OFFICIAL STATEMENT DATED JUNE 17, 2019

In the opinion of Bond Counsel, interest on the Bonds (defined below) is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

The City will designate the Bonds (defined below) as "qualified tax-exempt obligations." See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE: BOOK-ENTRY-ONLY **RATINGS: S&P Global Ratings.."AA-"**
See "**SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Ratings**"

CITY OF RICHWOOD, TEXAS

(A home rule city of the State of Texas located within Brazoria County)

$2,780,000 GENERAL OBLIGATION BONDS, SERIES 2019A	**$3,750,000 GENERAL OBLIGATION BONDS, SERIES 2019B**

Dated: July 15, 2019 Due: August 15, as shown below
Interest Accrues from Delivery Date

The $2,780,000 City of Richwood, Texas General Obligation Bonds, Series 2019A (the "Series 2019A Bonds"), and the $3,750,000 City of Richwood, Texas General Obligation Bonds, Series 2019B (the "Series 2019B Bonds"), are being issued by the City of Richwood, Texas (the "City") pursuant to the terms of two separate ordinances adopted by the City Council of the City on June 17, 2019 (collectively, the "Ordinances"). The Series 2019A Bonds and the Series 2019B Bonds are referred to herein collectively as the "Bonds."

Interest on the Bonds will accrue from the date of initial delivery (anticipated to be July 16, 2019), will be payable February 15 and August 15 of each year commencing February 15, 2020, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **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 "THE BONDS – Book-Entry-Only System." The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Description."

The Series 2019A Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on November 6, 2018, and the ordinance adopted by the City Council authorizing the Bonds (the "Series 2019A Ordinance"). The Series 2019B Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on May 4, 2019, and the ordinance adopted by the City Council authorizing the Series 2019B Bonds (the "Series 2019B Ordinance"). The Bonds, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS - Authorization of the Bonds" and "- Source of Payment."

Proceeds from the sale of the Series 2019A Bonds will be used to pay for (i) street and road improvements; (ii) sidewalk construction and improvements; (iii) drainage improvements and flood control projects; and (iv) the costs of issuance related to the sale of the Series 2019A Bonds. Proceeds from the sale of the Series 2019B Bonds will be used to pay for contractual obligations to (i) fund acquisition, design, construction, equipping, and improvement of water and wastewater facilities, and for the purchase of materials, supplies, machinery, and rights-of-way related thereto; and (ii) pay the costs of issuance related to the sale of the Series 2019B Bonds. See "THE BONDS – Use of Proceeds" and "- Sources and Uses of Funds."

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2030, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2029, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions."

CUSIP PREFIX: 765605 / **MATURITY SCHEDULE & 9 DIGIT CUSIP** – See Schedules on Page 2

The Bonds are offered when, as and if issued, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel for the City, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of Texas. See "LEGAL MATTERS." Certain legal matters will be passed upon for the underwriters listed below (the "Underwriters") by their counsel, Bracewell LLP, Houston, Texas. Delivery of the Bonds through DTC is expected to be on or about July 16, 2019 (the "Delivery Date").

SAMCO CAPITAL MARKETS, INC. **FTN FINANCIAL CAPITAL MARKETS**

MATURITY SCHEDULE
(Due August 15)

$2,780,000 GENERAL OBLIGATION BONDS, SERIES 2019A

$1,365,000 Serial Bonds

Maturity (August 15)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 765605 (b)	Maturity (August 15)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 765605 (b)
2020	$100,000	3.00%	1.60%	EM8	2025	$140,000	3.00%	1.85%	ES5
2021	140,000	3.00	1.65	EN6	2026	140,000	3.00	1.90	ET3
2022	145,000	3.00	1.70	EP1	2027	140,000	3.00	1.95	EU0
2023	140,000	3.00	1.75	EQ9	2028	140,000	3.00	2.00	EV8
2024	140,000	3.00	1.80	ER7	2029	140,000	4.00	2.10	EW6

$1,415,000 Term Bonds

$285,000 Term Bond Due August 15, 2031[(a)(c)(d)] Interest Rate 4.00% (Price $115.703) CUSIP Number 765605 EY2[(b)]
$285,000 Term Bond Due August 15, 2033[(a)(c)(d)] Interest Rate 4.00% (Price $114.249) CUSIP Number 765605 FA3[(b)]
$280,000 Term Bond Due August 15, 2035[(a)(c)(d)] Interest Rate 4.00% (Price $113.291) CUSIP Number 765605 FC9[(b)]
$565,000 Term Bond Due August 15, 2039[(a)(c)(d)] Interest Rate 4.00% (Price $110.937) CUSIP Number 765605 GM6[(b)]

(Interest Accrues from the Delivery Date)

$3,750,000 GENERAL OBLIGATION BONDS, SERIES 2019B

$1,075,000 Serial Bonds

Maturity (August 15)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 765605 (b)	Maturity (August 15)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 765605 (b)
2020	$ 20,000	3.00%	1.60%	FG0	2025	$135,000	3.00%	1.85%	FM7
2021	50,000	3.00	1.65	FH8	2026	135,000	3.00	1.90	FN5
2022	85,000	3.00	1.70	FJ4	2027	135,000	3.00	1.95	FP0
2023	115,000	3.00	1.75	FK1	2028	130,000	3.00	2.00	FQ8
2024	135,000	3.00	1.80	FL9	2029	135,000	4.00	2.10	FR6

$2,675,000 Term Bonds

$265,000 Term Bond Due August 15, 2031[(a)(c)(d)] Interest Rate 4.00% (Price $115.703) CUSIP Number 765605 FT2[(b)]
$270,000 Term Bond Due August 15, 2033[(a)(c)(d)] Interest Rate 4.00% (Price $114.249) CUSIP Number 765605 FV7[(b)]
$270,000 Term Bond Due August 15, 2035[(a)(c)(d)] Interest Rate 4.00% (Price $113.291) CUSIP Number 765605 FX3[(b)]
$535,000 Term Bond Due August 15, 2039[(a)(c)(d)] Interest Rate 4.00% (Price $110.937) CUSIP Number 765605 GB0[(b)]
$665,000 Term Bond Due August 15, 2044[(a)(c)(d)] Interest Rate 4.00% (Price $108.641) CUSIP Number 765605 GG9[(b)]
$670,000 Term Bond Due August 15, 2049[(a)(c)(d)] Interest Rate 4.00% (Price $107.738) CUSIP Number 765605 GN4[(b)]

(Interest Accrues from the Delivery Date)

(a) The initial yields and prices will be established by and are the sole responsibility of the Underwriters, and may subsequently be changed. The initial yields are calculated to the earlier of maturity or the first optional call date.

(b) CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the City, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

(c) The Bonds maturing on August 15, 2030 and thereafter, are subject to redemption on August 15, 2029 or any date thereafter, at the option of the City, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS - Redemption Provisions."

(d) Subject to mandatory redemption in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions - *Mandatory Redemption*".

No dealer, broker, salesman or other person has been authorized by the City to give any 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 as having been authorized by the City.

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

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition of the City or other matters described herein since the date hereof.

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

NEITHER THE CITY, THE FINANCIAL ADVISOR, THE UNDERWRITERS NOR BOND COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE ATTACHED SCHEDULE AND APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

[Remainder of Page Intentionally Left Blank]

TABLE OF CONTENTS

The cover page hereof, the section entitled "Official Statement Summary," this Table of Contents and the Appendices attached hereto are part of the Official Statement.

CITY OF RICHWOOD, TEXAS

(A home rule city of the State of Texas located within Brazoria County)

$2,780,000 GENERAL OBLIGATION BONDS, SERIES 2019A	$3,750,000 GENERAL OBLIGATION BONDS, SERIES 2019B

INTRODUCTORY STATEMENT

Information contained in this Official Statement, including Appendices A and B, has been obtained from the City of Richwood, Texas (the "City") in connection with the offering by the City of its $2,780,000 General Obligation Bonds, Series 2019A (the "Series 2019A Bonds") and $3,750,000 General Obligation Bonds, Series 2019B (the "Series 2019B Bonds") identified on the cover page hereof. The Series 2019A Bonds and the Series 2019B Bonds are referred to herein collectively as the "Bonds".

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Underwriters listed on the cover page hereof have agreed, subject to certain conditions, to purchase the Series 2019A Bonds from the City for $3,032,212.85 (being the principal amount of the Series 2019A Bonds, plus a premium on the Series 2019A Bonds of $276,259.85 and less an Underwriters' discount of $24,047.00).

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2019B Bonds from the City for $4,084,834.30 (being the principal amount of the Series 2019B Bonds, plus a premium on the Series 2019B Bonds of $365,396.80 and less an Underwriters' discount of $30,562.50).

The Underwriters' obligations are subject to certain conditions precedent, and they 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 public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and FTB Advisors, Inc. is a wholly owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with FTB Advisors, Inc. for the distribution of the Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with FTB Advisors, Inc.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the City of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public or the prices at which the Bonds have been offered and held as provided in the Purchase Agreement. The City has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriters at the yields specified on page 2 hereof. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE 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.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or 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 or qualification provisions in such jurisdictions.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Municipal Bond Ratings

In connection with the sale of the Bonds, the City has made application to S&P Global Ratings ("S&P") for ratings, and a rating of "AA-" has been assigned to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views of S&P, and the City makes no representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

[Remainder of Page Intentionally Left Blank]

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

The Issuer	The City of Richwood, Texas (the "City"), is a home rule city and municipal corporation of the State of Texas (the "State"), located in Brazoria County, Texas. For additional information regarding the City, see "ADMINISTRATION OF THE CITY" and "APPENDIX A – General Information Regarding the City of Richwood" herein.
The Series 2019A Bonds	The Series 2019A Bonds are being issued as $2,780,000 General Obligation Bonds, Series 2019A. The Series 2019A Bonds include $1,365,000 principal amount of serial bonds maturing August 15 in each of the years 2020 through 2029, inclusive (the "Series 2019A Serial Bonds") and $1,415,000 principal amount of term bonds maturing August 15 in the years 2031, 2033, 2035 and 2039 (the "Series 2019A Term Bonds"). See "THE BONDS – Description."
The Series 2019B Bonds	The Series 2019B Bonds are being issued as $3,750,000 General Obligation Bonds, Series 2019B. The Series 2019B Bonds include $1,075,000 principal amount of serial bonds maturing August 15 in each of the years 2020 through 2029, inclusive (the "Series 2019B Serial Bonds") and $2,675,000 principal amount of term bonds maturing August 15 in the years 2031, 2033, 2035, 2039, 2044 and 2049 (the "Series 2019B Term Bonds"). The Series 2019A Serial Bonds, Series 2019B Serial Bonds, Series 2019A Term Bonds and the Series 2019B Term Bonds are collectively referred to herein as the "Bonds." See "THE BONDS – Description."
Payment of Interest	Interest on the Bonds accrues from the date of initial delivery (anticipated to be July 16, 2019), and is payable on February 15, 2020, and each August 15 and February 15 thereafter until maturity or prior redemption. See "THE BONDS – Description."
Redemption Provisions	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2030, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Redemption Provisions." The Series 2019A Term Bonds and Series 2019B Term Bonds (collectively, the "Term Bonds") are additionally subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Sinking Fund Redemption."
Authority for Issuance of the Series 2019A Bonds	The Series 2019A Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on November 6, 2018, and the ordinance adopted by the City Council authorizing the Series 2019A Bonds (the "Series 2019A Ordinance"). See "THE BONDS – Authorization of the Bonds."
Authority for Issuance of the Series 2019B Bonds	The Series 2019B Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on May 4, 2019, and the ordinance adopted by the City Council authorizing the Series 2019B Bonds (the "Series 2019B Ordinance"). The Series 2019A Ordinance and the Series 2019B Ordinance are referred to herein collectively as the "Ordinances." See "THE BONDS – Authorization of the Bonds."
Security for the Bonds	The Bonds, when issued, will constitute valid and binding obligations of the City and will be secured by and payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS - Source of Payment."

Use of Proceeds	Proceeds from the sale of the Series 2019A Bonds will be used to pay for (i) street and road improvements; (ii) sidewalk construction and improvements; (iii) drainage improvements and flood control projects; and (iv) the costs of issuance related to the sale of the Series 2019A Bonds. Proceeds from the sale of the Series 2019B Bonds will be used to pay for contractual obligations to (i) fund acquisition, design, construction, equipping, and improvement of water and wastewater facilities, and for the purchase of materials, supplies, machinery, and rights-of-way related thereto; and (ii) pay the costs of issuance related to the sale of the Series 2019B Bonds. See "THE BONDS – Use of Proceeds" and "- Sources and Uses of Funds."
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.
Qualified Tax-Exempt Obligations	The City will designate the Bonds as qualified tax-exempt obligations. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."
Ratings	S&P Global Ratings .... "AA-" The ratings reflect only the respective views of S&P Global Ratings ("S&P") and the City makes no representation as to the appropriateness of such ratings. There is no assurance that such ratings will continue for any period of time or that they will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. See “SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Ratings.”
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **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 "THE BONDS – Book-Entry-Only System."
Payment Record	The City has never defaulted in payment of principal or interest on any of its outstanding debt.

For additional information regarding the City, please contact:

Lindsay Koskiniemi Interim City Manager City of Richwood, Texas 1800 Brazosport Blvd. N. Richwood, Texas 77531 Phone: (979) 265-2082	or	John Robuck Managing Director BOK Financial Securities, Inc. 1401 McKinney Street, Suite 1000 Houston, Texas 77010 Phone: (713) 289-5897

TABLE 1 - SELECTED FINANCIAL INFORMATION

- Selected Financial Information -
(Unaudited)

2018 Net Taxable Assessed Valuation (100% of market value)	$ 274,825,298	(a)
Direct Debt:		
Outstanding Tax Supported Debt (as of June 1, 2019) (b)	$ 2,000,000	
Plus: The Series 2019A Bonds	2,780,000	
Plus: The Series 2019B Bonds	3,750,000	(c)
Less: Self Supporting Debt	(4,525,000)	(d)
Total Tax Supported Debt	$ 4,005,000	
Estimated Overlapping Debt	$ 5,984,659	
Direct and Estimated Overlapping Debt	$ 9,989,659	
Debt Service Fund Balance (as of April 30, 2019)	$ 244,989	(e)

Debt Ratios:	% of 2018 Taxable Assessed Valuation (a)	Per Capita (5,651)
Direct Tax Supported Debt	1.46%	$ 709
Direct Tax Supported and Estimated Overlapping Debt	3.63%	$1,768

2018 Tax Rate (per $100 of Assessed Valuation)		
Maintenance and Operation	$ 0.609627	
Debt Service	0.060577	
Total	$ 0.670204	
Annual Debt Service Requirements:		
Average (Fiscal Years 2019-2039)	$ 272,703	(f)
Maximum (2022)	$ 408,448	(f)
Tax Collections:		
Arithmetic Average, Tax Years (2013-2017)	99.29%	

(a) Certified by the Brazoria County Central Appraisal District (the "Appraisal District") and net of exemptions.
(b) The City entered into a direct purchase loan with First National Bank of Lake Jackson in 2013 to finance the completion of the City Hall building (the "City Hall Loan"). The City Hall Loan, currently outstanding in the amount of $244,528, is subject to immediate acceleration in the event that the City defaults under the City Hall Loan agreement or defaults on any other outstanding debt. However, the City believes it has sufficient liquidity to cover the outstanding amount if it defaults under the City Hall Loan agreement or defaults on any other outstanding debt. See "APPENDIX B – Note 8" for additional information regarding the City Hall Loan.
(c) Although the Series 2019B Bonds are secured by ad valorem taxes, the City intends, but is not required, to treat the Series 2019B Bonds as self-supporting debt and to pay debt service on the Series 2019B Bonds with surplus revenues of the City’s water and sewer system (the "System") to the extent such revenues are available in any year.
(d) Includes the Series 2019B Bonds, the City’s Series 2004 Tax and Revenue Certificates of Obligation (the "Series 2004 Certificates") and Series 2011 Tax and Revenue Certificates of Obligation (the "Series 2011 Certificates"), which the City treats as self-supporting debt payable from surplus revenues of the System pursuant to a policy determination by City Council, which is subject to change. If payments were not made from such sources in the future, the difference would be paid from ad valorem taxes.
(e) Unaudited.
(f) Includes the Series 2019A Bonds and excludes the Series 2019B Bonds, the Series 2004 Certificates and Series 2011 Certificates, which the City treats as self-supporting debt.

