPEB plan, known as the Retiree Medical Program (the "Program"). The Program offers medical and dental insurance benefits to eligible retirees and their spouses.

Employees, along with their spouse and/or eligible dependents, are eligible for retiree health benefits if they have minimum of 10 years of consecutive coverage immediately prior to retirement from the City and meeting the Texas Municipal Retirement System retirement criteria. The City contributes up to $500 of the monthly premium for group health care coverage.

Funding Policy. The contribution requirements of plan members are established by the City and may be amended as needed. Medical coverage levels for retirees are the same coverage provided to active City employees in accordance with the terms and conditions of the current City benefit plan.

Annual OPEB Cost. The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation:

Annual required contribution (ARC)	$ 306,749
Interest on OPEB obligation	87,767
Adjustment to ARC	(131,871)
Annual OPEB cost	262,645
Net estimated employer contributions	(76,203)
Increase in net OPEB obligation	186,442
Net OPEB obligation-beginning of year	2,507,637
Net OPEB obligation-end of year	$ 2,694,079

A separate audited GAAP basis OPEB plan report is not available.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Program, and the net OPEB obligation for 2017 and the two preceding years are as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Beginning	Net OPEB Obligation Ending
2015	$ 483,638	10.3%	$ 1,861,602	$ 2,295,325
2016	266,380	20.3%	2,295,325	2,507,637
2017	262,646	29.0%	2,507,637	2,694,079

Funded Status and Funding Progress. As of September 30, 2017, the most recent actuarial valuation date, the Program was zero percent funded. The actuarial accrued liability for benefits was $2,445,535, the actuarial value of the assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $2,445,535.The annual covered payroll at September 30, 2017 was $2,425,033 the UAAL as a percentage of the annual covered payroll was 101 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Program and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A discount rate of 3.5 percent was used. A general price inflation of 3.0 percent was assumed. In addition, the Entry Age Normal Cost actuarial cost method was used. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at September 30, 2017 was 20 years. As authorized by GASB Statement No.45, the Alternative Measurement Method with it simplifications of certain assumptions was employed in measuring the AAL and the ARC.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ending September 30,				
Revenues	2017	2016	2015	2014	2013
Charges for Services	$ 91,509	$ 162,462	$ 129,945	$ 127,232	$ 143,839
Operating Grants and Contributions	-	19,647	1,225	503	-
Property Taxes	772,134	724,752	665,963	658,795	657,274
Sales Taxes	516,227	557,905	606,094	624,086	572,591
Gross Receipts	85,494	31,833	22,432	32,550	34,978
Hotel Occupancy Taxes	1,652	2,463	2,778	3,363	3,705
Interest Revenue	21,957	3,541	3,388	3,639	3,841
Miscellaneous	-	3,318	13,061	19,713	8,568
Gain on Sale of Fixed Assets	-	8,887	-	-	-
Transfers	1,180,000	1,064,490	1,386,202	1,569,833	867,984
Total Revenues	$ 2,668,973	$ 2,579,298	$ 2,831,088	$ 3,039,714	$ 2,292,780
Expenditures					
General Administration	$ 597,863	$ 699,943	$ 636,903	$ 693,684	$ 615,423
Street Department	451,998	396,426	386,735	396,831	335,838
Parks Department	504,044	563,449	591,944	559,856	513,553
Library	289,666	255,205	241,918	229,244	199,839
Police Department	1,009,271	1,160,143	1,177,956	1,153,240	1,017,658
Municipal Court	74,216	64,455	69,115	72,551	64,975
Total Expenditures	$ 2,927,058	$ 3,139,621	$ 3,104,571	$ 3,105,406	$ 2,747,286
Change in Net Assets	$ (258,085)	$ (560,323)	$ (273,483)	$ (65,692)	$ (454,506)
Net Assets - Beginning	4,361,568	4,921,891	5,195,374 (1)	6,360,725	6,815,231
Net Assets - Ending	$ 4,103,483	$ 4,361,568	$ 4,921,891	$ 6,295,033	$ 6,360,725

(1) Restated.

TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ending September 30,				
Revenues	2017	2016	2015	2014	2013
Property Taxes	$ 769,311	$ 721,786	$ 668,698	$ 658,019	$ 654,509
Sales Tax	516,227	557,905	606,094	624,086	572,591
Gross Receipts Tax	29,914	31,833	31,110	32,550	35,495
Hotel Occupancy Tax	1,652	2,463	2,778	3,363	3,705
Fines and Court Costs	55,580	79,701	75,241	74,069	69,482
Licenses and Permits	62,845	54,075	26,654	24,575	48,401
Investment Income	21,957	3,541	3,388	3,639	3,841
Charges for Services	28,664	-	-	-	-
Grants	-	19,482	-	-	-
Other	-	57,275	42,335	48,805	34,022
Total Revenues	$ 1,486,150	$ 1,528,061	$ 1,456,298	$ 1,469,106	$ 1,422,046
Expenditures					
General Government	$ 574,925	$ 589,290	$ 547,244	$ 555,322	$ 565,861
Street Department	282,262	252,101	237,828	276,246	214,830
Parks Department	371,759	346,228	342,107	300,201	278,862
Library	289,666	255,205	241,918	229,244	199,839
Police Department	1,078,240	1,094,138	1,053,399	962,507	929,729
Municipal Court	74,216	64,455	69,115	72,551	64,975
Capital Outlay	-	49,409	359,164	614,065	45,192
Total Expenditures	$ 2,671,068	$ 2,650,826	$ 2,850,775	$ 3,010,136	$ 2,299,288
Excess of Revenues Over (Under) Expenditures	$ (1,184,918)	$ (1,122,765)	$ (1,394,477)	$ (1,541,030)	$ (877,242)
Other Financing Sources & Uses					
Operating Transfers In	$ 1,180,000	$ 1,064,490	$ 1,386,202	$ 1,557,839	$ 867,984
Operating Transfers Out	-	-	-	-	-
Total Other Financing Sources & Uses	$ 1,180,000	$ 1,064,490	$ 1,386,202	$ 1,557,839	$ 867,984
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (4,918)	$ (58,275)	$ (8,275)	$ 16,809	$ (9,258)
Fund Balance, Beginning of Year	$ 342,575	$ 400,850	$ 409,125	$ 392,316	$ 401,574
Ending Fund Balance (1)	$ 337,657	$ 342,575	$ 400,850	$ 409,125	$ 392,316

(1) The City's estimated General Fund Balance for Fiscal Year ending September 30, 2018 is approximately $380,000.

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On May 2, 1998, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½% of 1%) for economic development. Collection for the additional tax went into effect on October 1, 1998. The sales tax for economic development is collected solely for the benefit of Bellville Economic Development Corporation (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation.

Fiscal Year Ended 9-30	Total Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita(2)
2014	$ 624,086	95.87%	$ 0.2567	$ 150
2015	606,094	91.06%	0.2375	144
2016	557,905	72.34%	0.2172	132
2017	516,227	65.03%	0.1876	122
2018	542,799	65.01%	0.1917	128

(1) Sales tax does not include the sales tax for economic development.
(2) Based on population estimates of provided by City officials.

The sales tax breakdown for the City is as follows:

Economic and Community Development	0.50¢
City Sales and Use Tax	1.00¢
County Sales and Use Tax	0.50¢
State Sales and Use Tax	6.25¢
Total	8.25¢

FINANCIAL POLICIES

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

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

General Fund Balance . . . The City has adopted a targeted general reserve fund policy equal to 90 days of expenditures.

Budgetary Procedures . . . The City has established the fiscal year as the twelve-month period beginning each October 1. Each year between June and August, the City Administrator analyzes, and then after review, submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with the direction of the City. Various public hearings may be held to comply with applicable law. The City Council will adopt a budget prior to September 30.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or, (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) 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; (iv) 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 (v) the City appoints the depository institution selected under (ii) 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; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), and require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) 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; (12) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the last paragraph of this subsection.