INTRODUCTION

This Official Statement and Appendices A and B hereto provide certain information with respect to the issuance by the City of Richwood, Texas (the "City") of its $2,780,000 City of Richwood, Texas General Obligation Bonds, Series 2019A (the "Series 2019A Bonds"), and $3,750,000 City of Richwood, Texas General Obligation Bonds, Series 2019B (the "Series 2019B Bonds") (collectively, the "Bonds").

The Bonds, when issued, will constitute valid and binding obligations of the City and will be secured by and payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS - Source of Payment."

There follows in this Official Statement descriptions of the Bonds, the plan of financing, and certain information about 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 upon request. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Series 2019A Bonds (the "Series 2019A Ordinance"), and the ordinance authorizing the issuance of the Series 2019B Bonds (the "Series 2019B Ordinance") (collectively, the "Ordinances") adopted by the City Council on June 17, 2019, except as otherwise indicated herein.

THE BONDS

Description

The Series 2019A Bonds are being issued as $2,780,000 General Obligation Bonds, Series 2019A. The Series 2019A Bonds include $1,365,000 principal amount of serial bonds maturing August 15 in each of the years 2020 through 2029, inclusive (the "Series 2019A Serial Bonds") and $1,415,000 principal amount of term bonds maturing August 15 in the years 2031, 2033, 2035 and 2039 (the "Series 2019A Term Bonds").

The Series 2019B Bonds are being issued as $3,750,000 General Obligation Bonds, Series 2019B. The Series 2019B Bonds include $1,075,000 principal amount of serial bonds maturing August 15 in each of the years 2020 through 2029, inclusive (the "Series 2019B Serial Bonds") and $2,675,000 principal amount of term bonds maturing August 15 in the years 2031, 2033, 2035, 2039, 2044 and 2049 (the "Series 2019B Term Bonds"). The Series 2019A Serial Bonds, Series 2019B Serial Bonds, Series 2019A Term Bonds and the Series 2019B Term Bonds are collectively referred to herein as the "Bonds."

The Bonds are dated July 15, 2019 and bear interest from the date of initial delivery anticipated to be July 16, 2019 (the "Delivery Date"), to the underwriters listed on the cover page hereof (the "Underwriters") at the stated interest rates indicated on page 2 of this Official Statement, which interest is payable initially on February 15, 2020, and each August 15 and February 15 thereafter until the earlier of maturity or prior redemption.

The Bonds are issued in fully registered form in principal denominations of $5,000 each or any multiple thereof. Principal of the Bonds is payable at the principal payment office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar. The Bonds initially will be registered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described below.

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred and exchanged on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal payment office of the Paying Agent/Registrar. No service charge will be made for any transfer, but the City may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

The record date (the "Record Date") for the interest payable on any interest payment date means the close of business on the last day of the month preceding such interest payment date.

If interest on any Bond is not paid on any interest payment date and continues unpaid for thirty (30) days thereafter, the Paying Agent/Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Paying Agent/Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the City. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five (5) days prior to the Special Record Date, to each affected owner of record as of the close of business on the day prior to the mailing of such notice.

It will be required that all transfers be made within three business days after request and presentation. The City has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the City and the Paying Agent/Registrar of security or indemnity to keep them harmless. The City may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

The Bonds maturing on August 15, 2030 and thereafter are subject to optional redemption prior to maturity, in whole or from time to time in part, on August 15, 2029, or any date thereafter, at the option of the City at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date of redemption. If less than all of the Bonds are redeemed at any time, the maturities of such Bonds to be redeemed shall be selected by the City. If less than all of a maturity of the Bonds is to be redeemed, the Paying Agent/Registrar, (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption

The Series 2019A Bonds maturing August 15 in the years 2031, 2033, 2035 and 2039 (the "Series 2019A Term Bonds") and the Series 2019B Bonds maturing on August 15 in the years 2031, 2033, 2035, 2039, 2044 and 2049 (the "Series 2019B Term Bonds" or collectively with the Series 2019A Term Bonds, the "Term Bonds"), shall be subject to mandatory sinking fund redemption, in whole or from time to time in part (at a redemption price equal to the principal amount thereof and any accrued interest thereon to the date set for redemption), on August 15 in each of the years and in the amounts set forth below:

Series 2019A Term Bonds

$285,000 Series 2019A Term Bonds Maturing August 15, 2031

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2030	$145,000
August 15, 2031 (Stated Maturity)	140,000

$285,000 Series 2019A Term Bonds Maturing August 15, 2033

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2032	$140,000
August 15, 2033 (Stated Maturity)	145,000

$280,000 Series 2019A Term Bonds Maturing August 15, 2035

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2034	$140,000
August 15, 2035 (Stated Maturity)	140,000

$565,000 Series 2019A Term Bonds Maturing August 15, 2039

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2036	$140,000
August 15, 2037	140,000
August 15, 2038	140,000
August 15, 2039 (Stated Maturity)	145,000

Series 2019B Term Bonds

$265,000 Series 2019B Term Bonds Maturing August 15, 2031

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2030	$130,000
August 15, 2031 (Stated Maturity)	135,000

$270,000 Series 2019B Term Bonds Maturing August 15, 2033

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2032	$135,000
August 15, 2033 (Stated Maturity)	135,000

$270,000 Series 2019B Term Bonds Maturing August 15, 2035

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2034	$135,000
August 15, 2035 (Stated Maturity)	135,000

$535,000 Series 2019B Term Bonds Maturing August 15, 2039

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2036	$135,000
August 15, 2037	135,000
August 15, 2038	130,000
August 15, 2039 (Stated Maturity)	135,000

$665,000 Series 2019B Term Bonds Maturing August 15, 2044

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2040	$135,000
August 15, 2041	135,000
August 15, 2042	130,000
August 15, 2043	135,000
August 15, 2044 (Stated Maturity)	130,000

$670,000 Series 2019B Term Bonds Maturing August 15, 2049

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2045	$135,000
August 15, 2046	135,000
August 15, 2047	135,000
August 15, 2048	130,000
August 15, 2049 (Stated Maturity)	135,000

Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided below. The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to the mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinances have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

Not less than 30 days prior to a Redemption Date, the City will cause a notice of redemption to be sent by United States Mail, first-class postage prepaid, in the name of the City and at the City's expense, by the Paying Agent/Registrar to each registered owner of a Bond to be redeemed in whole or in part at the address of the registered owner appearing on the security register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed will be conclusively presumed to have been duly given irrespective of whether received by the registered owner. All notices of redemption will state:

(1) the redemption date,

(2) the redemption price,

(3) the principal amount and identification (by City and Bond name, CUSIP number, stated maturity, interest rate, Dated Date, and, in the case of partial redemption, the Bond numbers and respective principal amounts) of Bonds to be redeemed,

(4) that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that interest thereon will cease to accrue from and after said date, and

(5) that the Bonds to be redeemed are to be surrendered for payment of the redemption price at the place of payment (as defined in the Ordinances), and the address of such place of payment.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC 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, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

Purchases of 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 the 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.

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable dates 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes not responsibility for the accuracy thereof.

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 Ordinances will be given only to DTC.

Successor Paying Agent/Registrar

Provision is made in the Ordinances for replacing the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor paying agent/registrar (the "Successor Paying Agent/Registrar"), and the Successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Successor Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the City and will be secured by and payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City.

Use of Proceeds

Proceeds from the sale of the Series 2019A Bonds will be used to pay for (i) street and road improvements; (ii) sidewalk construction and improvements; (iii) drainage improvements and flood control projects; and (iv) the costs of issuance related to the sale of the Series 2019A Bonds.

Proceeds from the sale of the Series 2019B Bonds will be used to pay for contractual obligations to (i) fund acquisition, design, construction, equipping, and improvement of water and wastewater facilities, and for the purchase of materials, supplies, machinery, and rights-of-way related thereto; and (ii) pay the costs of issuance related to the sale of the Series 2019B Bonds. See "THE BONDS - Sources and Uses of Funds."

Authorization of the Bonds

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, as amended, elections held within the City on November 6, 2018 and May 4, 2019, and the Ordinances. The Series 2019A Bonds constitute the first installment of the total authorization of $5,000,000 approved in three separate propositions at an election held on November 6, 2018. The Series 2019B Bonds constitute the first and final installment of the total authorization of $4,000,000 approved at an election held on May 4, 2019.

The following table illustrates the bonds authorized, issued and remaining authorized but unissued by proposition.

TABLE 2 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Date Authorized	Purpose	Amount Authorized	Issued To Date	The Series 2019A Bonds	The Series 2019B Bonds	Authorized But Unissued
11/6/2018	Streets & Roads	$3,000,000	$-0-	$1,380,000	$ -0-	$1,620,000
11/6/2018	Sidewalks	500,000	-0-	75,000	-0-	425,000
11/6/2018	Drainage	1,500,000	-0-	1,500,000	-0-	-0-
5/4/2019	Water and Wastewater	4,000,000	-0-	-0-	4,000,000	-0-
		$9,000,000	$-0-	$2,955,000(a)	$4,000,000(b)	$2,045,000

(a) Includes $2,780,000 par amount of the Series 2019A Bonds and a portion of the premium in the amount of $175,000 generated on the sale of the Series 2019A Bonds and applied against voted authorization.

(b) Includes $3,750,000 par amount of the Series 2019B Bonds and a portion of the premium in the amount of $250,000 generated on the sale of the Series 2019B Bonds and applied against voted authorization.

Sources and Uses of Funds

The proceeds from the sale of the Series 2019A Bonds will be applied as follows:

SOURCES OF FUNDS:	
Principal Amount of Series 2019A Bonds	$ 2,780,000.00
Premium on the Series 2019A Bonds	276,259.85
Total Sources of Funds	$ 3,056,259.85
USES OF FUNDS	
Deposit to Construction Fund	$ 2,955,000.00
Expenses:	
Underwriters' Discount	24,047.00
Other Issuance Expenses (a)	77,212.85
Total Uses of Funds	$ 3,056,259.85

(a) Includes legal fees of the City, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, contingency, and other costs of issuance.

The proceeds from the sale of the Series 2019B Bonds will be applied as follows:

SOURCES OF FUNDS:	
Principal Amount of Series 2019B Bonds	$ 3,750,000.00
Premium on the Series 2019B Bonds	365,396.80
Total Sources of Funds	$ 4,115,396.80
USES OF FUNDS	
Deposit to Construction Fund	$ 4,000,000.00
Expenses:	
Underwriters' Discount	30,562.50
Other Issuance Expenses (a)	84,834.30
Total Uses of Funds	$ 4,115,396.80

(a) Includes legal fees of the City, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, contingency, and other costs of issuance.

Future Debt

After the sale of the Bonds, the City will have $2,045,000 authorized but unissued bonds from its November 6, 2019 election. The City intends to issue such authorized bonds over the next 3 years. The City may also issue additional certificates of obligation for City projects. Depending on the rate of development within the City, changes in assessed valuation, and the amounts, interest rates, maturities and time of issuance of additional certificates of obligation or bonds, increases in the City's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on the City's outstanding bonds, the Bonds, and such future certificates of obligation or bonds.

Legal Investments and Eligibility to Secure Public Fund in Texas

Pursuant to the Texas Public Securities Procedures Act, Chapter 1201, Texas Government Code, as amended, the Bonds, whether rated or unrated, are (a) legal investments for insurance companies, fiduciaries and trustees and (b) legal investments for the sinking funds of political subdivisions or public agencies of the State of Texas. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value. Again, political subdivisions in the State of Texas may impose a requirement that the Bonds have a rating of not less than "A" or its equivalent to be eligible to serve as collateral for their funds.

The City has not made any investigations of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above entities or persons to purchase or invest in the Bonds.

Remedies of Holders of the Bonds

The Ordinances do not establish specific events of default with respect to the Bonds or provide for the appointment of a trustee to represent the interests of the owners upon any failure of the City to perform in accordance with the terms of the Bonds, or upon any other condition. If the City defaults in any payment due on the Bonds, or if the City defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Ordinances, any registered owner is entitled to seek a writ of mandamus or mandatory injunction from a court of proper jurisdiction to compel the City to levy, assess and collect an annual ad valorem tax sufficient (within the limits described herein) to pay principal of and interest on the Bonds as they become due or to perform other material covenants, conditions or obligations contained in the Ordinances. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract; and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Such rights are in addition to any other rights the registered owners of the Bonds may be provided by the laws of the State with respect to the Bonds. Under Texas law there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinances. A registered owner of Bonds could file suit against the City if a default occurred in the payment of principal of or interest on any such Bonds; however, a suit for monetary damages would be vulnerable to the defense of governmental immunity and any judgment could not be satisfied by execution against any public purpose property of the City. Any waiver of governmental immunity must be by express act of the Texas Legislature. Further, if such a suit were authorized and a judgment obtained, registered owners could not foreclose on public purpose property to satisfy the judgment.

The City is also eligible, pursuant to Section 140.001, Texas Local Government Code, 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 owners of an entity that 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 another 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 Ordinances and the Bonds are qualified with respect to the limitations related to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors of political subdivisions.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE CITY

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

Legal Investments

Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the Mayor and Council of the City. Both state law and the City's investment policies are subject to change. 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 are 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 (i) that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or (ii) 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 investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (II) a depository institution with a main office or branch office in this state that the investing entity selects; (b) the broker or depository institution selected as described by subsection (a) 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 investing entity'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 entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (I) the depository institution selected as described by subsection (a); (II) an entity described by Section 2257.041(d); or (III) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (8) certificates of deposit or share certificates (i) that are issued by or through a depository 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 are secured as to principal by obligations described in clauses (1) through (7) or in accordance with Chapter 2257, Texas Government Code or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (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; (9) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) certain bankers' acceptances with a stated maturity of 270 days or less, that will be, in accordance with their terms, liquidated in full at maturity; that are eligible for collateral for borrowing from a Federal Reserve Bank, 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; (11) 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; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), and comply with federal Securities and Exchange Commission Rule 2a-7; and (13) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in certain 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, including the Federal Home Loan Banks, in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below; and is pledged to the City and deposited with the City or with a third party selected and approved by the City.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service if the governing body of the City authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code. The City may also contract with an investment management firm registered 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 includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each 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 Council.

The City's policies require investments in accordance with applicable state law. The City's Statement of Investment Policy does not exclude any investments allowable under State law described above under "Legal Investments." The City generally invests in certificates of deposit, money market accounts and obligations of the United States or its agencies and instrumentalities.

Current Investments

The City's investment balances on April 30, 2019 were as follows:

TABLE 3 - CURRENT INVESTMENTS

	Book Value	Market Value
Investment Pools	$ 851,875	$ 851,875
Certificates of Deposit	509,315	509,315
Total Portfolio	$1,361,190	$1,361,190

Additional Provisions

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies; (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding obligation proceeds and reserves and other funds held for debt service, and to invest no portion of obligation proceeds, reserves and funds held for debt service, in mutual funds; (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.

[Remainder of Page Intentionally Left Blank]

CITY TAX DEBT

Tax Supported Debt Statement

The following tables and calculations relate to the Bonds and to all other tax supported debt of the City. The City and various other political subdivisions of government which overlap all or a portion of the City are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of property within the City.

Bonded Indebtedness Payable from Ad Valorem Taxes

2018 Net Taxable Assessed Valuation (100% of market value)	$	274,825,298	(a)
Direct Debt:			
Outstanding Tax Supported Debt (as of June 1, 2019) (b)	$	2,000,000	
Plus: The Series 2019A Bonds		2,780,000	
Plus: The Series 2019B Bonds		3,750,000	(c)
Less: Self Supporting Debt		(4,525,000)	(d)
Total Tax Supported Debt	$	4,005,000	
Debt Service Fund Balance (as of April 30, 2019)	$	244,989	(e)

(a) Certified by the Appraisal District and net of exemptions.

(b) The City entered into a direct purchase loan with First National Bank of Lake Jackson in 2013 to finance the completion of the City Hall building (the "City Hall Loan"). The City Hall Loan, currently outstanding in the amount of $244,528, is subject to immediate acceleration in the event that the City defaults under the City Hall Loan agreement or defaults on any other outstanding debt. However, the City believes it has sufficient liquidity to cover the outstanding amount if it defaults under the City Hall Loan agreement or defaults on any other outstanding debt. See "APPENDIX B – Note 8" for additional information regarding the City Hall Loan.

(c) Although the Series 2019B Bonds are secured by ad valorem taxes, the City intends, but is not required, to treat the Series 2019B Bonds as self-supporting debt and to pay debt service on the Series 2019B Bonds with surplus revenues of the City's water and sewer system (the "System") to the extent such revenues are available in any year.

(d) Includes the Series 2019B Bonds, the City's Series 2004 Tax and Revenue Certificates of Obligation (the "Series 2004 Certificates") and Series 2011 Tax and Revenue Certificates of Obligation (the "Series 2011 Certificates"), which the City treats as self-supporting debt payable from surplus revenues of the System pursuant to a policy determination by City Council, which is subject to change. If payments were not made from such sources in the future, the difference would be paid from ad valorem taxes.

(e) Unaudited.

[Remainder of Page Intentionally Left Blank]

Tax-Supported Debt Service Schedule

The following sets forth the principal and interest on the City's outstanding tax supported debt, plus the principal and interest on the Series 2019A Bonds and the Series 2019B Bonds.

TABLE 4 - TAX-SUPPORTED DEBT SERVICE

FY Ending 9/30	Current Tax-Supported Debt Service Requirements	The Series 2019A Bonds		The Series 2019B Bonds		Total Debt Service Requirements	Less: Debt Paid by the System (a)	Total Tax-Supported Debt Service Requirements
		Principal	Interest	Principal	Interest			
2019	$ 265,693					$ 265,693	$ 99,361	$ 166,332
2020	265,020	$ 100,000	$ 106,921	$ 20,000	$ 151,926	643,867	268,335	375,531
2021	263,660	140,000	95,950	50,000	140,000	689,610	283,428	406,183
2022	266,975	145,000	91,750	85,000	138,500	727,225	318,777	408,448
2023	264,978	140,000	87,400	115,000	135,950	743,328	347,915	395,414
2024	262,494	140,000	83,200	135,000	132,500	753,194	360,940	392,254
2025	199,693	140,000	79,000	135,000	128,450	682,143	363,205	318,938
2026	154,703	140,000	74,800	135,000	124,400	628,903	316,265	312,638
2027	155,852	140,000	70,600	135,000	120,350	621,802	310,464	311,338
2028	156,827	140,000	66,400	130,000	116,300	609,527	304,664	304,863
2029	152,607	140,000	62,200	135,000	112,400	602,207	303,819	298,388
2030	158,387	145,000	56,600	130,000	107,000	596,987	296,474	300,513
2031	158,797	140,000	50,800	135,000	101,800	586,397	299,134	287,263
2032	99,013	140,000	45,200	135,000	96,400	515,613	231,400	284,213
2033	16,041	145,000	39,600	135,000	91,000	426,641	226,000	200,641
2034		140,000	33,800	135,000	85,600	394,400	220,600	173,800
2035		140,000	28,200	135,000	80,200	383,400	215,200	168,200
2036		140,000	22,600	135,000	74,800	372,400	209,800	162,600
2037		140,000	17,000	135,000	69,400	361,400	204,400	157,000
2038		140,000	11,400	130,000	64,000	345,400	194,000	151,400
2039		145,000	5,800	135,000	58,800	344,600	193,800	150,800
2040				135,000	53,400	188,400	188,400	0
2041				135,000	48,000	183,000	183,000	0
2042				130,000	42,600	172,600	172,600	0
2043				135,000	37,400	172,400	172,400	0
2044				130,000	32,000	162,000	162,000	0
2045				135,000	26,800	161,800	161,800	0
2046				135,000	21,400	156,400	156,400	0
2047				135,000	16,000	151,000	151,000	0
2048				130,000	10,600	140,600	140,600	0
2049				135,000	5,400	140,400	140,400	0
Totals	$2,840,737	$2,780,000	$1,129,221	$3,750,000	$2,423,376	$12,923,334	$7,196,578	$5,726,756

Average Annual Requirements (2019-2039).. $272,703 (b)
Maximum Annual Requirement (2022).. $408,448 (b)

(a) Includes the Series 2019B Bonds, the Series 2004 Certificates and Series 2011 Certificates, which the City treats as self-supporting debt payable from surplus revenues of the System pursuant to a policy determination by City Council, which is subject to change. If payments were not made from such sources in the future, the difference would be paid from ad valorem taxes.

(b) Includes the Series 2019A Bonds and excludes the Series 2019B Bonds, the Series 2004 Certificates and Series 2011 Certificates, which the City treats as self-supporting debt.

TABLE 5 – COMPUTATION OF SELF-SUPPORTING DEBT (a)

Net Water and Sewer System Revenue Available (9/30/2018)	$ 464,820
Less: Requirements for Water and Sewer System Revenue Bonds	0
Available for Other Purposes	$ 464,820
Water and Sewer System General Obligation Bonds, Self-Supported (9/30/2019) (a)	$ 99,361
Percentage of Water and Sewer General Obligation Bonds, Self-Supported	100.00%

(a) Includes the Series 2019B Bonds, the Series 2004 Certificates and Series 2011 Certificates, which the City treats as self-supporting debt payable from surplus revenues of the System pursuant to a policy determination by City Council, which is subject to change. If payments were not made from such sources in the future, the difference would be paid from ad valorem taxes.

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding obligations payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. The City has not independently verified the accuracy or completeness of the information shown below except for amounts related to the City.

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Taxing Jurisdiction	Debt as of April 30, 2019	Overlapping Percent	Overlapping Amount
Brazoria County	$ 69,425,000	0.62%	$ 430,435
Brazoria County Toll Road Authority	83,538,313	1.05	877,152
Brazosport College District	51,490,000	1.61	828,989
Brazosport ISD	232,989,985	1.61	3,751,139
Port Freeport	1,145,000	1.06	12,137
Velasco DD	5,235,000	1.62	84,807
TOTAL ESTIMATED OVERLAPPING			$5,984,659
The City (a)			4,005,000
Total Direct and Estimated Overlapping Debt			$9,989,659

(a) Includes the Series 2019A Bonds and excludes the Series 2019B Bonds, the Series 2004 Certificates and Series 2011 Certificates, which the City treats as self-supporting debt.

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

Debt Ratios

	Direct Debt (a)	Direct and Overlapping Debt (a)
Per 2018 Taxable Assessed Valuation ($274,825,298)	1.46%	3.63%
Per Capita (5,651)	$ 709	$1,768

(a) Includes the Series 2019A Bonds and excludes the Series 2019B Bonds, the Series 2004 Certificates and Series 2011 Certificates, which the City treats as self-supporting debt.

TAX DATA

General

One of the City's principal sources of operational revenue and its principal source of funds for debt service payments is the receipts from ad valorem taxation. See "SELECTED FINANCIAL DATA." The following is a recapitulation of (a) certain provisions of Title I of the Texas Tax Code, including methodology, limitations, remedies and procedures (reference is made to Title I of the Texas Tax Code in full); (b) historical analysis of collection and trends of tax receipts and provisions for delinquencies; (c) an analysis of the tax base, including relative property composition, principal taxpayers and adequacy of the tax base to service debt requirements; and (d) taxation that may add to the City's taxpayers' tax costs.

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") establishes for each county in Texas a single appraisal district with responsibility for recording and appraising property for all taxing units within the county, and a single appraisal review board, with responsibility for reviewing and equalizing the values established by the appraisal district. The Property Tax Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the prior tax year or the value rendered by the property owner or whose property was not on the appraisal roll the preceding year or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the City; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. In addition, taxing units such as the City are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records or the grant in whole or in part of an exemption. A taxing unit may not, however, challenge the valuation of individual properties. Although the City has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code the City does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of reappraisals will be utilized by the Brazoria County Central Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax, within the limits prescribed by law, to provide for the payment of principal of and interest on all ad valorem tax debt. Article XI, Section 5 of the Texas Constitution, provides for an overall limitation for Home rule cities of $2.50 per $100 assessed valuation. The Attorney General of Texas follows a policy, with respect to Home rule cities which have such a $2.50 limitation, of approving ad valorem tax bonds only to the extent that all of such city's ad valorem tax debt can be serviced by a debt service tax rate of $1.50 at 90% collection.

Property Subject to Taxation by the City

Except for certain exemptions provided by Texas law, all real and tangible personal property and certain categories of intangible personal property with a tax situs in the City are subject to taxation by the City; however, no effort is expected to be made by the Brazoria County Central Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions; property used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; most individually-owned automobiles; and property of disabled veterans, only to the extent of $12,000; a complete exemption for the value of a residential homestead of disabled veterans judged to be 100% disabled by the U.S. Department of Veterans Affairs is granted by Texas law. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of (i) a member of the armed forces who was killed in action or, effective January 1, 2018, (ii) a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. In addition, taxpayers who are disabled or over 65 years of age are entitled to apply for an additional exemption from market value of their residential homestead of $40,000. The surviving spouse of a totally disabled veteran who died on or before January 1, 2010 and who would have qualified for the full exemption on the homestead's entire value if it had been available at that time, will be entitled to an exemption from ad valorem taxation of all or part of the market value of the residence homestead if the spouse has not remarried. The surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization or, effective January 1, 2018, at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. The surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The State constitution permits local governments the option of granting homestead exemptions of up to 20% of market value, but not less than $5,000.

The appraised value of a residence homestead for a tax year may not exceed the lesser of (1) the most recent market value of the residence homestead as determined by the appraisal entity or (2) 110 percent of the appraised value of the residence homestead for the preceding tax year plus the market value of all new improvements.

The governing body of a taxing unit, such as the City, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads with a minimum exemption of $5,000, and (2) an additional exemption of not less than $3,000 of the market value of the homesteads of persons 65 years of age or older and the disabled. Senate Joint Resolution 1 ("SJR1"), passed during the 84th Texas Legislature, proposed a constitutional amendment that allows the Legislature to prohibit a municipality that adopts an optional homestead exemption from reducing or repealing the amount of the exemption. SJR1 was approved by the voters in the November 2015 Constitutional election, Senate Bill 1, which went into effect upon the approval of SJR1, prohibited municipalities from reducing or repealing the amount of their optional homestead exemption that was in place for the 2014 tax year for a period running through December 31, 2019.

The City has authority to enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. Such abatement agreement may last for a period of up to 10 years.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation unless the governing body of a taxing entity took action prior to January 1, 1990, to tax such property. Freeport property is defined as goods detained in State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to exempt freeport property are not subject to reversal. On December 18, 1989, the City's City Council took such official action not to tax the property in 1990 and to allow the exemption for 1991 and all future years.

Article VIII, section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State of Texas or outside of the State of Texas 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. The City has taken official action and determined not to grant a "goods-in-transit" exemption.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values over $1,000, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The City has elected to have Brazoria County bill and collect taxes on behalf of the City. Before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City, the rate of taxation is set by the City Council based upon the valuation of property within the City as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

The City Council may under certain circumstances be required to advertise and hold a public hearing(s) within the City on a proposed tax rate before the City Council can hold a public meeting to vote on the tax rate. If the tax rate adopted exceeds by more than 8% the rate needed to pay debt service and certain contractual obligations and to produce, when applied to the property which was on the prior year's roll, the prior year's total taxes levied for purposes other than debt service and such contractual obligations (the "rollback rate"), such excess portion of the levy may, subject to constitutional restrictions on the impairment of existing obligations, be repealed at an election within the City held upon petition of 10% of the City's qualified voters and the tax rate adopted for the current year be reduced to the rollback rate.

The City is prohibited from adopting a tax rate that exceeds the lower of the rollback tax rate or the "effective tax rate" until it has held two public hearings on the proposed tax rate and has otherwise complied with the Property Tax Code. 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.

Taxes are due on receipt of the tax bill, and become delinquent after January 31 of the following year, or on the first day of the calendar month next following the expiration of twenty-one (21) days after mailing of the tax bills, whichever occurs later. A delinquent tax account incurs an initial penalty of six percent (6%) of the amount of the tax and accrues an additional penalty of one percent (1%) per month up to July 1, at which time the total penalty becomes twelve percent (12%). In addition, delinquent taxes accrue interest at one percent (1%) per month. If the tax is not paid by July 1, an additional penalty of up to twenty percent (20%) may under certain circumstances be imposed by the City. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payments, partial payments of taxes and the postponement of the delinquency date of taxes under certain circumstances.

See "- 2019 Legislative Session" for information regarding Senate Bill 2 adopted by the Texas Legislature during the 86th Texas Legislature regular session, which would reduce the rollback tax rate applicable to the City.

Collection of Delinquent Taxes

Taxes levied by the City are a personal obligation of the property owner on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each taxing unit, including the City, having the power to tax the property. The City's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. In the event a taxpayer fails to make timely payment of taxes due the City, the City may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. In the absence of such federal law, the City's tax lien takes priority over a tax lien of the United States. The ability of the City to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, the foreclosure sale price attributable to market conditions, the taxpayer's right to redeem the property within two years of foreclosure, or by bankruptcy proceedings which restrain the collection of a taxpayer's debts.