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

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), 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 City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS(1)

As of August 31, 2018, the City's investable funds were invested in the following categories:

Description	Market Value	Book Value
Certificates of Deposits	$ 14,115,000	$ 14,115,000
	$ 14,115,000	$ 14,115,000

As of such date, 100% of the City's investment portfolio will mature within 3 months. The market value of the investment portfolio was approximately 100% of its purchase price.

____

(1) Unaudited.

WATERWORKS AND SEWER SYSTEM

TABLE 16 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Operating Revenue					
Operating Revenues	$ 2,035,196	$ 1,708,323	$ 1,704,601	$ 1,708,210	$ 1,617,797
Operating Expenses					
Operating Expenses	1,224,535	790,534	705,700	684,529	689,644
Net Available for Debt Service	$ 810,661	$ 917,789	$ 998,901	$ 1,023,681	$ 928,153
Water Customers	2,187	2,174	2,144	2,155	2,155

ELECTRIC SYSTEM

TABLE 17 – ELECTRIC SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Operating Revenue					
Operating Revenues	$ 5,694,427	$ 5,970,243	$ 6,322,293	$ 6,080,354	$ 5,884,788
Operating Expenses					
Operating Expenses	4,192,291	3,999,120	4,736,838	4,566,552	4,241,686
Net Available for Debt Service	$ 1,502,136	$ 1,971,123	$ 1,585,455	$ 1,513,802	$ 1,643,102
Electric Utility Customers	2,497	2,489	2,498	2,480	2,487

TAX MATTERS

TAX EXEMPTION . . . In the opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel, interest on the Bonds is (1) excludable under Section 103 of the Internal Revenue Code of 1986, (the "Code"), from gross income of the owners thereof for federal income tax purposes and (2) is not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the City with certain covenants of the ordinance authorizing the issuance of the Bonds (the "Ordinance") and has relied on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the City file an information report with the Internal Revenue Service (the "Service"). If the City should fail to comply with the covenants in the Ordinance, or if its representations relating to the Bonds that are contained in the Ordinance should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Interest on all tax-exempt obligations, such as the Bonds, owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

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

Bond Counsel's opinions are not a guarantee of a result, but represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

IMPACT OF PROPOSAL IN PRESIDENT OBAMA'S 2013 BUDGET . . . On February 13, 2012, President Obama released the language of his proposed budget for fiscal year 2013 (the "Budget"). One provision of the Budget would have the effect of imposing an additional amount of tax on certain "high income" taxpayers based on, among other things, the amount of interest on tax-exempt obligations, such as the Bonds, received by such taxpayers. As originally proposed, this provision will be effective for taxable years beginning on or after January 1, 2013, and will apply to interest on the Bonds and other tax-exempt obligations received by such taxpayers on or after that date. The introduction or enactment of this provision or any similar legislative proposal may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds are advised to consult their tax advisors with respect to the impact of the Budget or other legislative proposals, as to which Bond Counsel expresses no opinion.

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS

DISCOUNT BONDS . . . Some of the Bonds may be offered at initial offering prices which are less than the stated redemption prices at maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, an initial owner who purchases the Bonds of that maturity (the "Discount Bonds") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bonds under the caption "TAX MATTERS - Tax Exemption" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase Discount Bonds must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "TAX MATTERS - Tax Exemption" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the City. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Bonds.

PREMIUM BONDS . . . Some of the Bonds may be offered at initial offering prices which exceed the stated redemption prices payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Bonds of such maturity ("Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an underwriter who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the underwriter. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond)' is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the underwriter's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering prices for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

QUALIFIED TAX EXEMPT OBLIGATIONS . . . Section 265(a) of the Code provides, in general, that interest expenses incurred to acquire or carry tax-exempt obligations are not deductible from the gross income of the holder. For certain holders that are "financial institutions" within the meaning of such section, complete disallowance of such expense would apply to taxable years beginning after December 31, 1986, with respect to tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions to carry tax-exempt obligations (other than certain private activity bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may only designate an issue as an issue of "qualified tax-exempt obligations" where less than $10 million of tax-exempt obligations are issued by the issuer during the calendar year in which the issue so designated is issued.

The City will designate the Bonds as "qualified tax-exempt obligations." Further, the City will represent that it has or will take such action necessary for the Bonds to constitute "qualified tax-exempt obligations."

Notwithstanding the designation of the Bonds as "qualified tax-exempt obligations," financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of interest expenses allocable to the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligations because the City has not issued more than $10,000,000 in aggregate amount of outstanding debt and no person is committed by contract or other arrangement with respect to payment of the Bonds. Pursuant to the exemption, the City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data and timely notice of specified events to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to investors by the MSRB through its Electronic Municipal Markets Access ("EMMA") system, free of charge at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data, which is customarily prepared by the City and is publicly available, to the MSRB on an annual basis. Such information is currently provided through the City's audited financial statements, annual operating budget and tax roll information. 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 the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

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

EVENT NOTICES . . . The City also will provide timely notices of any of the following events with respect to the Bonds (not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other materials events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or change of name of the trustee, if material. Neither the Bonds nor the Ordinance make any provision for liquidity enhancement or require the funding of debt service reserves. In addition, the City will provide timely notice of any failure by the City to provide annual financial information, data or financial statements in accordance with its agreement described above under "Annual Reports." On August 15, 2018, the Securities and Exchange Commission adopted amendments to the Rule, which include the obligation to file notices of the incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties. The compliance date for the amendments is 180 days after they are published in the Federal Register. The City will provide each notice described in this paragraph to the MSRB in an electronic format, as prescribed by the MSRB.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the past five years, the City has complied in all material respects with continuing disclosure agreements in accordance with the Rule.

OTHER INFORMATION

RATINGS

The presently outstanding tax supported debt of the City is rated "AA-" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (S&P) without regard to credit enhancement. An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization 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 it will not be revised downward or withdrawn entirely by of such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Bonds.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond is a valid and binding obligation of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel in substantially the form of Appendix C attached hereto. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING," (except for the information under the subcaption "Use of Proceeds," as to which no opinion is expressed), "THE BONDS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance with Prior Undertakings," as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Ordinance; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions and subcaptions "TAX MATTERS," "OTHER INFORMATION – Registration and Qualification of Bonds for Sale," "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas," and "OTHER INFORMATION – Legal Matters," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Counsel for the Underwriter.

FINANCIAL ADVISOR

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

The Financial Advisor to the Board 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 Board 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.

UNDERWRITER

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City, at an underwriting discount of $18,006.91. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their 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 DISCLAIMER

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

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

The Official Statement was approved as to form and content and the use thereof in the offering of the Bonds was authorized, ratified and approved by the City Council on the date of sale, and the Underwriter will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the City.

The Ordinance authorizing the issuance of the Bonds also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriter.

This Official Statement has been approved by the City Council of the City for distribution in accordance with the provisions of the Rule.

/s/ Joe Ed Lynn
Mayor
City of Bellville, Texas

ATTEST:

/s/ Shawn Jackson
City Administrator
City of Bellville, Texas

SCHEDULE OF REFUNDED OBLIGATIONS

Certificates of Obligation, Series 2008

Original Dated Date	Maturity (August 15)	Interest Rate	Amount
3/1/2008	2019	3.97%	$ 200,000
	2020	3.97%	210,000
	2021	3.97%	220,000
	2022	3.97%	225,000
	2023	3.97%	235,000
	2024	3.97%	245,000
	2025	3.97%	255,000
	2026	3.97%	265,000
	2027	3.97%	275,000
	2028	3.97%	285,000
			$ 2,415,000

The Refunded Obligations have been called for optional redemption on January 24, 2019 at par.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

[*This page intentionally left blank.*]

THE CITY

LOCATION

The City of Bellville is located in Austin County, approximately 63 miles from Houston, 107 miles from Austin, 127 miles from Waco and 150 miles from San Antonio.

POPULATION(1)

	2010 Census	2000(2) Census	1990(2) Census
City of Bellville	4,097	3,794	3,378
Austin County	28,417	23,590	19,745

(1) Source: City Officials.
(2) Source: U.S. Census Bureau.