2019 Legislative Session

The 86th regular session of the Texas Legislature convened on January 8, 2019 and adjourned on May 27, 2019. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

During the 86th regular legislative session, the Texas Legislature adopted, and the Governor has signed, Senate Bill 2, which affects the calculation of and procedures related to collection of ad valorem property taxes by cities, counties and certain other political subdivisions in the State, including reducing the rollback election for maintenance tax increases for cities, counties and other political subdivisions in the State from 8.0% to 3.5%, and other matters which may have an adverse impact on the City's operations and financial condition. Senate Bill 2 does not limit the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds. The City cannot represent at this time what impact, if any, such legislation may have on the City. The City has not yet had the opportunity to fully evaluate the effects, if any, of other legislation passed during the regular session and can make no representation regarding any actions the Texas Legislature may take during a future special session, if any. In addition, future Legislatures may consider bills that could have a direct impact on the City. The City can make no representations or predictions concerning the substance or the effect of any legislation that may be passed in the future or how any such legislation could affect the City.

Historical Analysis of Tax Collection

TABLE 7 - TAX COLLECTION RATIOS

- Tax Collection Ratios -

Tax Year	Net Assessed Valuation (a)	Tax Rate Per $100 of Assessed Valuation	Adjusted Tax Levy	Collections on Adjusted Tax Levy	Fiscal Year Ending 9-30
2009	$150,606,547	$0.693660	$1,044,758	99.15%	2010
2010	163,093,369	0.693660	1,134,497	98.69	2011
2011	166,401,250	0.693660	1,154,325	99.10	2012
2012	167,373,223	0.735680	1,243,507	100.13	2013
2013	170,358,828	0.735680	1,253,330	98.82	2014
2014	188,016,565	0.735680	1,383,238	99.55	2015
2015	194,446,838	0.735680	1,430,545	100.00	2016
2016	236,551,500	0.672580	1,499,628	99.07	2017
2017	294,751,459	0.634444	1,869,903	99.01	2018
2018	274,825,298 (b)	0.670204	1,836,871	94.95 (c)	2019

(a) Certified by the Appraisal District and net of exemptions. Also such value is further subject to change as additions, corrections, and deletions are made to the tax roll. Value may differ from those shown in the audited financial statements or elsewhere in this Official Statement due to subsequent adjustments to the tax roll.
(b) The City's net assessed valuation for tax year 2018 declined by approximately $19.9 million due to the effects from Hurricane Harvey. The City does not anticipate a further reduction in values in future years as a result of Hurricane Harvey. See "WEATHER EVENTS AND HURRICANE HARVEY."
(c) Collections as of April 30, 2019.

TABLE 8 - TAX RATE DISTRIBUTION

- Tax Rate Distribution -

	Tax Year 2018	Tax Year 2017	Tax Year 2016	Tax Year 2015	Tax Year 2014
Maintenance	$0.609627	$0.575223	$0.601303	$0.653360	$0.646369
Debt Service	0.060577	0.059221	0.071277	0.082320	0.089311
Total	$0.670204	$0.634444	$0.672580	$0.735680	$0.735680

Analysis of Tax Base

TABLE 9 - TAX BASE DISTRIBUTION

- Tax Base Distribution -

Type of Property	2018 Tax Roll (a) Amount	2018 %	2017 Tax Roll (a) Amount	2017 %	2016 Tax Roll (a) Amount	2016 %
Residential	$221,905,624	74.73%	$245,799,770	77.04%	$193,869,940	73.73%
Vacant Lots/Tracts	14,683,958	4.95	15,371,578	4.82	15,640,558	5.95
Farm & Ranch Acreage	3,489,649	1.18	3,736,489	1.17	3,988,799	1.52
Commercial/Industrial	36,632,917	12.34	35,830,135	11.23	31,829,187	12.11
Utilities	2,936,170	0.00	2,843,070	0.89	2,530,800	0.96
Other	17,284,970	5.82	15,491,080	4.86	15,082,562	5.74
Total Market Value	$296,933,288	100.00%	$319,072,122	100.00%	$262,941,846	100.00%
Less: Exemptions:						
Over 65 or Disabled	$ (5,611,710)		$ (5,461,710)		$ (5,247,334)	
Disabled Veteran	(1,597,600)		(1,622,030)		(1,175,024)	
Other Exemptions	(14,898,680)		(17,236,923)		(19,967,988)	
Total Taxable Value	$274,825,298		$294,751,459		$236,551,500	

Source: The Appraisal District.

(a) Value may differ from those shown in the audited financial statements or elsewhere in this Official Statement due to subsequent adjustments to the tax roll.

TABLE 10 - PRINCIPAL TAXPAYERS

- Principal Taxpayers -

Principal Taxpayer	Type of Property	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation	2016 Taxable Assessed Valuation
Brazos Reserve LLC	Apartments	$20,941,190	$23,441,190	(a)
Brazos Creekwood LLC	Apartments	13,911,410	15,038,470	(a)
Fifeshire Landing LP	Apartments	8,264,650	(a)	(a)
Interurban Creekside LLP	Apartments	7,530,170	7,017,700	$ 5,900,000
Yaklin Ford Inc.	Car Dealership	3,980,620	2,490,980	(a)
Setpoint Integrated Solutions Inc.	Industrial Tech	2,839,250	(a)	(a)
HMN Holdings	Commercial	2,351,860	2,324,220	2,302,860
McCoy Corp.	Construction Supply	2,078,710	2,078,710	2,078,710
McCoy's Building Supply Center	Construction Supply	1,875,740	1,831,360	1,237,530
IDV Brazosport LP	Commercial	1,751,650	2,083,000	1,899,000
Richwood Landing Apartments LLC	Apartments	(a)	8,234,130	6,694,270
CenterPoint Energy Inc.	Electric Company	(a)	1,599,100	1,262,800
Bobby Ford Inc.	Auto Dealership	(a)	(a)	2,411,390
TX Gulf Coast Fluid Sys. Solutions LLC	Engineering	(a)	(a)	1,190,960
Edward Lee Yaklin	Residential	(a)	(a)	1,147,870
Total Ten Principal Taxpayers		$65,525,250 (b)	$66,138,860	$26,125,390

(a) Not included as a top ten taxpayer for respective tax year.

(b) Approximately 23.8% of the City's total taxable value is concentrated in its top ten taxpayers. Adverse development affecting such taxpayers could adversely affect the taxable assessed valuation in the City resulting in less local tax revenue or future increase in ad valorem tax rates.

TABLE 11 - TAX ADEQUACY

- Tax Adequacy -

Average Annual Debt Service Requirements (2019-2039)	$272,703 (a)
Tax Rate of $0.105 per $100 assessed valuation against the 2018 Assessed Valuation of 95% collection produces	$274,138
Maximum Annual Tax Debt Service Requirements (in the year 2022)	$408,448 (a)
Tax Rate of $0.157 per $100 assessed valuation against the 2018 Assessed Valuation of 95% collection produces	$409,902

(a) Includes the Series 2019A Bonds and excludes the Series 2019B Bonds, the Series 2004 Certificates and Series 2011 Certificates, which the City treats as self-supporting debt.

Sales Tax

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On October 1, 2003, the voters of the City approved the imposition of an additional sales and use tax of one-quarter of one percent (1/4 of 1%) for street maintenance and repair. Additionally, on October 1, 2009, the voters of the City approved the imposition of an additional sales and use tax of one-quarter of one percent (1/4 of 1%) for crime control and prevention.

The sales tax breakdown for the City is as follows:

Street Maintenance and Repair	0.25%
Crime Control Prevention District	0.25%
City Sales and Use Tax	1.00%
Brazoria County Sales and Use Tax	0.50%
State Sales and Use Tax	6.25%
	8.25%

TABLE 12 - SALES TAX COLLECTION

Fiscal Year Ended 9-30	Total Collected	Equivalent Tax Year	Tax Rate Equivalent	% of Actual Tax Levy
2013	381,160	(2012)	$0.228	30.65%
2014	412,681	(2013)	0.242	32.93%
2015	536,520	(2014)	0.285	38.79%
2016	626,853	(2015)	0.322	43.82%
2017	597,300	(2016)	0.253	39.83%
2018	759,945	(2017)	0.258	40.64%
2019(a)	325,788	(2018)	0.118	17.69%

Source: the City's audited financial statements.
(a) Collections as of April 30, 2019.

[Remainder of Page Intentionally Left Blank]

SELECTED FINANCIAL DATA

Historical Operations of the City's General Fund

The following is a condensed statement of revenues and expenses of the City's General Fund for the past five fiscal years.

TABLE 13 - HISTORICAL OPERATIONS OF THE CITY'S GENERAL FUND

	Fiscal Year Ended September 30,					
	2019(a)	2018		2017	2016	2015
REVENUES						
Taxes:						
Property Taxes	$1,592,270	$1,552,047		$1,417,038	$1,363,177	$1,233,180
Sales Taxes	325,788	759,945		597,300	626,853	536,520
Franchise Fees	101,921	189,135		185,077	183,095	169,989
Revenue Producing Facilities	4,812	15,352		9,643	12,129	11,903
Fines and Fees	58,152	129,609		205,594	119,556	129,706
Licenses and Permits	70,906	86,684		58,255	42,013	71,651
Investment Earning	10,846	15,922		9,165	10,056	1,267
Intergovernmental	7,000	24,097		116,182	114,937	---
Miscellaneous	35,917	95,859		72,515	39,347	54,968
Total Revenues	$2,207,612	$2,868,650		$2,670,769	$2,511,163	$2,209,184
EXPENDITURES						
Current:						
General Administration	$ 378,378	$ 564,351		$ 513,161	$ 444,838	$ 421,163
Judicial	46,404	132,894		134,793	111,271	115,662
Police Department	529,304	983,076		934,894	759,130	682,450
Fire Department	115,876	149,560		165,490	135,717	127,980
City Maintenance	111,690	191,400		208,775	233,616	249,278
Streets and Drainage	57,770	50,920		35,223	78,763	97,803
Parks and Recreation	11,842	45,923		41,973	46,724	77,181
Code Enforcement	28,323	48,641		47,042	69,777	54,003
Inspection	40,209	106,043		81,608	---	---
Special Purpose	21,765	47,924		5,610	---	---
Capital Outlay	105,432	559,967		349,946	166,595	103,148
Debt Service						
Principal Retirement	33,879	30,784		27,526	---	---
Interest and Agent Fees	14,323	3,102		4,148	---	---
Total Expenditures	$1,495,195	$2,914,585		$2,550,189	$2,046,431	$1,928,668
Excess of Revenues Over Expenditures	$ 712,417	$ (45,935)		$ 120,580	$ 464,732	$ 280,516
Other Financing Sources (Uses):						
Transfer in	$ 104,410	$ 86,871		---	---	---
Transfer out	---	(83,936)	(b)	---	$ (1,000)	$ (84,327)
Sale of Capital Assets	---	7,538		$ 1,700	---	---
Other Financing Sources	173,909	375,690		118,493	---	30,206
Total Other Financing Sources	$ 278,319	$ 386,163		$ 120,193	$ (1,000)	$ (54,121)
Net Changes in Fund Balances	$ 990,736	$ 340,228		$ 240,773	$ 463,732	$ 226,395
Fund Balances – Beginning (Restated)	$1,774,425	$1,434,197	(c)	$1,512,078	$1,048,346	$ 821,951
Fund Balances - Ending	$2,765,161	$1,774,425		$1,752,851	$1,512,078	$1,048,346

(a) Unaudited, as of April 30, 2019.

(b) This amount represents budgeted transfers from the City's General Fund for the following purposes: contingency fund, capital projects, equipment replacement, beautification, and water and sewer costs.

(c) Represents a reclassification of Other Post-Employment Benefits liability between governmental and business-type activities.

Source: City's audited financial statements and City records.

General Fund and Debt Service Fund Balance for the Past Five Fiscal Years

TABLE 14 - GENERAL FUND AND DEBT SERVICE FUND BALANCE FOR THE PAST FIVE FISCAL YEARS

	Fiscal Year Ended September 30,				
	2019(a)	2018	2017	2016	2015
General Fund	$2,765,161	$1,774,425	$1,752,851	$1,512,078	$1,048,346
Debt Service Fund	$ 244,989	$ 108,629	$ 106,860	$ 105,512	$ 102,930

(a) Unaudited, as of April 30, 2019.
Source: City's audited financial statements and City records.

Pension Fund

The City participates in the Texas Municipal Retirement System (TMRS), an agency operated by the State of Texas. Employees of the City who participate in TMRS were required to contribute 5%, of their annual gross pay during the fiscal year and the City contributed 11.23% in calendar year 2018. As employees leave municipal employment other than through retirement, they may withdraw from TMRS those funds they contributed, but forfeit their employer's contributions. Each municipal employer's requirements for current contributions are offset by the amounts of such forfeitures.

The City currently employs 26 full-time employees and 3 part-time and seasonal employees. All full-time employees are covered by TMRS and the City's contribution for fiscal year 2018 amounted to approximately $140,265, and was equal to the required contributions. See "APPENDIX B – Note 11" for additional information regarding the City's employee retirement system.

Financial Statements

A copy of the City's Financial Statements for the fiscal year ended September 30, 2018, is attached hereto in the APPENDIX B. Copies of such statements for preceding years are available, for a fee, upon request.

ADMINISTRATION OF THE CITY

Mayor and City Council

The City operates under a Mayor/Council form of government with a City Council comprised of the Mayor and five Councilmembers. The terms of office are two years with the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. The Mayor is the chief executive officer for the City. The Mayor and Councilmembers are described below:

City Council	Period Served	Term Expires May	Occupation
Steve Boykin Mayor	(a)	2021	Retired
Mike Johnson Position No. 1	1 Year	2020	Business Management
Melissa Strawn Position No. 2	(a)	2021	Retail Business Owner
Matt Yarborough Position No. 3	(a)	2021	Health & Safety Manager
Mark Brown, II Position No. 4	3 Years	2020	Research and Development
Katie Johnson Position No. 5	1 Year	2020	Human Resource Management

(a) Elected on May 4, 2019.

Administration

Members of the administrative staff are described below:

Name	Position	Length of Service (a)
Lindsay Koskiniemi	Interim City Manager	1 Year (b)
Giani Cantu	City Secretary	2 Years
John C. Washburn, II	Interim Finance Director	(c)

(a) Reflects the total number of years worked for the City.
(b) Previously served as the City's Finance Director and on May 13, 2019 was hired by City Council to serve as Interim City Manager.
(c) Interim Finance Director was hired by City Council on May 13, 2019. Mr. Washburn has over 26 years of experience working in City Government.