ECONOMY

The major employers of the City include:

Employer	Nature of Business	Number of Employees
Bellville Independent School District	Educational Institution	400
Austin County	Government	225
San Bernard Electric	Electric Utility	120
CHI St. Joseph Health Bellville Hospital	Healthcare	75
Tesco Industries, LP	Library Furniture Manufacturer	73
Brookshire Bros.	Grocer	70
City of Bellville	Government	57
Colonial Bell Nursing Home	Healthcare/Nursing Home	55
Lonnie Lischka Company	Construction	50
Briarwood Manor Care Center	Healthcare/Nursing Home	50
First National Bank of Bellville	Financial Institution	42

Minerals produced in the area include oil and gas. Agriculture is based on sorghums, rice, pecans, nursery crops, hay, grapes, corn and beef.

TRANSPORTATION

Highways serving the City are US 290, US 71, TX 36, TX 159, FM 529, FM 1456, FM 2429 and IH 10. Rail service is provided by Topeka and Santa Fe, bus service is provided by Colorado Valley Transit, freight service is provided by South Central Trucking and Roadway Express and overnight courier service is provided by UPS and Federal Express. Grawunder Field provides air service with a 2,500-foot asphalt runway with lighting. The closest commercial facility is Bush International Airport in Houston, Texas. The closest port facility is the Port of Houston, approximately 62 miles away, with a depth of 40 feet.

EDUCATION

The City is served by the Bellville Independent School District which includes one high school (9-12), one junior high school (6-8), one primary school (EE-3), one intermediate school (4-5), and one elementary school (KG-5).

Enrollment				
2018-2017	2017-2016	2016-2015	2015-2014	2014-2013
2,239	2,213	2,165	2,121	2,087

Higher education is offered through the following institutions:

School	Distance (Miles)
Prairie View A&M	22
Texas A&M University	55
Rice University	62
University of Houston	62
University of Texas (Austin)	108
Baylor University	135
Blinn Junior College	18
Houston Community College	62
Texas State Technical Institute	135

FINANCIAL INSTITUTIONS

The City is served by four banks: Austin County State Bank, BBVA Compass Bank, The First National Bank of Bellville and Wells Fargo Bank, N.A.

BUILDING PERMITS

Fiscal Year	Number of Permits Issued	Value
2013	397	$ 7,021,138
2014	124	3,062,933
2015	98	4,723,153
2016	80	4,721,440
2017	73	7,984,336

MEDICAL FACILITIES

Medical facilities include one hospital with 32 beds and approximately 20 on-staff physicians, and one clinic. Five dentists also serve the City.

AUSTIN COUNTY

Austin County (the "County") is located in southeast Texas and was created and organized in 1837. The County's economy is based on agriculture and mineral production. Agriculture is based on sorghums, rice, pecans, nursery crops, hay, grapes, corn and beef. Oil and gas are the minerals produced in the County.

LABOR FORCE STATISTICS FOR AUSTIN COUNTY(1)

	2018(2)	2017(3)	2016(3)	2015(3)	2014(3)
Civilian Labor Force	14,329	13,997	14,004	14,030	14,136
Total Employed	13,794	13,391	13,259	13,386	13,462
Total Unemployed	535	606	745	644	674
Unemployment Rate	3.7%	4.3%	5.3%	4.6%	4.8%
% Unemployed (Texas)	3.5%	4.3%	4.6%	4.4%	5.1%
% Unemployed (U.S.)	3.5%	4.4%	4.9%	5.3%	6.2%

(1) Source: Texas Employment Commission.
(2) As of October 2018
(3) Average Annual Statistics.

EMPLOYMENT AND WAGES BY INDUSTRY - AUSTIN COUNTY[1][2]

	Fourth Quarter				
	2017	2016	2015	2014	2013
Natural Resources and Mining	208	206	234	236	189
Construction	876	865	972	1,044	875
Manufacturing	1,418	1,369	1,284	1,375	1,592
Trade, Transportation & Utilities	2,904	2,972	2,921	2,761	2,679
Information	103	69	100	87	75
Financial Activities	474	400	412	466	439
Professional and Business Services	713	743	900	906	940
Education and Health Services	938	960	965	827	728
Leisure and Hospitality	852	879	787	743	761
Other Services	213	197	210	207	184
Unclassified	61	46	11	12	15
State Government	61	72	78	77	141
Local Government	1,320	1,331	1,348	1,348	1,406
Total Employment	10,139	10,109	10,222	10,089	10,023
	$126,488,661	$119,085,709	$124,365,256	$123,698,627	$116,541,573

___

(1) Source: Texas Employment Commission.

(2) Statistics do not include Federal employees or their wages.

[*This page intentionally left blank.*]

APPENDIX B

EXCERPTS FROM THE

CITY OF BELLVILLE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

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

[*This page intentionally left blank.*]

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council of the
City of Bellville, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Bellville, 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.

Auditors' Responsibility

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

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

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

Houston
3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville
P.O. Box 826
Bellville, TX 77418
713.263.1123

Austin
100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices
www.texasauditors.com
info@ txauditors.com
713.263.1550 fax

Governmental Audit Quality Center
AICPA

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
May 23, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

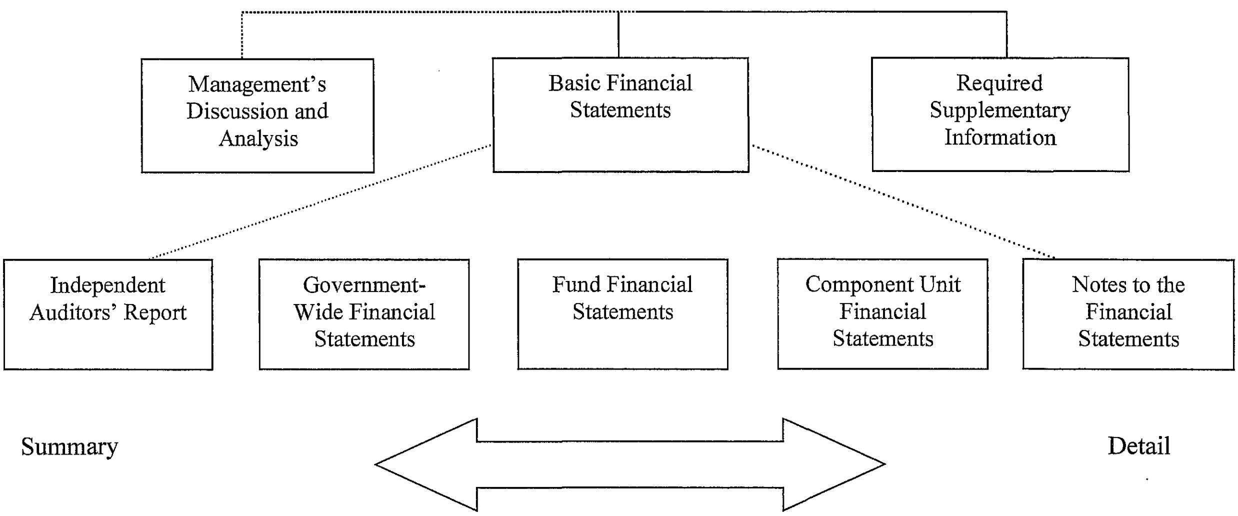
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2017

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Bellville, Texas (the "City") for the year ending September 30, 2017. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent 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 – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's tax-supported services are reported here including streets and drainage (highways and streets), community services (culture and recreation), police protection (public safety), and general administrative services (general government). Property tax, sales tax, franchise taxes, municipal court fines, and permit fees finance most of these activities.

2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and wastewater. electric, gas, recycling, and sanitation services. Interest payments on the City's tax-supported debt are also reported here

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

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

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

The City maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is always considered to be a major fund for reporting purposes.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

The City maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water distribution, wastewater collection/treatment operations, gas, electric, sanitation, and recycling operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to 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 are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and a schedule of changes in net pension liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows by $6,071,590 as of September 30, 2017 for the primary government. This compares with $5,914,043 from the prior fiscal year. The largest portion of the City's net position, 63 percent, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2017				2016		
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	$ 464,498	$ 3,540,345	$ -	$ 4,004,843	$ 529,932	$ 3,474,437	$ 4,004,369
Capital assets, net	6,142,074	7,618,080	-	13,760,154	6,405,190	7,954,821	14,360,011
Total Assets	6,606,572	11,158,425	-	17,764,997	6,935,122	11,429,258	18,364,380
Loss on refunding of bonds	-	100,417	-	100,417	-	116,486	116,486
Deferred outflows - pensions	338,169	328,376	-	666,545	389,862	392,348	782,210
Total Deferred Outflows of Resources	338,169	428,793	-	766,962	389,862	508,834	898,696
Long-term liabilities	2,691,607	7,974,932	-	10,666,540	2,737,647	8,579,580	11,317,227
Other liabilities	147,912	1,642,650	-	1,790,562	225,769	1,806,037	2,031,806
Total Liabilities	2,839,519	9,617,582	-	12,457,101	2,963,416	10,385,617	13,349,033
Deferred inflows - pensions	1,739	1,529	-	3,268	-	-	-
Total Deferred inflows of Resources	1,739	1,529	-	3,268	-	-	-
Net position:							
Net investment in capital assets	6,142,074	1,923,055	(4,232,374)	3,832,755	6,405,190	3,068,796	9,473,986
Unrestricted	(2,038,591)	45,052	4,232,374	2,238,835	(2,043,622)	(1,516,321)	(3,559,943)
Total Net Position	$ 4,103,483	$ 1,968,107	$ -	$ 6,071,590	$ 4,361,568	$ 1,552,475	$ 5,914,043

The City's total net position increased by $157,547 during the current fiscal year. Governmental net position decreased by $258,085 which primarily was a result of a decrease in charges for services and a decrease in sales tax. This decrease was offset by an increase in business-type activities of $415,632 is primarily a result of increased operating revenues received for charges for services.

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2017			For the Year Ended September 30, 2016		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 91,509	$ 8,851,787	$ 8,943,296	$ 162,462	$ 8,773,184	$ 8,935,646
Operating grants	-	73,942	73,942	19,647	14,497	34,144
Capital grants	-	-	-	-	102,309	102,309
General revenues:						
Property taxes	772,134	-	772,134	724,752	-	724,752
Sales taxes	516,227	-	516,227	557,905	-	557,905
Other taxes	87,146	-	87,146	34,296	-	34,296
Other revenue	-	-	-	12,205	34,540	46,745
Investment income	21,957	-	21,957	3,541	14,489	18,030
Total Revenues	1,488,973	8,925,729	10,414,702	1,514,808	8,939,019	10,453,827
Expenses						
General government	597,863	-	597,863	699,943	-	699,943
Highways and streets	451,998	-	-	396,426	-	396,426
Public safety	1,083,487	-	1,083,487	1,224,598	-	1,224,598
Culture and recreation	793,710	-	793,710	818,654	-	818,654
City services	-	7,330,097	7,330,097	-	7,382,572	7,382,572
Total Expenses	2,927,058	7,330,097	9,805,157	3,139,621	7,382,572	10,522,193
Increase (Decrease) in Net Postion Before Transfers	(1,438,085)	1,595,632	157,547	(1,624,813)	1,556,447	(68,366)
Transfers in (out)	1,180,000	(1,180,000)	-	1,064,490	(1,064,490)	-
Change in Net Position	(258,085)	415,632	157,547	(560,323)	491,957	(68,366)
Beginning net position	4,361,568	1,552,475	5,914,043	4,921,891	1,060,518	5,982,409
Ending Net Position	$ 4,103,483	$ 1,968,107	$ 6,071,590	$ 4,361,568	$ 1,552,475	$ 5,914,043

For the year ended September 30, 2017, revenues from governmental activities totaled $1,488,973 compared with $1,514,808 in the prior year. This slight increase of $25,835 is the result of an increase in property taxes that were offset by a decrease in charges for services. Governmental expenses decreased by $212,563. This decrease is primarily due to decreases in expenses related to general government public safety, and culture and recreation of $102,080, $141,111, and $24,944 respectively, and offset by increases in streets and highways of $55,572.

Overall, business-type activity revenues remained comparable in the current year when compared to the prior year revenues, with a slight decrease of $13,290. Expenditures also remained comparably the same with only a decrease of $52,475 over the prior year expenditures.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of $337,656 The general fund is the chief operating fund of the City. At the end of the current year, unassigned and total fund balance of the general fund was $337,656 As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance each represents 13 percent of total general fund expenditures.

There was a decrease in the general fund balance of $4,919 over the prior year. Fund balance in the general fund decreased due primarily to a decrease in sales tax, which is a result of the economy in the area.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The amended budget included a planned increase in fund balance in the amount of $4,218 which is unchanged from the original budget. The actual fund balance for the year decreased by $4,919 Budgeted revenues exceeded actual revenues by $96,606 spread across various revenue lines. Actual expenditures were under budgeted expenditures by $179,469 which were spread across various departments.

CAPITAL ASSETS

At the end of fiscal year 2017, the City's governmental and business-type activities had invested $13,760,154 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of $599,857

Major capital asset events during the year included the following:

- $81,186 in public safety equipment
- $181,562 in infrastructure improvements in the utility fund
- $32,309 in equipment for utility fund use

More detailed information about the City's capital assets is presented in note III. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total certificates of obligation outstanding of $2,215,000 and $3,430,000 certificates of obligation outstanding for a total of $5,645,000 is outstanding obligations.

More detailed information about the City's long-term liabilities is presented in note III. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The projected revenue for the 2017-2018 fiscal year in the general fund is $2,896,361 and projected revenue for the enterprise fund is $9,931,494. The projected expenditures for the general fund are $2,893,657 and projected expenditures for the enterprise fund are $9,928,619.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the City. Questions concerning this report or requests for additional financial information should be directed to the Office of the City Administrator, 30 South Holland, Bellville, TX, 77418; telephone 979-865-3136; or for general City information, visit the City's website at www.cityofbellville.com.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

CITY OF BELLVILLE, TEXAS

STATEMENT OF NET POSITION

September 30, 2017

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
Assets				
Cash and cash equivalents	$ 2,212	$ 431,544	$ -	$ 433,756
Investments	300,000	1,115,000	-	1,415,000
Receivables, net	148,972	996,955	-	1,145,927
Grant receivable	-	59,618	-	59,618
Internal balances	6,651	(6,651)	-	-
Restricted assets:				
Cash and cash equivalents	6,663	119,433	-	126,096
Due from primary government	-	-	-	-
Inventory	-	423,899	-	423,899
Grant receivable (noncurrent)	-	386,856	-	386,856
Prepaid expenses	-	13,691	-	13,691
Nondepreciable capital assets	328,939	337,274	-	666,213
Net depreciable capital assets	5,813,135	7,280,806	-	13,093,941
Total Assets	6,606,572	11,158,425	-	17,764,997
Deferred Outflows of Resources				
Loss on refunding of bonds	-	100,417	-	100,417
Deferred outflows - pensions	338,169	328,376	-	666,545
Total Deferred Outflows of Resources	338,169	428,793	-	766,962
Liabilities				
Accounts payable and accrued liabilities	59,795	379,070	-	438,865
Due to component unit	37,940	-	-	37,940
Customer deposits	-	333,055	-	333,055
Noncurrent liabilities:				
Due within one year	50,177	930,525	-	980,702
Due in more than one year	2,691,607	7,974,932	-	10,666,540
Total Liabilities	2,839,519	9,617,582	-	12,457,101
Deferred Inflows of Resources				
Deferred inflows - pensions	1,739	1,529	-	3,268
Total Deferred Inflows of Resources	1,739	1,529	-	3,268
Net Position				
Net investment in capital assets	6,142,074	1,923,055	(4,232,374)	3,832,755
Unrestricted	(2,038,591)	45,052	4,232,374	2,238,835
Total Net Position	$ 4,103,483	$ 1,968,107	$ -	$ 6,071,590

See Notes to Financial Statements.