Consultants

The City has retained several consultants to perform professional services in connection with the independent auditing of its books and records and other City activities. Several of these consultants are identified below:

Bond Counsel .... Norton Rose Fulbright US LLP
Houston, Texas

Auditor .... Kennemer, Masters & Lunsford, CPA, LLC
Lake Jackson, Texas

Financial Advisor .... BOK Financial Securities, Inc.
Houston, Texas

LEGAL MATTERS

Legal Opinions

The delivery of the Bonds is subject to the approving opinions of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City and, the approving legal opinion of Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel to the City ("Bond Counsel"), in substantially the form attached as APPENDIX C. In connection with the issuance of the Bonds, Bond Counsel has represented only the City. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Bond Counsel has reviewed the statements and information appearing in the Official Statement under the captions "SALE AND DISTRIBUTION OF THE BONDS – Securities Laws" (first paragraph only), "THE BONDS" (except the subcaptions "Book-Entry-Only System," "Use of Proceeds," "Sources and Uses of Funds," "Future Debt," and "Remedies of Holders of the Bonds"), "TAX DATA – Tax Rate Limitations," "LEGAL MATTERS – Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance with Prior Undertakings") and is of the opinion that such information fairly summarizes the procedures and documents referred to therein and is correct as to matters of law. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Houston, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The City will furnish to the Underwriters a certificate dated as of the Delivery Date, executed by the appropriate officials of the City, to the effect that no litigation is pending or, to their knowledge, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, or the levy, collection or application of the ad valorem taxes or revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Bonds, the Ordinances authorizing the issuance, sale and delivery of the Bonds, or contesting the powers of the City or the authorization of the Bonds or the Ordinances.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinions of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinions (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. Forms of Bond Counsel's opinions are reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinances subsequent to the issuance of the Bonds. The Ordinances contain covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance 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 Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinions of Bond Counsel, and Bond Counsel’s opinions are not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would 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.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the 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 tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City designated the Bonds as "qualified tax-exempt obligations" and certifies its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The City will provide annually to the Municipal Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA"), within six months after the end of each fiscal year ending in or after 2019, financial information and operating data with respect to the City of the general type included in the Official Statement provided to the purchasers in connection with its initial approval of its purchase of the Bonds, being the information in Tables 1-5 and 7-14, and as described in Appendix B hereto. Any financial statements so to be provided will be (1) prepared in accordance with the accounting principles set forth in Appendix B to the Official Statement, or as may otherwise hereafter be established consistent with Texas law and Generally Accepted Accounting Principles, and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the City will provide audited financial statements for the applicable fiscal year to the MSRB through EMMA, when and if audited financial statements become available but if such audited financial statements are unavailable the City will provide such financial statements on an unaudited basis within the above-described six-month period.

If the City changes its fiscal year, it will notify the MSRB through EMMA of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the United States Securities and Exchange Commission (the "SEC"), or may be provided in any other manner consistent with the SEC Rule 15c2-12 (the "Rule").

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten 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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the 2018A 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, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. *"Financial Obligation"* in the immediately proceeding paragraphs (15) and (16) means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information

The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The City will be obligated to observe and perform its continuing disclosure covenants while it remains the "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give the notice of any bond calls and defeasance that cause the City to be no longer such an "obligated person."

These provisions are for the sole benefit of the registered owners and beneficial owners of the Bonds, and nothing, express or implied, will give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide and has not undertaken to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the City or the State of Texas or hereby undertake to update any information except as expressly provided. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES WILL THE CITY BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THE ORDINANCES, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH WILL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under its undertaking will constitute a breach of or default under the Ordinances for purposes of any other provisions of the Ordinances.

The City may amend its continuing disclosure undertaking from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds 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 (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinances that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the registered owners and beneficial owners of the Bonds. The City may also amend or repeal the provisions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds.

Compliance With Prior Undertakings

During the last five years, the City has not failed to comply in any material respect with any continuing disclosure agreement made by the City in accordance with the Rule.

WEATHER EVENTS AND HURRICANE HARVEY

The City is located approximately 50 miles south of Houston and covers 4.0 square miles. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the City, the assessed value of property within the City could be substantially reduced, with a corresponding decrease in tax revenues and the necessity to increase the City's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will even carry insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period during which assessed values within the City would be adversely affected and, therefore, the City's ability to pay its obligations, including the Bonds, could be adversely impacted.

In August 2017, Hurricane Harvey, characterized as a Category 4 hurricane at its peak, made landfall on the Texas coast before stalling over the Houston-Galveston region (the "Region") and producing significant flooding. Many residences and commercial and industrial properties in the Region, including properties within the City, sustained varying degrees of damage. The cost of repairs and mitigation to affected City facilities are estimated to be approximately $77,992. The City is coordinating with its insurance provider, as well as the Federal Emergency Management Agency (FEMA), to receive reimbursements of these costs. It is estimated that insurance and FEMA will reimburse up to 90% of costs associated with the repairs and mitigation. To date, the City has received approximately $68,000 from FEMA. In addition, the City has applied for FEMA reimbursement for costs incurred for disaster response. The City is also pursuing funding from the Community Development Block Grant Disaster Recovery Program and the FEMA Hazard Mitigation Grant Program for long-term water, sewer, and drainage improvements and flood mitigation projects.

As a result of Hurricane Harvey, the City's net assessed valuation for tax year 2018 decreased by approximately $19.9 million. As a result of ongoing repairs being undertaken by property owners, the City expects to begin seeing increases in assessed values of properties damaged in Hurricane Harvey in tax year 2019. The City does not expect the storm to have an additional adverse effect on future taxable assessed valuations or sales tax collections within the City or on its ability to pay debt service on the Bonds or its outstanding debt.

FINANCIAL ADVISOR

BOK Financial Securities, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the City and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the City. The summaries of the statutes, orders, ordinances and other related documents are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Neither this Official Statement nor any statement that may have been made orally or in writing is to be constructed as or as part of a contract with the original purchasers or subsequent owners of the Bonds.

The report of Kennemer, Masters & Lunsford, LLC, Lake Jackson, Texas, relating to the City's audited financial statements for the fiscal year ended September 30, 2018 is included in this Official Statement in APPENDIX B; however, Kennemer, Masters & Lunsford, LLC has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement.

Forward Looking Statements

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

The forward-looking statements 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 would prove to be accurate.

Updating of Official Statement

The City will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the City and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds to the Underwriters.

This Official Statement was duly authorized and approved by the City Council of the City of Richwood, Texas as of the date specified on the first page hereof.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF RICHWOOD

The following information has been derived from various sources, including the U.S. Census data, Texas Workforce Commission, and City of Richwood, Texas officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

RESIDENTIAL AND COMMERCIAL DEVELOPMENT

The City is located within the Brazosport area, which is a multi-city community located on the Texas Gulf Coast at the mouth of the Brazos and San Bernard rivers. Approximately 50 miles south of Houston, the Brazosport area is comprised of eight cities: Clute, Freeport, Jones Creek, Lake Jackson, Oyster Creek, Quintana, Richwood, and Surfside Beach. Brazosport is the home of the largest basic chemical complex in the world which includes chemical manufacturing, petro-chemical processing, varied other manufacturing, offshore extraction support complexes, deep-water port activities, airport, tourism, sports and commercial fishing.

ECONOMIC AND GROWTH INDICATORS

U.S. Census of Population

	Brazoria County	
	Number	% Change
1930	23,054	+11.84
1940	27,069	+17.42
1950	46,549	+71.96
1960	76,204	+63.71
1970	108,312	+42.13
1980	169,587	+56.57
1990	191,707	+13.04
2000	241,767	+26.11
2010	313,166	+29.53
2018(a)	357,982	+14.31

Source: U.S. Census Bureau and estimates from the City.
(a) Estimated.

Brazoria County

	2019(a)	2018	2017	2016	2015
Labor Force	178,175	175,989	173,464	169,945	167,189
Employed	171,195	168,025	164,254	161,140	159,547
Unemployed	6,980	7,964	9,210	8,805	7,642
Unemployment Rate	3.9%	4.5%	5.3%	5.2%	4.6%

(a) As of March 2019.

Employment Statistics
Source: Texas Workforce Commission

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY

CITY OF RICHWOOD

RICHWOOD, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2018

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

THIS PAGE LEFT BLANK INTENTIONALLY.

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

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

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

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

Independent Auditor's Report

To The Honorable Mayor and
Members of City Council
City of Richwood
Richwood, Texas

Reports on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Richwood (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 21, general fund budgetary comparison information on pages 84 through 85, required pension related schedules on pages 86 through 89, and required OPEB schedule on page 90 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.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kennemer, Masters & Lunsford, LLC

Lake Jackson, Texas
February 26, 2019

THIS PAGE LEFT BLANK INTENTIONALLY.

As management of the City of Richwood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $ 14,161,684 (net position). Of this amount, $ 380,905 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation.
- The City's total net position increased by $ 461,800.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $ 2,135,975. 39.4% of this total amount, $ 841,907 (unassigned fund balance) is available for use within the City's fund designation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $ 841,907 or 28.9% of the total general fund expenditures.
- The City reported net pension liability of $ 500,395 and a total OPEB liability of $ 66,316, September 30, 2018, with the implementation of GASB Statements Nos. 68, 71, and 75.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the City include general administration, public safety, public works, and parks and recreation. The *business-type activities* of the City include water and sewer and sanitation operations. The government-wide financial statements can be found on pages 24 through 27 of this report.

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

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

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

  The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single aggregation presentation. The governmental fund financial statements can be found on pages 28 through 32 of this report.

- **Proprietary Funds.** The City maintains one category of *proprietary funds*-Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer, and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 34 through 39 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 through 82 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, and information concerning the City's net pension and total OPEB liability. Required supplementary information can be found on pages 84 and 90 of this report.

Combining and individual fund statements and schedules are presented following the required supplementary information. These statements and schedules can be found on pages 92 through 97 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $ 14,161,684 as of September 30, 2018.

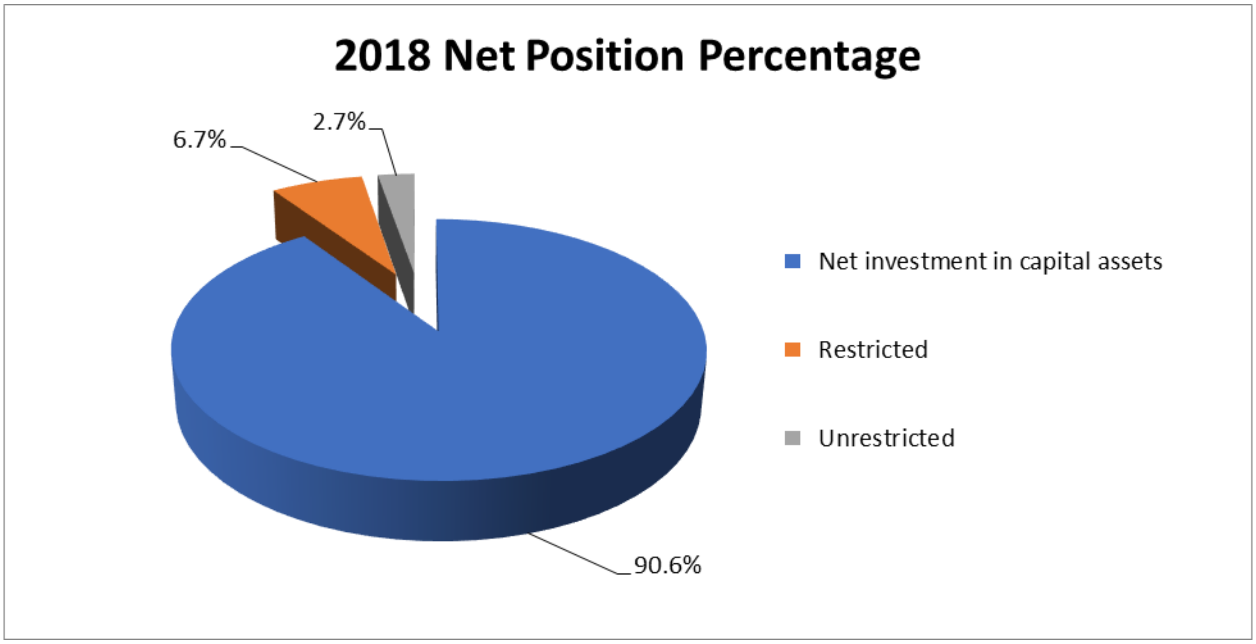
The largest portion of the City's net position, $ 12,826,718 (90.6%) reflects its investments in capital assets (e.g., land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

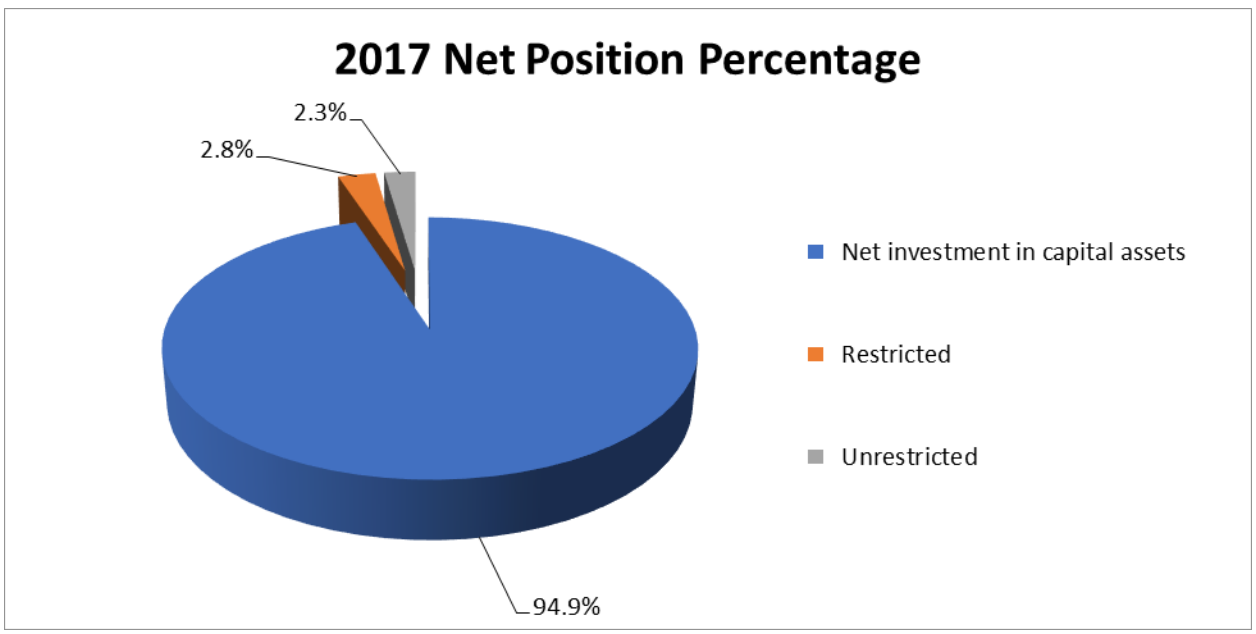
An additional portion of the City's net position of $ 954,061 (6.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $ 380,905 (2.7%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2018, the City was able to report positive balances in all three categories of net position for the government as a whole and for governmental activities. Business-type activities had a positive balance in net investment in capital assets and a negative balance in unrestricted net position.

CITY OF RICHWOOD'S STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30		September 30,	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
ASSETS						
Current and other assets	$ 2,469,094	$ 1,850,100	$ 70,504	$(118,539)	$ 2,539,598	$ 1,731,561
Capital assets	9,291,841	9,124,130	6,547,158	6,797,753	15,838,999	15,921,883
Total assets	11,760,935	10,974,230	6,617,662	6,679,214	18,378,597	17,653,444
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	189,859	249,150	31,225	39,792	221,084	288,942
Total deferred outflows of resources	189,859	249,150	31,225	39,792	221,084	288,942
LIABILITIES						
Current and other liabilities	284,177	97,415	261,425	303,571	545,602	400,986
Long-term liabilities	2,423,981	2,374,458	1,272,355	1,414,694	3,696,336	3,789,152
Total liabilities	2,708,158	2,471,873	1,533,780	1,718,265	4,241,938	4,190,138
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	166,731	44,384	29,328	7,980	196.059	52,364
Total deferred inflows of resources	166,731	44,384	29,238	7,980	196,059	52,364
NET POSITION						
Net Investment in capital assets	7,348,524	7,400,953	5,478,194	5,605,303	12,826,718	13,006,256
Restricted	954,061	379,615			954,061	379,615
Unrestricted	773,320	926,555	(392,415)	(612,542)	380,905	314,013
Total net position	$ 9,075,905	$ 8,707,123	$ 5,085,779	$ 4,992,761	$ 14,161,684	$ 13,699,884

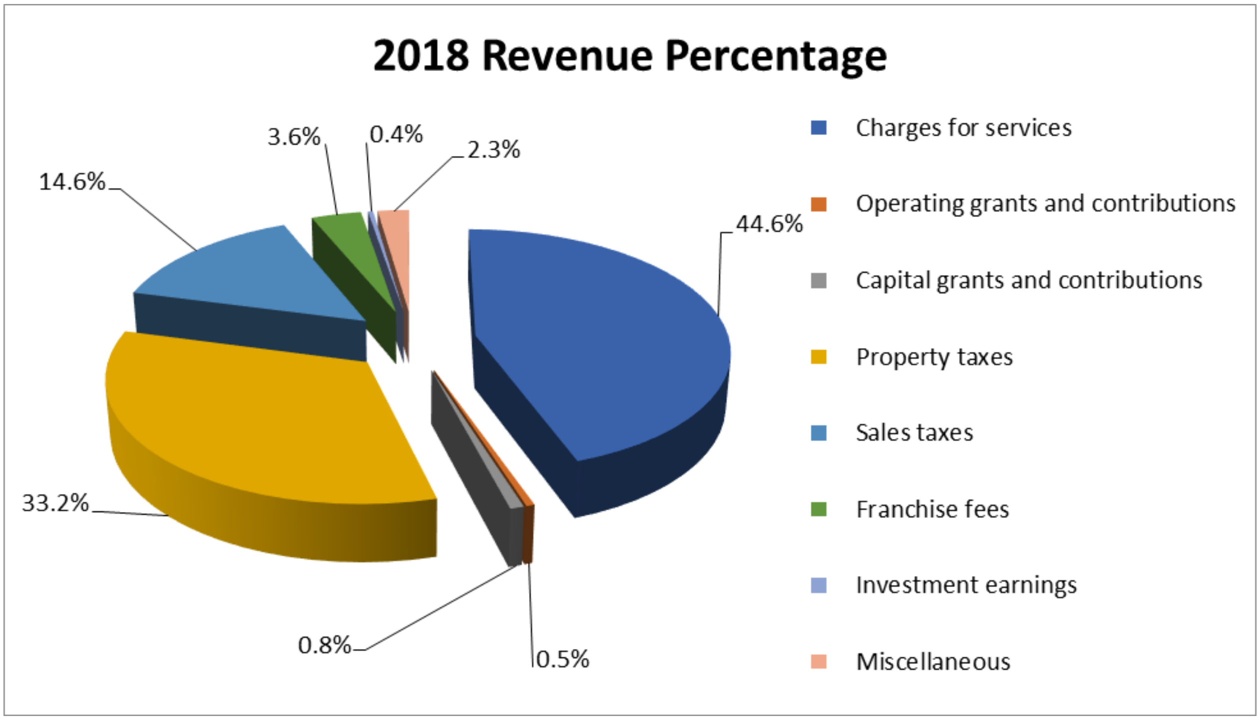


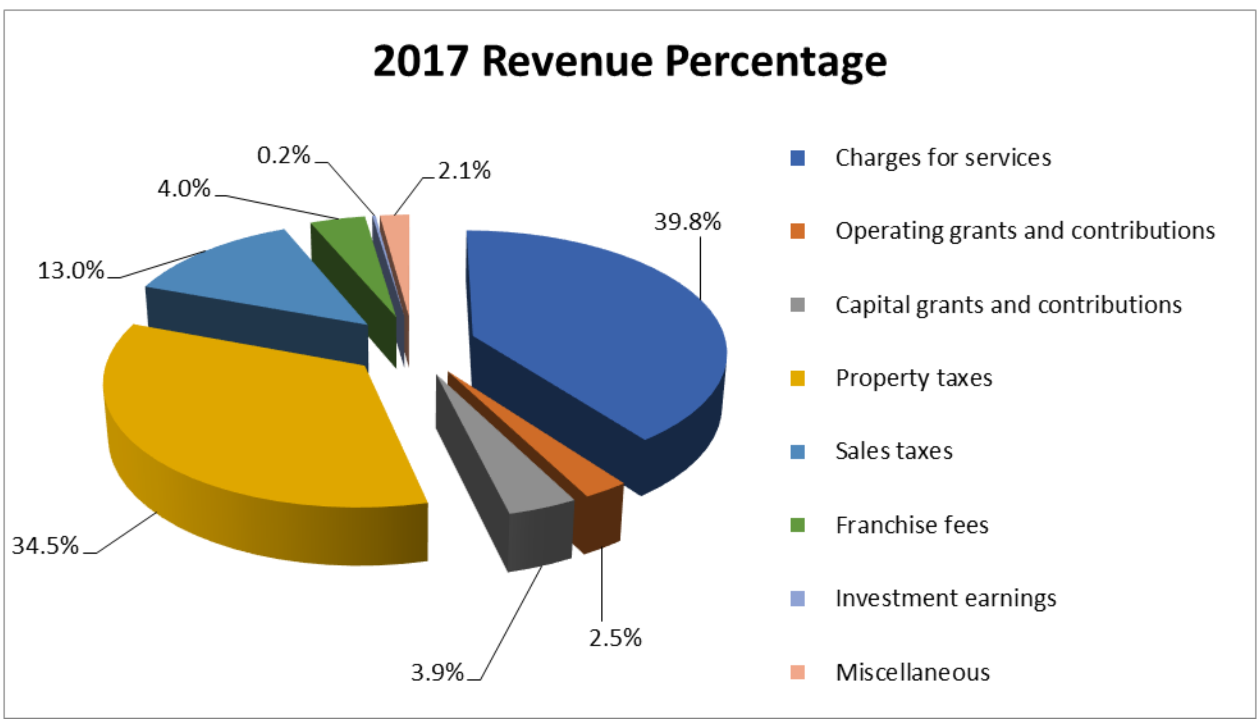


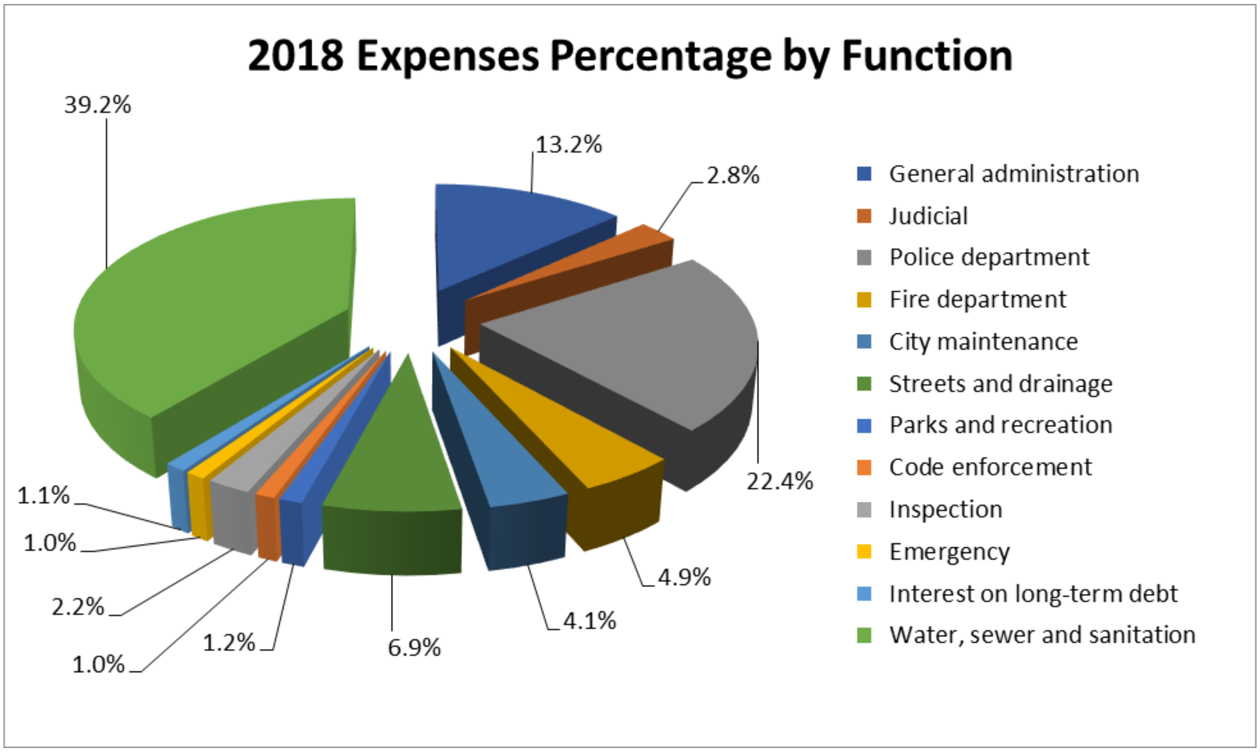
Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2018. Governmental activities increased the City's net position by $ 368,782. Business-type activities increased the City's net position by $ 93,018.

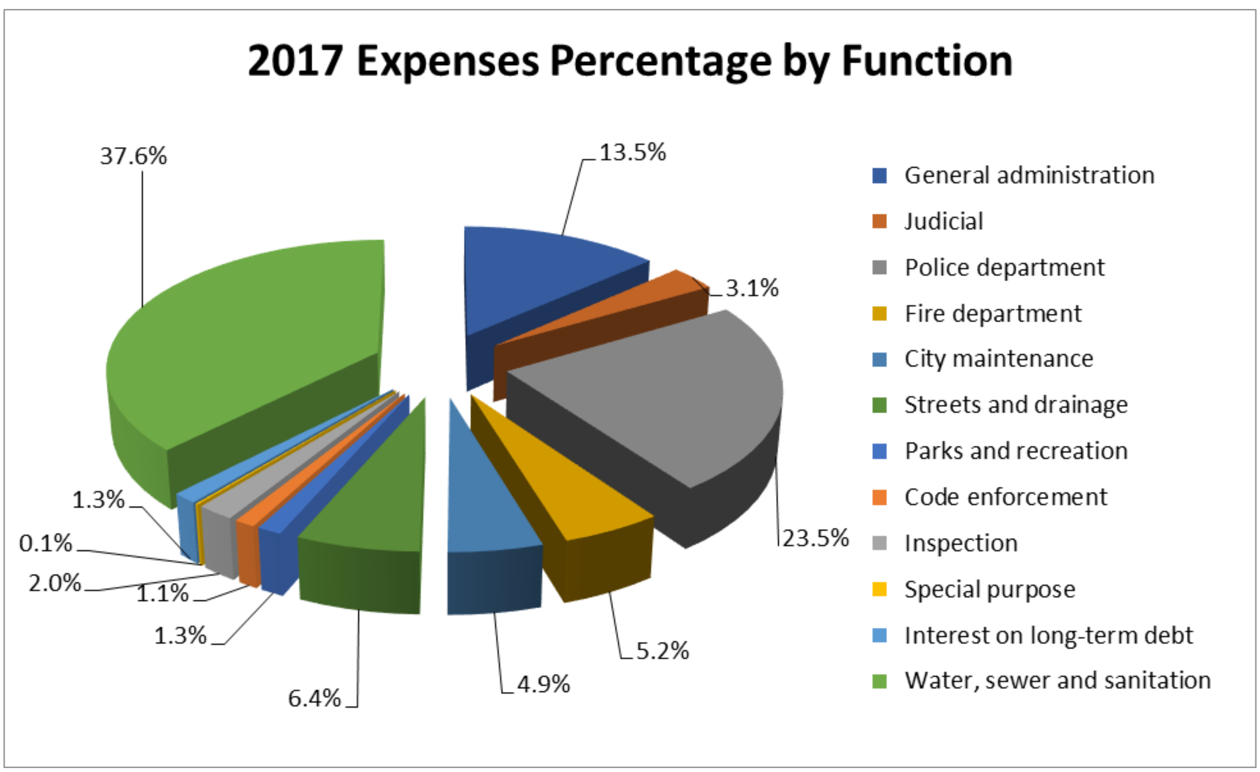
CITY OF RICHWOOD'S STATEMENT OF ACTIVITY

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	$ 367,664	$ 413,727	$ 1,950,618	$ 1,418,375	$ 2,318,282	$ 1,832,102
Operating grants and contributions	24,097	116,182			24,097	116,182
Capital grants and contributions	40,000	30,493		146,910	40,000	177,403
General Revenues:						
Property taxes	1,728,060	1,585,251			1,728,060	1,585,251
Sales tax	759,945	597,300			759,945	597,300
Franchise fees	189,135	185,077			189,135	185,077
Investment earnings	17,475	10,151	1,908	1,066	19,383	11,217
Miscellaneous	117,905	88,245		10,000	117,905	98,245
Total revenues	3,244,281	3,026,426	1,952,526	1,576,351	5,195,807	4,602,777
Expenses:						
General administration	626,621	582,558			626,621	582,558
Judicial	132,557	136,033			132,557	136,033
Police department	1,055,167	1,016,210			1,055,167	1,016,210
Fire department	233,568	225,171			233,568	225,171
City maintenance	193,180	210,565			193,180	210,565
Streets and drainage	327,222	275,813			327,222	275,813
Parks and recreation	55,842	55,129			55,842	55,129
Code enforcement	48,494	47,363			48,494	47,363
Inspection	105,812	85,401			105,812	85,401
Special purpose		5,610			-0-	5,610
Emergency	47,924				47,924	-0-
Interest on long-term debt	53,047	57,200			53,047	57,200
Water, sewer and sanitation			1,855,573	1,628,177	1,855,573	1,628,177
Total expenses	2,879,434	2,697,053	1,855,573	1,628,177	4,735,007	4,325,230
Increase (decrease) in net position before transfers	264,847	329,373	96,953	(51,826)	461,800	277,547
Transfers	3,935		(3,935)		-0-	-0-
Changes in net position	368,782	329,373	93,018	(51,826)	461,800	277,547
Net position – beginning	9,073,816	8,744,443	4,682,558	4,734,384	13,756,374	13,478,827
Prior year adjustment (see note 2)	(366,693)		310,203		(56,490)	
Net position - ending	$ 9,075,905	$ 9,073,816	$ 5,085,779	$ 4,682,558	$ 14,161,684	$ 13,756,374


2018 Revenue Percentage
3.6%
0.4%
2.3%
14.6%
44.6%
33.2%
0.8%
0.5%
Charges for services
Operating grants and contributions
Capital grants and contributions
Property taxes
Sales taxes
Franchise fees
Investment earnings
Miscellaneous


2017 Revenue Percentage
0.2%
2.1%
4.0%
39.8%
13.0%
34.5%
2.5%
3.9%
Charges for services
Operating grants and contributions
Capital grants and contributions
Property taxes
Sales taxes
Franchise fees
Investment earnings
Miscellaneous


2018 Expenses Percentage by Function
39.2%
13.2%
2.8%
22.4%
4.9%
4.1%
6.9%
1.2%
1.0%
2.2%
1.0%
1.1%
General administration
Judicial
Police department
Fire department
City maintenance
Streets and drainage
Parks and recreation
Code enforcement
Inspection
Emergency
Interest on long-term debt
Water, sewer and sanitation


2017 Expenses Percentage by Function
37.6%
13.5%
3.1%
23.5%
5.2%
4.9%
6.4%
1.3%
1.1%
2.0%
0.1%
1.3%
General administration
Judicial
Police department
Fire department
City maintenance
Streets and drainage
Parks and recreation
Code enforcement
Inspection
Special purpose
Interest on long-term debt
Water, sewer and sanitation

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported ending fund balances of $ 2,135,975. $ 841,907 (39.4%) of this total amount constitutes unassigned fund balance. The remainder of the fund balance is either non-spendable, restricted or committed to indicate that it is not available for new spending as follows: 1) $ 582,360 for long-term receivables, 2) $ 860 for park, 3) $ 6,219 for court security and technology, 4) $ 748 for police training, 5) $ 108,629 for debt service, 6) $ 27,780 for street beautification, 7) $ 225,141 for transportation, 8) $ 13,565 for insurance, 9) $ 127,631 for capital improvement, 10) $ 2,310 for equipment replacement, and 11) $ 198,825 for crime control and prevention.