Component Unit
BEDC
$ 514,418
211,604
-
-
-
-
37,940
-
-
-
-
900,764
1,664,726
-
-
-
6,952
-
58,022
386,856
451,830
-
-
900,764
312,132
$ 1,212,896

CITY OF BELLVILLE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Primary Government			
Governmental Activities			
General government	$ 597,863	$ 28,664	$ -
Highways and streets	451,998	-	-
Public safety	1,083,487	62,845	-
Culture and recreation	793,710	-	-
Total Governmental Activities	2,927,058	91,509	-
Business-Type Activities			
City services	7,330,097	8,851,787	73,942
Total Business-Type Activities	7,330,097	8,851,787	73,942
Total Primary Government	$ 10,257,155	$ 8,943,296	$ 73,942
Component Unit			
Bellville Economic Development Corporation	$ 128,224	$ -	$ -
Total Component Unit	$ 128,224	$ -	$ -

General Revenues:
Taxes:
Property taxes
Sales taxes
Other taxes
Investment income
Other revenue
Transfers
Total General Revenues
Change in Net Position
Beginning net position
Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	BEDC
$ (569,199)	$ -	$ (569,199)	$ -
(451,998)	-	(451,998)	-
(1,020,642)	-	(1,020,642)	-
(793,710)	-	(793,710)	-
(2,835,549)	-	(2,835,549)	-
-	1,595,632	1,595,632	-
-	1,595,632	1,595,632	-
(2,835,549)	1,595,632	(1,239,917)	-
-	-	-	(128,224)
-	-	-	(128,224)
772,134	-	772,134	-
516,227	-	516,227	250,690
87,146	-	87,146	-
21,957	-	21,957	4,221
-	-	-	5,087
1,180,000	(1,180,000)	-	-
2,577,464	(1,180,000)	1,397,464	259,998
(258,085)	415,632	157,547	131,774
4,361,568	1,552,475	5,914,043	1,081,122
$ 4,103,483	$ 1,968,107	$ 6,071,590	$ 1,212,896

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUND

September 30, 2017

		General
Assets		
Cash and cash equivalents	$	2,212
Investments		300,000
Receivables, net		
Property		29,107
Sales		113,820
Franchise		6,045
Due from other funds		6,651
Restricted		6,663
Total Assets	$	464,498
Liabilities		
Accounts payable and accrued liabilities	$	7,042
Other payables		206
Accrued salaries		26,773
Other accruals		25,774
Due to component unit		37,940
Total Liabilities		97,735
Deferred Inflows of Resources		
Unavailable revenue - property taxes		29,107
Fund Balance		
Unassigned		337,656
Total Fund Balance		337,656
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund.		
Nondepreciable capital assets		328,939
Depreciable capital assets		10,401,767
Accumulated depreciation		(4,588,633)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund.		
Deferred revenue		29,107
Long-term liabilities and deferred outflows and deferred inflows related to the net pension liability are deferred in the governmental fund.		
Net pension liability		(1,553,711)
Deferred outflows - pensions		338,169
Deferred inflows - pensions		(1,739)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.		
Noncurrent liabilities due within one year		(50,177)
Noncurrent liabilities due in more than one year		(1,137,896)
Net Position of Governmental Activities	$	4,103,483

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND

For the Year Ended September 30, 2017

		General
Revenues		
Property taxes		$ 769,311
Sales taxes		516,227
Gross receipts		29,914
Hotel occupancy		1,652
Fines and court costs		55,580
Licenses and permits		62,845
Investment income		21,957
Charges for services		28,664
	Total Revenues	1,486,150
Expenditures		
Current:		
General government		574,925
Street department		282,262
Parks department		371,759
Library		289,666
Police department		1,078,240
Municipal court		74,216
	Total Expenditures	2,671,068
	(Deficiency) of Revenues (Under) Expenditures	(1,184,918)
Other Financing Sources (Uses)		
Transfers in		1,180,000
	Total Other Financing Sources	1,180,000
	Net Change in Fund Balance	(4,918)
Beginning fund balance		342,575
	Ending Fund Balance	$ 337,657

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

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

For the Year Ended September 30, 2017

Net change in fund balance - governmental fund	$	(4,919)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital asset acquisitions and retirements		81,186
Depreciation expense		(335,960)
Disposal of capital assets, net		(8,341)
Revenues that do not provide current financial resources are not reported as revenues in the funds.		2,823
Net pension liability and deferred outflows related to the net pension liability are reported in the governmental funds.		
Net pension liability		(22,156)
Deferred outflows - pensions		(50,694)
Deferred inflows - pensions		712
The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities.		
Compensated absences		8,943
OPEB liability obligation		70,321
Change in Net Position of Governmental Activities	$	(258,085)

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2017

		Business-Type Activities Enterprise
Assets		
Current assets:		
Cash and cash equivalents	$	431,544
Investments		1,115,000
Accounts receivable, net		996,955
Grant receivable		59,618
Restricted assets, cash		119,433
Inventory		423,899
Total Current Assets		3,146,449
Capital assets:		
Land and improvements		337,274
Buildings		461,907
Furniture and equipment		2,420,011
Utility plant		16,200,639
Less: accumulated depreciation		(11,801,751)
Total Capital Assets, Net of Accumulated Depreciation		7,618,080
Noncurrent assets:		
Grant receivable (noncurrent)		386,856
Prepaids		13,691
Total Noncurrent Assets		400,547
Total Assets		11,165,076
Deferred Outflows of Resources		
Loss on refunding of bonds		100,417
Deferred outflows related to pensions		328,376
Total Deferred Outflows of Resources		428,793
Liabilities:		
Accounts payable and accrued liabilities		358,174
Accrued interest payable		20,896
Due to other funds		6,651
Customer deposits		333,055
Compensated absences		45,525
Long-term debt, current		885,000
Total Current Liabilities		1,649,301
Noncurrent liabilities:		
Liability for compensated absences, long-term		5,058
Net pension liability		1,598,091
Other post-employment benefits (OPEB)		1,561,758
Long-term debt, noncurrent		4,810,025
Total Liabilities		9,624,233
Deferred Inflows of Resources		
Deferred inflows related to pensions		1,529
Total Deferred Inflows of Resources		1,529
Net Position:		
Net investment in capital assets		1,923,055
Unrestricted		45,052
Total Net Position	$	1,968,107

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

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

For the Year Ended September 30, 2017

		Business-Type Activities Enterprise
Operating Revenues		
Charges for services		$ 8,702,242
Tap, reconnect, and service charges		29,853
Other charges		119,692
	Total Operating Revenues	8,851,787
Operating Expenses		
Wholesale utilities		3,501,894
Other cost of services sold		168,230
General administration		144,243
Electric department		150,968
Gas department		42,878
Water department		39,556
Wastewater department		97,672
Sanitation department		80,172
Recycling department		49,995
Maintenance department		9,656
Personnel		2,243,261
Depreciation		548,408
	Total Operating Expenses	7,076,933
	Operating Income	1,774,854
Nonoperating Revenues (Expenses)		
Payments from component unit		73,942
Interest and amortization expense		(253,164)
	Total Nonoperating (Expenses)	(179,222)
Transfers		
Transfers out		(1,180,000)
	Change in Net Position	415,632
Beginning net position		1,552,475
	Ending Net Position	$ 1,968,107

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended September 30, 2017

	Business-Type Activities Enterprise
Cash Flows from Operating Activities	
Receipts from customers	$ 8,986,699
Cash payments to suppliers for goods and services	(4,389,968)
Cash payments to employees for services	(1,904,529)
Net Cash Provided by Operating Activities	2,692,202
Cash Flows from Noncapital and Related Financing Activities	
Transfers out	(1,180,000)
Net Cash (Used) by Noncapital and Related Financing Activities	(1,180,000)
Cash Flows from Capital and Related Financing Activities	
Payments from component unit	73,942
Principal paid on bonds	(860,000)
Principal paid on notes	(114,429)
Interest paid	(252,772)
Capital purchases	(211,667)
Net Cash (Used) by Capital and Related Financing Activities	(1,364,926)
Net Increase in Cash and Cash Equivalents	147,276
Beginning cash and cash equivalents	403,701
Ending Cash and Cash Equivalents	$ 550,977
Reconciliation of Cash and Cash Equivalents:	
Unrestricted cash and equivalents	$ 431,544
Restricted cash and equivalents	119,433
Total Cash and Cash Equivalents	$ 550,977
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income	$ 1,774,854
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	548,408
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Current Assets:	
Accounts receivable	136,277
Deferred outflows - pensions	66,502
Inventory	(57,597)
Prepaids	2,688
Increase (Decrease) in Current Liabilities:	
Accounts payable	(49,795)
Compensated absences	(9,338)
Customer deposits	(1,365)
Deferred inflows - pensions	(1,001)
Net OBEB obligation	256,763
Net pension liability	25,806
Net Cash Provided by Operating Activities	$ 2,692,202

See Notes to Financial Statements.

(This page intentionally left blank.)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bellville, Texas (the "City") was incorporated under the laws of the State of Texas on January 18, 1927. The City has operated under a "General Law Home Rule Charter", which provides for a "Mayor-Council" form of government.

The City Council is the principal legislative and administrative body of the City. Subject to confirmation of the City Council, the Mayor has the power to appoint all boards, commissions, agencies, and officers provided for in the charter or by ordinance. The Mayor is the presiding officer of the City Council and does not vote except in the case of a tie vote.

The City Manager is the head of the administrative departments of the City and is the supervisor of all administrative officers, employees, directors, and department heads. Departments and agencies of the City submit budget requests to the City Manager.

The City provides the following services: general government, highways and streets, public safety, culture and recreation, public works, water and wastewater services, and sanitation services.

The City is an independent political subdivision of the State of Texas governed by an elected Council and a Mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component unit, as listed below, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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 other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

<u>Bellville Economic Development Corporation</u>

In 1998, the voters authorized the creation of the Bellville Economic Development Corporation (the "Corporation") for the purpose of promoting economic development within the community. The Corporation Board consists of seven members, one of which is a member of City Council, appointed by the entire City Council. The other six members are appointed by City Council. The Corporation's budget and all contracts are approved by City Council, making the City financially accountable. The Corporation does not issue separate financial statements. The fiscal year end for the Corporation is September 30.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following governmental fund:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, street department, parks department, library, public safety, municipal court, and public works. The general fund is always considered a major fund for reporting purposes.

The City reports the following enterprise fund:

The *enterprise fund* is used to account for the operations that provides electricity, gas, water, gas recycling, wastewater collection, and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and equity in pooled cash." For cash management purposes, the City has a sweep arrangement with the bank to transfer cash balances to a money market mutual fund account each day. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

The City's investments for the year ended September 30, 2017 consisted of certificates of deposits with maturities of greater than ninety days.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

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

4. Restricted Assets

Funds set aside for the payment of enterprise fund customer deposits and debt service are classified as restricted assets.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Description	Estimated Useful Life
Buildings and improvements	20 to 40 years
Equipment	3.5 to 15 years
Infrastructure	30 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the City's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensated absences. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment.

Length of Service (Months)	Maximum Vacation Leave Accrual
1-12	40 hours
13-84	80 hours
85-168	120 hours
More than 180	160 hours

Upon retirement from the City, an employee will receive compensation for unused vacation hours up to a maximum of 160 hours and compensated absences hours up to a maximum of 40 hours. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Post Employment Healthcare Benefits

The City provides availability of post-retirement health care for qualifying retirees. Retired full-time employees with a minimum of ten consecutive years of service immediately prior to retirement from the City and reaching Texas Municipal Retirement System eligibility are provided postemployment health insurance at the same rate as active employees, not to exceed $500 per month. Coverage will automatically convert to the Medicare product offered by the insurance carrier at the time a retiree becomes eligible for Medicare coverage. As of September 30, 2017, six employees are subscribed to this benefit.

13. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Pensions

For the 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' 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise 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 enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The City Administrator has ultimate responsibility for the budget and formulates the budget goals for the City under the direction of the City Council. In compliance with the state's uniform budget law, the City Administrator files the proposed budget with the City Secretary and City Council before the 30th day prior to the date the City adopts its tax levy for the fiscal year. The City is required to publish a notice of a public hearing regarding the proposed budget and then hold that public hearing not less than 15 days after the budget is filed with the City Secretary and prior to the date the City Council makes the tax levy. Once the hearing is concluded and before adoption of the proposed budget, the City Council may make any changes it considers warranted by law or in the best interest of the taxpayers. The annual operating budget is then adopted through passage of an annual budget ordinance. Upon approval by the City Council, the annual budget document becomes a matter of public record and is filed with the City Secretary.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The legal level of budgetary control is the department; therefore, expenditures may not legally exceed budget appropriations at the department level. Each department head, with the approval of the City Administrator, can reclassify items within the department without approval of the Council; however, to amend the total of a department, a budget amendment approved by the Council is required. The general fund and the enterprise fund have legally adopted annual budgets. Budgets are adopted by passage of a budget ordinance. All annual budget appropriations lapse at fiscal year-end.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of September 30, 2017, the City had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
Certificates of deposit	$ 1,415,000	0.73
Total Value	$ 1,415,000	
Portfolio weighted average maturity		0.73

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the City's deposits may not be returned in the event of a bank failure. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2017, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

B. Receivables

Amounts are aggregated into a single accounts receivable line (net of allowance for uncollectibles) for certain funds and aggregated columns. Below is the detail of receivables for the general fund and the enterprise fund, including the applicable allowances for uncollectible accounts:

	General	Enterprise
Property taxes	$ 30,639	$ -
Sales taxes	113,820	-
Franchise Tax	6,045	-
Other receivables	-	59,618
Accounts	-	996,955
Less allowance	(1,532)	(14,001)
Total receivables, net	$ 148,972	$ 1,056,573

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year end is as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 328,939	$ -	$ -	$ 328,939
Total capital assets not being depreciated	328,939	-	-	328,939
Other capital assets:				
Buildings and improvements	1,620,249	-	-	1,620,249
Other improvements	3,744,510	-	-	3,744,510
Infrastructure	3,273,488	-	-	3,273,488
Vehicles and equipment	943,558	71,806	(65,366)	949,998
Office furniture and equipment	81,564	9,380	-	90,944
Collections	722,578	-	-	722,578
Total other capital assets	10,385,947	81,186	(65,366)	10,401,767
Less accumulated depreciation for:				
Buildings and improvements	(943,734)	(34,863)	-	(978,597)
Other improvements	(1,021,465)	(129,995)	-	(1,151,460)
Infrastructure	(828,108)	(109,262)	-	(937,370)
Vehicles and equipment	(832,441)	(37,449)	57,024	(812,866)
Office furniture and equipment	(64,907)	(4,767)	-	(69,674)
Collections	(619,041)	(19,624)	-	(638,665)
Total accumulated depreciation	(4,309,697)	(335,960)	57,024	(4,588,633)
Other capital assets, net	6,076,251	(254,774)	(8,342)	5,813,135
Governmental Activities Capital Assets, Net	$ 6,405,190	$ (254,774)	$ (8,342)	$ 6,142,074

Depreciation was charged to governmental functions as follows:

General government	$ 28,641
Highways and streets	118,068
Library	25,863
Public safety	32,323
Culture and recreation	131,065
Total Governmental Activities Depreciation Expense	$ 335,960

The following is a summary of changes in capital assets for business-type activities for the year end:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 337,274	$ -	$ -	$ 337,274
Construction in progress	9,500	-	(9,500)	-
Total capital assets not being depreciated	346,774	-	(9,500)	337,274
Other capital assets:				
Furniture, vehicles, and equipment	2,485,974	32,309	(98,272)	2,420,011
Buildings	454,611	7,296	-	461,907
Infrastructure	16,019,077	181,562	-	16,200,639
Total other capital assets	18,959,662	221,167	(98,272)	19,082,557
Less accumulated depreciation for:				
Furniture, vehicles, and equipment	(2,063,444)	(81,826)	98,272	(2,046,998)
Buildings	(235,545)	(12,076)	-	(247,621)
Infrastructure	(9,052,626)	(454,506)	-	(9,507,132)
Total accumulated depreciation	(11,351,615)	(548,408)	98,272	(11,801,751)
Other capital assets, net	7,608,047	(327,241)	-	7,280,806
Business-Type Activities Capital Assets, Net	$ 7,954,821	$ (327,241)	$ (9,500)	$ 7,618,080
			Less related debt	(5,695,025)
			Net Investment in Capital Assets	$ 1,923,055