The General Fund fund balance increased by $ 340,228; the Debt Service Fund fund balance increased by $ 1,769, and the Nonmajor Governmental Funds fund balance increased by $ 91,386.

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

At September 30, 2018 the proprietary fund had a deficit of $ 392,415 in unrestricted net position. Total net position increased by $ 93,018.

General Fund Budgetary Highlights. Actual revenues exceeded budget by $ 209,376 mainly due to increased property taxes and sales taxes revenue. Expenditures budget exceeded the actual expenditures by $ 68,659 primarily due to spending control on general administration.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, was $ 15,838,999 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress. During the year ended September 30, 2018, the City received contributed capital in the amount of $ 40,000 which was reported within governmental activities.

Capital Assets at Year-end
Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2018	2017	2018	2017	2018	2017
Land	$ 335,262	$ 335,262	$ 122,580	$ 122,580	$ 457,842	$ 457,842
Buildings	1,538,440	1,586,885	72,328	77,872	1,610,768	1,664,757
Furniture, equipment and vehicles	924,096	499,134	64,944	27,380	989,040	526,514
Infrastructure	6,494,043	6,702,849	6,287,306	6,569,921	12,781,349	13,272,770
Total	$ 9,291,841	$ 9,124,130	$ 6,547,158	$ 6,797,753	$ 15,838,999	$ 15,921,883

Additional information on the City's capital assets can be found in Note 7 on pages 60 through 62 of this report.

Debt Administration

At the end of the current fiscal year, the City had total long-term liabilities of 3,696,336. Of this amount, $ 2,030,000 is comprised of bonded debt backed by the full faith and credit of the City. These bonds will be retired with revenues from property and sales taxes. Further, the City has $ 304,711 notes payable, $ 763,140 obligations under capital lease, $ 500,395 net pension liability, and $ 66,316 total OPEB liability.

Outstanding Debt at Year End
Bonds Payable

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Certificates of obligation bonds	$ 1,225,000	$ 1,335,000	$ 805,000	$ 860,000	$ 2,030,000	$ 2,195,000
Notes	304,711	347,433			304,711	347,433
Capital leases	375,690		387,450	443,714	763,140	443,714
Net pension liability	430,411	609,922	69,984	102,529	500,395	712,451
Total OPEB liability	56,395	48,039	9,921	8,451	66,316	56,490
Premium on bonds	31,774	34,064			31,774	34,064
Total	$ 2,423,981	$ 2,374,458	$ 1,272,355	$ 1,414,694	$ 3,696,336	$ 3,789,152

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

Additional information on the City's long term debt can be found in Note 8 on pages 62 through 66 of this report.

Economic Factors and Next Year's Budgets and Rates

In the FY 2018-2019 Budget, General Fund revenues are budgeted to decrease by ($ 494,506), or 15%, from the 2017-2018 budget year due to decreases in one-time transfers. The transfer in from the Utility Fund is budgeted to be ($276,166) less due to the decrease of a one-time transfer to eliminate a portion of the debt owed to the General Fund by the Utility Fund. The FY 2019 revenue is also lower due to a decrease of ($251,750) in a one-time transfer from fund balance to pay one-time expenditures.

Certified assessed valuation decreased by (5.47%) over the preceding year. Net property tax, taxes after payments for 380 Agreements will increase by $3,363, or approximately 0.22%.

The Enterprise Fund's 2018-2019 budgeted expenses are expected to decrease by (4.41%) over the preceding year's budget. The main cause for the decrease is the reduction of ($276,166) in the transfer to the General Fund. The largest increase in operating expenses for the Utility Fund was the addition of two new positions and a new utility truck. Water and Sewer rates for the 2018-2019 budget year remained the same.

.

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 1800 N. Brazosport Blvd, Richwood, Texas, 77531, or call (979) 265-2082.

THIS PAGE LEFT BLANK INTENTIONALLY.

BASIC FINANCIAL STATEMENTS

CITY OF RICHWOOD
Richwood, Texas

STATEMENT OF NET POSITION

September 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and temporary investments	$ 1,454,698	$ 169,821	$ 1,624,519
Investments	210,194		210,194
Receivables (Net):			
Taxes	175,502		175,502
Accounts	35,596	286,874	322,470
Accrued interest	368	80	448
Interfund accounts	586,656	(586,656)	-0-
Due from other governments	6,080		6,080
Restricted Assets:			
Temporarily Restricted:			
Cash and temporary investments		146,435	146,435
Investments		53,903	53,903
Accrued interest		47	47
Capital Assets (Net of Accumulated Depreciation):			
Land	335,262	122,580	457,842
Buildings	1,538,440	72,328	1,610,768
Furniture, equipment and vehicles	924,096	64,944	989,040
Infrastructure	6,494,043	6,287,306	12,781,349
Total assets	11,760,935	6,617,662	18,378,597
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	189,859	31,225	221,084
Total deferred outflows of resources	189,859	31,225	221,084

(continued)

CITY OF RICHWOOD
Richwood, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2018

	Governmental Activities	Business-Type Activities	Total
LIABILITIES:			
Accounts payable	$ 273,796	$ 115,893	$ 389,689
Accrued interest payable	6,142	10,147	16,289
Unearned revenue	4,239		4,239
Liabilities Payable from Restricted Assets:			
Accrued interest payable		6,495	6,495
Revenue bonds payable		65,000	65,000
Customer deposits		128,890	128,890
Noncurrent Liabilities:			
Net pension	430,411	69,984	500,395
Total OPEB	56,395	9,921	66,316
Due within one year	174,210	58,486	232,696
Due in more than one year	1,762,965	1,068,964	2,831,929
Total liabilities	2,708,158	1,533,780	4,241,938
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	166,731	29,328	196,059
Total deferred inflows of resources	166,731	29,328	196,059
NET POSITION:			
Net investment in capital assets	7,348,524	5,478,194	12,826,718
Restricted For:			
Park	860		860
Debt service	110,953		110,953
Special revenue	252,921		252,921
Court security and technology	6,219		6,219
Police training	748		748
Enterprise fund (Long-term receivable)	582,360		582,360
Unrestricted	773,320	(392,415)	380,905
Total net position	$ 9,075,905	$ 5,085,779	$ 14,161,684

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

CITY OF RICHWOOD
Richwood, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General administration	$ 626,621	$ 224,355	$	$
Judicial	132,557			
Police department	1,055,167	127,957	24,097	40,000
Fire department	233,568			
City maintenance	193,180			
Streets and drainage	327,222			
Parks and recreation	55,842	15,352		
Code enforcement	48,494			
Inspection	105,812			
Emergency	47,924			
Interest on long-term debt	53,047			
Total governmental activities	2,879,434	367,664	24,097	40,000
Business-type Activities:				
Water, sewer and sanitation	1,855,573	1,950,618		
Total business-type activities	1,855,573	1,950,618	-0-	-0-
Total	$ 4,735,007	$ 2,318,282	$ 24,097	$ 40,000

General Revenue:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales taxes
Franchise fees
Investment earnings
Miscellaneous
Gain on disposition of capital assets
Transfer in (out)

Total general revenues and transfers

Changes in net position

Net position – beginning (restated)

Net position – ending

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

Governmental Activities	Business-Type Activities	Total
	Net (Expense) Revenue and Changes in Net Position	
$(402,266)	$	$(402,266)
(132,557)		(132,557)
(863,113)		(863,113)
(233,568)		(233,568)
(193,180)		(193,180)
(327,222)		(327,222)
(40,490)		(40,490)
(48,494)		(48,494)
(105,812)		(105,812)
(47,924)		(47,924)
(53,047)		(53,047)
(2,447,673)	-0-	(2,447,673)
	95,045	95,045
-0-	95,045	95,045
(2,447,673)	95,045	(2,352,628)
1,552,184		1,552,184
175,876		175,876
759,945		759,945
189,135		189,135
17,475	1,908	19,383
110,367		110,367
7,538		7,538
3,935	(3,935)	-0-
2,816,455	(2,027)	2,814,428
368,782	93,018	461,800
8,707,123	4,992,761	13,699,884
$ 9,075,905	$ 5,085,779	$ 14,161,684

CITY OF RICHWOOD
Richwood, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2018

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets and Deferred Outflows of Resources				
Assets:				
Cash and temporary investments	$ 1,219,629	$ 50,715	$ 184,354	$ 1,454,698
Investments	163,956	46,238		210,194
Receivables (net of allowance for uncollectibles):				
Taxes	172,626	2,876		175,502
Accounts	2,941			2,941
Accrued interest	291	74	3	368
Due from other government	6,035	45		6,080
Due from other funds	507,270	11,005	79,386	597,661
Total assets	2,072,748	110,953	263,743	2,447,444
Deferred Outflows of Resources:				
Deferred outflows of resources				-0-
Total deferred outflows of resources	-0-	-0-	-0-	-0-
Total assets and deferred outflows of resources	$ 2,072,748	$ 110,953	$ 263,743	$ 2,447,444

(continued)

CITY OF RICHWOOD
Richwood, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS - Continued

September 30, 2018

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable and accrued expenditures	$ 262,974	$	$ 10,822	$ 273,796
Due to other funds	11,005			11,005
Unearned revenue	4,239			4,239
Total liabilities	278,218	-0-	10,822	289,040
Deferred Inflows of Resources:				
Deferred inflows of resources – property taxes	20,105	2,324		22,429
Total deferred inflows of resources	20,105	2,324	-0-	22,429
Fund Balances:				
Non-spendable:				
Enterprise fund (Long-term receivable)	582,360			582,360
Restricted:				
Park	860			860
Debt service		108,629		108,629
Court security and technology	6,219			6,219
Police training	748			748
Street beautification			27,780	27,780
Transportation			225,141	225,141
Committed:				
Insurance	13,565			13,565
Capital improvement	127,631			127,631
Equipment replacement	2,310			2,310
Crime control and prevention	198,825			198,825
Unassigned	841,907			841,907
Total fund balances	1,774,425	108,629	252,921	2,135,975
Total liabilities, deferred inflows of resources and fund balances	$ 2,072,748	$ 110,953	$ 263,743	$ 2,447,444

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

CITY OF RICHWOOD
Richwood, Texas

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

September 30, 2018

Total fund balances – governmental funds balance sheet	$ 2,135,975
Amounts reported for *governmental activities* in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include $ 15,329,820 in assets less $ 6,037,979 in accumulated depreciation.	9,291,841
Property taxes receivables unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to $ 20,105 and $ 2,324, respectively.	22,429
Municipal court receivables unavailable to pay for current period expenditures are not recognized in the governmental funds. Municipal court receivables of $ 227,913, net of allowance of $ 195,258.	32,655
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increases long-term liabilities in the governmental activities statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was $ 31,774 (premium on sale of bonds of $ 46,091 less amortization of $ 14,317)	(31,774)
Pension deferred outflows of resources of $ 184,563 less deferred inflows of resources of $ 166,731.	17,832
Payables for net pension liability are not reported in the funds.	(430,411)
OPEB deferred outflows of resources of $ 5,296 less deferred inflows of resources of $ -0-.	5,296
Payables for OPEB liability is not reported in the funds.	(56,395)
Payables for bond and notes principal are not reported in the funds.	(1,529,711)
Payables for capital lease.	(375,690)
Payables for bond interest are not reported in the funds.	(6,142)
Net position of governmental activities – statement of net position.	$ 9,075,905

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

CITY OF RICHWOOD
Richwood, Texas

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

For the Year Ended September 30, 2018

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	$ 1,552,047	$ 176,050	$	$ 1,728,097
Sales taxes	759,945			759,945
Franchise fees	189,135			189,135
Revenue producing facilities	15,352			15,352
Fines and fees	129,609			129,609
Licenses and permits	86,684			86,684
Investment earnings	15,922	430	1,123	17,475
Intergovernmental	24,097			24,097
Transportation			137,671	137,671
Miscellaneous	95,859		14,508	110,367
Total revenues	2,868,650	176,480	153,302	3,198,432
Expenditures:				
Current:				
General administration	564,351		9,897	574,248
Judicial	132,894			132,894
Police department	983,076			983,076
Fire department	149,560			149,560
City maintenance	191,400			191,400
Streets and drainage	50,920		53,019	103,939
Parks and recreation	45,923			45,923
Code enforcement	48,641			48,641
Inspection	106,043			106,043
Emergency	47,924			47,924
Capital outlay	559,967			559,967
Debt Service:				
Principal retirement	30,784	121,938		152,722
Interest and agent fees	3,102	52,773		55,875
Total expenditures	2,914,585	174,711	62,916	3,152,212
Excess of revenues over (under) expenditures	(45,935)	1,769	90,386	46,220
Other Financing Sources (Uses):				
Proceeds of capital lease	375,690			375,690
Sale of capital assets	7,538			7,538
Transfer in	86,871		1,000	87,871
Transfer out	(83,936)			(83,936)
Total other financing sources	386,163	-0-	1,000	387,163
Net changes in fund balances	340,228	1,769	91,386	433,383
Fund balances – beginning (restated)	1,434,197	106,860	161,535	1,702,592
Fund balances - ending	$ 1,774,425	$ 108,629	$ 252,921	$ 2,135,975

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

CITY OF RICHWOOD
Richwood, Texas

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

For the Year Ended September 30, 2018

Net change in fund balances – total governmental funds	$	433,383
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay $ 559,967 less depreciation $ 432,256 in the current period.		127,711
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund increased by $ 137 and for the debt service fund decreased by $ 174, respectively.		(37)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. The amount was for general obligation bonded debt in the amount of $ 152,722.		152,722
Capital lease proceeds provide current financial resources to governmental funds, but capital lease increases long-term liabilities in the governmental activities statement of net position. Capital lease proceeds in the governmental fund were $ 375,690.		(375,690)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the governmental activities statement of net position. This amount is accreted over the life of the bonds. Premium on the issuance of bonds and amortization of the premium of bonds were $ -0- and $ 2,290, respectively.		2,290
Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was $ 7,423 more than the amount reported in the funds.		(7,423)
Governmental funds report OPEB payments as expenditures. However, in the governmental activities statement of activities, the OPEB cost is calculated by an actuary and involves multiple factors. The amount of OPEB expense reported was $ 3,060 more than the amount reported in the funds.		(3,060)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.		538
Municipal court revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Municipal court receivables, net of allowance, decreased by $ 1,652.		(1,652)
Capital contributions and trade in gain in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Capital contributions amounted to $ 40,000.		40,000
Change in net position of governmental activities	$	368,782