Depreciation was charged to business-type functions as follows:

Furniture, vehicles, and equipment	$ 81,826
Utility plants	12,076
Buildings and improvements	454,506
Total Business-Type Activities Depreciation Expense	$ 548,408

The following is a summary of changes in capital assets for the discretely presented component unit for the year end:

	Beginning Balance	Increases	(Decreases)	Ending Balance
EDC Activities:				
Capital assets not being depreciated:				
Construction in progress	$ 258,741	$ 11,075	$ (269,816)	$ -
Total capital assets not being depreciated	258,741	11,075	(269,816)	-
Other capital assets:				
Other improvements	733,824	269,816	-	1,003,640
Total other capital assets	733,824	269,816	-	1,003,640
Less accumulated depreciation for:				
Other imporvements	(72,811)	(30,065)	-	(102,876)
Total accumulated depreciation	(72,811)	(30,065)	-	(102,876)
Other capital assets, net	661,013	239,751	-	900,764
EDC Activities Capital Assets, Net	$ 919,754	$ 250,826	$ (269,816)	$ 900,764

Depreciation was charged to business-type functions as follows:

Other improvements	$ 30,065
Total EDC Depreciation Expense	$ 30,065

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the business-type fund to liquidate long-term liabilities.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental fund. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities:					
Other liabilities					
Net pension liability	$ 1,531,555	$ 22,156	$ -	$ 1,553,711	$ -
Net OPEB liability	1,202,642	-	(70,321)	1,132,321	-
Compensated absences	64,695	35,046	(43,989)	55,752	50,177
Total Governmental Activities	$ 2,798,892	$ 57,202	$ (114,310)	$ 2,741,784	$ 50,177
			Long-term liabilities due in more than one year	$ 2,691,607	

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-Type Activities:					
Bonds, notes, and other payables:					
Certificates of obligation	$ 2,505,000	$ -	$ (290,000)	$ 2,215,000	$ 290,000
General obligation	4,000,000	-	(570,000)	3,430,000	595,000
Note payable	114,429	-	(114,429)	-	-
Issuance discounts/premiums	57,300	1,667	(8,942)	50,025	-
	6,676,729	1,667	(983,371)	5,695,025 *	885,000
Other liabilities					
Net pension liability	1,572,285	25,806	-	1,598,091	-
Net OPEB liability	1,304,995	256,763	-	1,561,758	-
Compensated absences	59,921	40,618	(49,956)	50,583	45,525
	2,937,201	323,187	(49,956)	3,210,432	45,525
Total Business-Type Activities	$ 9,613,930	$ 324,854	$ (1,033,327)	$ 8,905,457	$ 930,525
			Long-term liabilities due in more than one year	$ 7,974,932	
			* Debt associated with capital assets	$ 5,695,025	

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Business-Type Activities			
Certificates of Obligation			
Certificates of obligation refunding bond, series 2012	2.00-3.00%	$ 3,350,000	$ 2,215,000
Total Certificates of Obligation		3,350,000	2,215,000
General Obligation Bonds			
General obligation bond, series 2005	3.00-4.00%	3,410,000	2,610,000
General obligation bond, series 2008	3.97%	4,000,000	820,000
Total Certificates of Obligation		7,410,000	3,430,000
Total Business-Type Activities Long-Term Debt		$ 10,760,000	$ 5,645,000

The repayment of the certificates of obligation and general obligation debt is expected to be paid from surplus revenues of the water and sewer system.

The annual requirements to amortize certificates of obligation and general obligation bonds outstanding at year end were as follows:

	Business-Type Activities			
Year	Certificates of Obligation		General Obligation Bonds	
Ending	Principal	Interest	Principal	Interest
2018	$ 290,000	$ 60,650	$ 595,000	$ 128,417
2019	300,000	53,250	620,000	104,275
2020	305,000	44,175	210,000	87,935
2021	315,000	34,875	220,000	79,599
2022	325,000	25,275	225,000	70,864
2023-2027	680,000	20,550	1,275,000	212,396
2028-2032	-	-	285,000	11,315
Totals	$ 2,215,000	$ 238,775	$ 3,430,000	$ 694,801

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities (streets, drainage, public safety, and utilities) and equipment for general government and enterprise fund activities. These instruments include general obligation bonds and certificates of obligation. Future utilities revenues or liens on property and equipment secure these debt obligations.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

E. Grant Payable

The Bellville Economic Development Corporation (the "Corporation") signed a grant agreement with the City in July 2009. The Corporation granted $1,000,000 to the City. The outstanding balance of the grant will be paid to the City in semi-annual installments that approximates the repayment requirements of the certificates of obligation taken out by the City for the cost of the Clark Park project. The Corporation paid $58,990 of the obligation during the fiscal year.

Year	Grant Payable	
Ending	Principal	Interest
2018	$ 58,022	$ 12,185
2019	61,927	10,677
2020	61,001	8,833
2021	64,887	6,945
2022	64,029	5,011
2023-2027	135,012	4,037
Total	$ 444,878	$ 47,688

F. Interfund Receivables and Payables

Due to	Due from	Amount
General	Enterprise	$ 6,651

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

G. Interfund Transfers

Transfers between the primary government funds during the year were as follows:

Transfer In	Transfer Out	Amounts
Enterprise	General fund	$ 1,180,000

Transfers are made between the enterprise fund and general fund represent in lieu of franchise fees and overhead allocations.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). 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 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 percent of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2017	2016
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility		
(expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to, but not yet receiving, benefits	25
Active employees	51
Total	112

Contributions

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

Employees for the City were required to contribute five percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.29 percent and 15.04 percent in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were $349,923, which 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 NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. 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 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent 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 three percent 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 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, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	100.00%	

Discount Rate

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

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	$ 274,804	$ -	$ 274,804
Interest	727,972	-	727,972
Difference between expected and actual experience	17,185	-	17,185
Changes in assumptions	-	-	-
Contributions - employer	-	338,369	(338,369)
Contributions - employee	-	120,846	(120,846)
Net investment income	-	522,451	(522,451)
contributions	(377,524)	(377,524)	-
Administrative expense	-	(5,899)	5,899
Other changes	-	(318)	318
Balance at December 31, 2015	10,836,135	7,728,845	3,107,290
Balance at December 31, 2016	$ 11,478,572	$ 8,326,770	$ 3,151,802

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one 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	$ 4,769,800	$ 3,151,802	$ 1,819,804

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/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2017, the City recognized pension expense of $511,259.

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	$ 46,291	$ 2,665
Changes in actuarial assumptions	12,443	-
Difference between projected and actual investment earnings	349,689	603
Contributions subsequent to the measurement date	258,122	-
Total	$ 666,545	$ 3,268

$258,122 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 NPL for the fiscal 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:

Fiscal Year Ended September 30	Pension Expense
2018	$ 144,809
2019	146,739
2020	111,812
2021	1,795
Total	$ 405,155

D. Other Post Employment Benefits

1. TMRS Supplemental Death Benefits Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post employment benefit," or OPEB. For the year ended September 30, 2017, the City offered the supplemental death benefit to both active and retired employees.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF, for the fiscal years ended 2017, 2016, and 2015 were $6,798, $7,005, and $7,109, respectively, which equaled the required contributions each year. The City's contribution rates for the past three years are shown below:

	2017	2016	2015
Annual Req. Contrib. (Rate)	0.02%	0.02%	0. 02%
Actual Contribution Made	0.02%	0. 02%	0. 02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

2. Post Employment Healthcare Plan

Plan Description

The City administers a single-employer defined benefit OPEB plan, known as the Retiree Medical Program (the "Program"). The Program offers medical and dental insurance benefits to eligible retirees and their spouses.

Employees, along with their spouse and/or eligible dependents, are eligible for retiree health benefits if they have minimum of 10 years of consecutive coverage immediately prior to retirement from the City and meeting the Texas Municipal Retirement System retirement criteria. The City contributes up to $500 of the monthly premium for group health care coverage.

Funding Policy

The contribution requirements of plan members are established by the City and may be amended as needed. Medical coverage levels for retirees are the same coverage provided to active City employees in accordance with terms and conditions of the current City benefit plan.

Annual Other Post Employment Benefit Cost

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years. The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the Program, and the City's net OPEB obligation.

Annual required contribution (ARC)	$ 306,749
Interest on OPEB obligation	87,767
Adjustment to ARC	(131,871)
Annual OPEB cost	262,645
Net estimated employer contributions	(76,203)
Increase in net OPEB obligation	186,442
Net OPEB obligation-beginning of year	2,507,637
Net OPEB obligation-end of year	$ 2,694,079

A separate audited GAAP basis OPEB plan report is not available.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Program, and the net OPEB obligation for 2017 and the two preceding years are as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Beginning	Net OPEB Obligation Ending
2015	$ 483,638	10.3%	$ 1,861,602	$ 2,295,325
2016	$ 266,380	20.3%	$ 2,295,325	$ 2,507,637
2017	$ 262,646	29.0%	$ 2,507,637	$ 2,694,079

Funded Status and Funding Progress

As of September 30, 2017, the most recent actuarial valuation date, the Program was zero percent funded. The actuarial accrued liability for benefits was $2,445,535, the actuarial value of assets was zero resulting in an unfunded actuarial accrued liability (UAAL) of $2,445,535. The annual covered payroll at September 30, 2017 was $2,425,033 the UAAL as a percentage of the annual covered payroll was 101 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Program and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A discount rate of 3.5 percent was used. A general price inflation of 3.0 percent was assumed. In addition, the Entry Age Normal Cost actuarial cost method was used. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at September 30, 2017 was 20 years. As authorized by GASB Statement No. 45, the Alternative Measurement Method with it simplifications of certain assumptions was employed in measuring the AAL and the ARC.

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

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

GENERAL FUND

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 763,156	$ 763,156	$ 769,311	$ 6,155
Sales taxes	615,600	615,600	516,227	(99,373)
Gross receipts	31,500	31,500	29,914	(1,586)
Hotel occupancy	3,000	3,000	1,652	(1,348)
Fine and forfeits	70,000	70,000	55,580	(14,420)
Licenses and permits	46,500	46,500	62,845	16,345
Investment income	18,000	18,000	21,957	3,957
Charges for services	35,000	35,000	28,664	(6,336)
Total Revenues	1,582,756	1,582,756	1,486,150	(96,606)
Expenditures				
Current:				
General government	703,892	675,892	574,925	100,967
Police safety	1,127,967	1,112,967	1,078,240	34,727
Municipal court	65,852	80,852	74,216	6,636
Library	289,224	294,224	289,666	4,558
Parks department	372,531	372,531	371,759	772
Street department	291,072	314,072	282,262	31,810
Total Expenditures	2,850,538	2,850,538	2,671,068	179,470
(Deficiency) of Revenues (Under) Expenditures	(1,267,782)	(1,267,782)	(1,184,918)	82,864
Other Financing Sources (Uses)				
Transfers in	1,272,000	1,272,000	1,180,000	(92,000)
Total Other Financing Sources	1,272,000	1,272,000	1,180,000	(92,000)
Net Change in Fund Balance	$ 4,218	$ 4,218	$ (4,918)	$ (9,136)
Beginning fund balance			342,575	
Ending Fund Balance			$ 337,657	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* 2. Capital outlay accounts are grouped for reporting purposes. All departments are equal or under appropriations.

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2017

	Measurement Year*		
	2014	**2015**	**2016**
Total Pension Liability			
Service cost	$ 237,249	$ 268,064	$ 274,804
Interest (on the total pension liability)	669,190	706,660	727,972
Changes in current period of benefit	-	-	-
Difference between expected and actual experience	(9,556)	63,114	17,185
Change in assumptions	-	23,857	-
Benefit payments, including refunds of employee contributions	(380,682)	(373,331)	(377,524)
Net Change in Total Pension Liability	516,201	688,364	642,437
Beginning total pension liability	9,631,570	10,147,771	10,836,135
Ending Total Pension Liability	$ 10,147,771	$ 10,836,135	$ 11,478,572
Plan Fiduciary Net Position			
Contributions - employer	$ 353,738	$ 354,747	$ 338,369
Contributions - employee	116,745	125,264	120,846
Net investment income	407,592	11,241	522,451
Benefit payments, including refunds of employee contributions	(380,682)	(373,331)	(377,524)
Administrative expense	(4,256)	(6,847)	(5,899)
Other	(350)	(338)	(318)
Net Change in Plan Fiduciary Net Position	492,787	110,736	597,925
Beginning plan fiduciary net position	7,125,322	7,618,109	7,728,845
Ending Plan Fiduciary Net Position	$ 7,618,109	$ 7,728,845	$ 8,326,770
Net Pension Liability	$ 2,529,662	$ 3,107,289	$ 3,151,802
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.07%	71.32%	72.54%
Covered Employee Payroll	$ 2,334,907	$ 2,505,274	$ 2,416,924
Net Pension Liability as a Percentage of Covered Employee Payroll	108.34%	124.03%	130.41%

*Only three years of information are currently available. The City will build this schedule over the next seven-year period.

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

SCHEDULE OF CONTRIBUTIONS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2017

	Fiscal Year*		
	2015	**2016**	**2017**
Actuarially determined contribution	$ 360,275	$ 361,762	$ 349,922
Contributions in relation to the actuarially determined contribution	360,275	361,762	349,922
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 2,334,907	$ 2,505,274	$ 2,404,510
Contributions as a percentage of covered employee payroll	15.43%	14.44%	14.55%

*Only three years of information is currently available. The City will build this schedule over the next seven-year period.

Notes to Required Supplementary Information:

Valuation Date:

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 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

There were no benefit changes during the year.

(This page intentionally left blank.)

CITY OF BELLVILLE, TEXAS

SCHEDULE OF FUNDING PROGRESS

POST EMPLOYMENT HEALTHCARE BENEFITS

For the Year Ended September 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/15	$ -	$ 3,985,894	$ 3,985,894	0.00%	$ 2,402,890	165.88%
9/30/16	$ -	$ 3,985,894	$ 3,985,894	0.00%	$ 2,448,865	162.76%
9/30/17	$ -	$ 2,445,535	$ 2,445,535	0.00%	$ 2,425,033	100.85%

(This page intentionally left blank.)

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

[*This page intentionally left blank.*]

Hunton Andrews Kurth LLP
600 Travis, Suite 4200
Houston, Texas 77002
+1.713.220.4200 Phone
+1.713.220.4285 Fax
HuntonAK.com

January 16, 2019

WE HAVE ACTED as Bond Counsel for the City of Bellville, Texas, a municipal corporation of the State of Texas (the "City") in connection with an issue of bonds (the "Bonds") described as follows:

> CITY OF BELLVILLE, TEXAS, GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019, dated December 15, 2018, in the aggregate principal amount of $2,380,000.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance (the "Ordinance") adopted by the City Council of the City authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the obligations that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City and BOKF, NA dba Bank of Texas, Austin, Texas (the "Escrow Agent"); the certificate (the "Sufficiency Certificate") of Hilltop Securities Inc., financial advisor to the City, which verifies the sufficiency of the deposits made with the Issuing and Paying Agent for the defeasance of the Refunded Bonds; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined executed Bond No. I-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law;

(2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and

(3) The escrow agreement between the City and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the escrow fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the ordinances authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest in the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Ordinance to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

INTEREST ON all the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed. The Tax Cuts and Jobs Act, signed into law on December 22, 2017, repeals the alternative minimum tax on corporations for taxable years beginning after December 31, 2017. Purchasers of Bonds are directed to the discussion entitled "TAX MATTERS - TAX EXEMPTION" set forth in the Official Statement.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

[*This page intentionally left blank.*]

APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

[*This page intentionally left blank.*]

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System of the Bonds is discontinued, printed Bonds will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration".

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company.