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

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF RICHWOOD
Richwood, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND

September 30, 2018

	Enterprise Fund
Assets and Deferred Outflows of Resources	
Current Assets:	
Cash and cash equivalents	$ 169,821
Accounts receivable, net	285,505
Other receivable	1,369
Accrued interest receivable	80
Total current unrestricted assets	456,775
Current Restricted Assets:	
Cash and cash equivalents	146,435
Investments	53,903
Accrued interest receivable	47
Total current restricted assets	200,385
Total current assets	657,160
Capital Assets:	
Property, plant and equipment	12,184,158
Less accumulated depreciation	(5,637,000)
Total capital assets (net of accumulated depreciation)	6,547,158
Total assets	7,204,318
Deferred Outflows of Resources:	
Deferred outflows of resources	31,225
Total deferred outflows of resources	31,225
Total assets and deferred outflows of resources	$ 7,235,543

(continued)

CITY OF RICHWOOD
Richwood, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND - Continued

September 30, 2018

	Enterprise Fund
Liabilities, Deferred Inflows of Resources, and Net Position	
Current Liabilities:	
Accounts payable and accrued expenses	$ 115,893
Accrued interest payable	10,147
Due to other funds (includes current portion notes of $ 9,185)	13,481
Capital lease payable	58,486
Total current liabilities payable from non-restricted assets	198,007
Current Liabilities Payable from Restricted Assets:	
Accrued interest payable	6,495
Customer deposits	128,890
Revenue bonds payable	65,000
Total current liabilities payable from restricted assets	200,385
Total current liabilities	398,392
Noncurrent Liabilities:	
Due to other funds (notes)	573,175
Capital lease payable	328,964
Revenue bonds payable	740,000
Net pension liability	69,984
Total OPEB liability	9,921
Total noncurrent liabilities	1,722,044
Total liabilities	2,120,436
Deferred Inflows of Resources:	
Deferred inflows of resources	29,328
Total deferred inflows of resources	29,328
Net Position:	
Net investment in capital assets	5,478,194
Unrestricted	(392,415)
Total net position	5,085,779
Total liabilities, deferred inflows of resources and net position	$ 7,235,543

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

CITY OF RICHWOOD
Richwood, Texas

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

For the Year Ended September 30, 2018

	Enterprise Fund
Operating Revenues:	
Water fees	$ 861,690
Sewer fees	760,933
Garbage fees	260,622
Delinquent charges	29,511
Tap and reconnect fees	24,139
Miscellaneous	13,723
Total operating revenues	1,950,618
Operating Expenses:	
Personnel costs	260,887
Sewer treatment plant operations	281,666
Water costs – BWA	261,614
Sanitation	252,098
Lease	139,189
Utilities and telephone	53,888
Repairs and maintenance	110,529
Supplies	37,525
Miscellaneous	90,310
Operating expenses before depreciation	1,487,706
Depreciation	314,768
Total operating expenses	1,802,474
Operating income	148,144
Non-Operating Revenues (Expenses):	
Investment earnings	1,908
Interest expense and agent fees	(53,099)
Total non-operating revenues (expenses)	(51,191)
Loss before contributions and operating transfers	96,953
Transfer in	82,936
Transfer out	(86,871)
Change in net position	93,018
Net position – beginning of year (restated)	4,992,761
Net position – end of year	$ 5,085,779

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

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF RICHWOOD
Richwood, Texas

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND

For the Year Ended September 30, 2018

	Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from customers and users	$ 1,931,295
Payments to other funds	4,296
Payments to suppliers	(1,267,656)
Payments to employees	(262,047)
Net cash provided by operating activities	405,888
Cash Flows from Non-Capital Financing Activities:	
Operating transfers out	(3,935)
Net cash used for non-capital financing activities	(3,935)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(64,173)
Bond principal payments	(55,000)
Capital lease payments	(56,264)
Interest and fiscal charge payments	(64,462)
Net cash used for capital and related financing activities	(239,899)
Cash Flows from Investing Activities:	
Proceeds from the sale of investments	100,183
Purchase of investments	(53,903)
Interest received	1,908
Net cash provided by investing activities	48,188
Change in cash and cash equivalents	210,242
Cash and cash equivalents at the beginning of year	106,014
Cash and cash equivalents at the end of the year	$ 316,256

(continued)

CITY OF RICHWOOD
Richwood, Texas

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - Continued

For the Year Ended September 30, 2018

	Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income	$ 148,144
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	314,768
Increase in accounts receivable	(29,377)
Increase (decrease) in:	
Accounts payable	(37,448)
Deferred revenue	(3,389)
Due to other funds	4,296
Pension liability	(2,630)
OPEB liability	1,470
Customer deposits	10,054
Total adjustments	257,744
Net cash provided by operating activities	$ 405,888

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

CITY OF RICHWOOD
Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

INDEX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Richwood (the City) operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public services (utility facilities), public recreation, public benefits (health and welfare), and general administrative services.

The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The City's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The GASB Statement No. 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

Reporting Entity

The City is considered an independent entity for financial reporting purposes 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. Based on these considerations, the City's basic financial statements do not include any other entities. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity - Continued

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 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 other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The members of City council (the "members") are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34". There are no component units included within the reporting entity.

Government-wide and Fund Financial Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements - Continued

Interfund activities between governmental funds appear as due to/due from on the Governmental Funds Balance Sheet and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditure and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and proprietary funds remain as receivables and payables on the government-wide statement of net position.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, municipal court revenues 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. All other revenue items are considered measurable and available only when cash is received by the government.

The City has presented the following major governmental funds:

> The G*eneral Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
>
> The *Debt Service Fund* accounts for the accumulation of resources for the annual payment of general long-term debt principal and interest of the governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The City reports the following major proprietary fund:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. The City also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

New Pronouncements

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

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The statement was implemented and did have a material effect on the City's financial statements. This statement is effective for periods beginning after June 15, 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB No. 83 “Certain Asset Retirement Obligations” was issued in November 2016. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB No. 84 “Fiduciary Activities” was issued in January 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after December 15, 2018.

GASB No. 85 “Omnibus 2017” was issued in March 2017. The statement was implemented and did not have a material effect on the City’s financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 86 “Certain Debt Extinguishment Issues” was issued in May 2017. The statement was implemented and did not have a material effect on the City’s financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 87 “Leases” was issued in June 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after December 15, 2019.

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” was issued in August 2018. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data

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

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level. Line item and department budgets may exceed appropriated amounts at the discretion of the City Council as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

The City adopts annual budgets for all significant governmental fund types (General Fund, Debt Service Fund, and Special Revenue Fund) and proprietary fund type (Enterprise Fund).

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

Encumbrances

The City utilizes encumbrance accounting, in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts), and are used to control expenditures for the period and to enhance cash management. The City often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the City likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the City allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate. The City had no outstanding encumbrances as September 30, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and short-term investments with an original maturity date of three months or less. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. Temporary investments are stated at cost. State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Inventory

The City uses the purchase method of accounting for inventory. In the purchase method of accounting for inventory, purchases of gasoline and office supplies are recorded as expenditures when acquired. Inventory on hand at the end of the year is recorded as an asset and a reservation of fund balance if significant. Inventory at September 30, 2018 was not significant and therefore, is not recorded.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as “due to/from other funds”. The City had no advances between funds. See Note 6 for additional discussion of interfund receivables and payables.

Capital Assets

Capital assets, which includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are reported at acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. During the year ended September 30, 2018, no capitalized interest was recorded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

Assets capitalized have an original cost of $ 5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	31-40 Years
Furniture, equipment and vehicles	5-10 Years
Infrastructure:	
Water and sewer system	45 Years
General infrastructure assets	40-45 Years

Property Taxes

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

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

The assessed value of the property tax roll on July 13, 2017, upon which the levy for the 2017-18 fiscal year was based, was $ 287,469,528. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and Interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2018, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were $ 0.575223 and $ 0.059221 per $ 100 valuation, respectively, for a total of $ 0.634444 per $ 100 valuation.

Current tax collections for the year ended September 30, 2018 were 99.02% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled $ 25,242 and $ 2,876 for the general and debt service funds, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows and Inflows of Resources

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

Pension Plans and OPEB Plans

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

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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The City has not recorded any bond premiums and discounts. Bond issuance costs are reported as expenditures or expenses in the current period.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances

The City Council of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The City's Unassigned General Fund Balance is maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the City Council. Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action by the City Council. When it is appropriate for fund balance to be assigned, the City Council delegates authority to the City Manager or City Secretary. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The City implemented GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of spending constraints:

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances - Continued

As of September 30, 2018, non-spendable fund balance includes $ 582,360 for long-term receivable in the general fund. Restricted fund balances include $ 860 for park, $ 6,219 for court security and technology, $ 748 for police training in the general fund, $ 108,629 for debt service in the debt service fund, and $ 27,780 for street beautification and $ 225,141 for transportation in the special revenue funds. Committed fund balance includes $ 13,565 for insurance, $ 127,631 for capital improvement, $ 2,310 for equipment replacement, and $ 198,825 for crime control and prevention in the general fund. Unassigned fund balance includes $ 841,907 in the general fund.

Net Position

Net position represents the differences between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2018, the City implemented GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

During the year ended September 30, 2018, the City’s management determined that enterprise fund owes the general fund $ 318,654 in back utility payments.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT - Continued

The following represents the retroactive restatement of net position as a result of implementation of GASB Statement No. 75 and other prior period adjustment as noted above:

	General Fund	Governmental Activities	Business type Activities
Net position, September 30, previously reported	$ 1,752,851	$ 9,073,816	$ 4,682,558
Addition of total OPEB liability		(48,039)	(8,451)
Reclassify between governmental activities and business-type activities	(318,654)	(318,654)	318,654
Total adjustment	(318,654)	(366,693)	310,203
Net position, September 30, restated	$ 1,434,197	$ 8,707,123	$ 4,992,761

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less.

Cash and temporary investments, and investments, as reported on the statement of net position at September 30, 2018, are as follows:

	Unrestricted	Restricted	Total
Cash and Temporary Investments:			
Cash (petty cash accounts)	$ 800	$	$ 800
Financial Institution Deposits:			
Demand deposits	434,298	103,264	537,562
Certificates of deposit	243,537		243,537
Local Government Investment Pool:			
Texpool	361,873	42,337	404,210
TexStar	256,271		256,271
Logic	327,740	834	328,574
Total cash and temporary investments	1,624,519	146,435	1,770,954
Investments:			
Financial Institution Deposits:			
Certificates of deposit	210,194	53,903	264,097
Total	$ 1,834,713	$ 200,338	$ 2,035,051

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At year end, except for $ 800 of petty cash, the carrying amount of the City's deposits was $ 1,045,196, while the financial institution balances totaled $ 1,069,135. Of the financial institution balances, $ 378,561 was covered by federal depository insurance, and $ 690,574 was covered by collateral held by the City's agent in the City's name.

Investments

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

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

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

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

The City is invested in a certificate of deposit at Brazos National Bank and First National Bank to provide its liquidity needs. It has a maturity of less than 365 days. This investment is insured, registered, or the City's agent holds the securities in the City's name; therefore, the City is not exposed to custodial credit risk.

The City participates in three Local Government Investment Pools (LGIPs): TexPool, Logic, and TexSTAR. The State Comptroller oversees TexPool and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over Logic and TexSTAR, advisory boards consisting of participants or their designees, maintains oversight responsibility for Logic and TexSTAR.

The City invests in TexPool, Logic, and TexSTAR to provide its liquidity needs. TexPool, Logic, and TexSTAR are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, Logic, and TexSTAR are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of $ 1.00, although this cannot be fully guaranteed. TexPool, Logic, and TexSTAR are rated AAAm and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2018 TexPool, Logic, and TexSTAR had a weighted average maturity of 28 days, 38 days, and 38 days, respectively. Although TexPool, Logic, and TexSTAR portfolios had a weighted average maturity of 28 days, 38 days, and 38 days, respectively, the City considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

The following table includes the portfolio balances of all investment types of the City at September 30, 2018.

	Maturity Date	Interest Rate	Weighted Average Maturity (Days)	Investment Balance
Certificate of Deposit	12-14-18	0.50%	75	$ 106,098
Certificate of Deposit	01-03-19	0.70%	95	125,191
Certificate of Deposit	01-17-19	0.65%	109	58,475
Certificate of Deposit	11-05-18	0.45%	36	90,883
Certificate of Deposit	02-03-19	0.17%	126	126,987
Total Certificates of Deposit			65	507,634
Local Government Investment Pool:				
TexPool	N/A	Varies daily	28	404,210
TexSTAR	N/A	Varies daily	38	256,271
Logic	N/A	Varies daily	38	328,574
Total Local Government Investment Pool			36	989,055
Total investments			46	$ 1,496,689

Credit Risk - As of September 30, 2018, the LGIPs (which represent approximately 66.1% of the investment portfolio) are rated AAAm by Standard and Poor's or AAA by Finch, while the remainder is invested in fully secured certificates of deposit.

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

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

Fair Value – The City categorizes its fair value measurements within the fair value hierarchy established by GASB No 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The City holds no investments which are measured at fair value as of September 30, 2018.

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The City made no direct investments in derivatives during the year ended September 30, 2018, and holds no direct investments in derivatives at September 30, 2018.

NOTE 4 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Governmental Funds

Receivables as of September 30, 2018, for the government's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Total
Taxes:			
Property	$ 46,372	$ 5,364	$ 51,736
Sales	118,434		118,434
Franchise	28,950		28,950
Allowance for uncollectibles	(21,130)	(2,488)	(23,618)
	172,626	2,876	175,502
Accounts	2,941		2,941
Net total receivable	$ 175,567	$ 2,876	$ 178,443

Proprietary Fund

Proprietary fund accounts receivable is comprised of $ 285,505 due from charges for services provided to customers and $ 1,369 for other miscellaneous items. The City specifically identifies accounts to be written off prior to year-end. Accordingly, an allowance for doubtful accounts is not considered necessary.

Municipal Court Receivables

Municipal court receivables are reported in the governmental activities statement of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectibility in relation to the aging of customer accounts. Municipal court receivables and the allowance for uncollectible for the year ended September 30, 2018 were $ 227,913 and $ 195,258, respectively.

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

Governmental Funds

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue). Unearned revenue was $ 4,239 as of September 30, 2018. Deferred inflows of resources (delinquent property taxes receivable) were $ 20,105 in general fund and $ 2,324 in debt service fund as of September 30, 2018.

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

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date to the current year-end of September 30, 2018 and report these as deferred outflows of resources. Governmental and business-type activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental and business-type activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2018, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
Pension deferred inflows and outflows of resources less amortization - TMRS	$ 84,717	$ 166,731
Pension contributions subsequent to the measurement date - TMRS	85,562	
Pension deferred inflows and outflows of resources less amortization - TESRS	5,804	
Pension contributions subsequent to the measurement date - TESRS	8,480	
OPEB Deferred inflows and outflows of resources less amortization	4,153	
OPEB contributions subsequent to the measurement date	1,143	
Totals	$ 189,859	$ 166,731
Business-Type Activities		
Pension deferred inflows and outflows of resources less current amortization - TMRS	$ 14,902	$ 29,328
Pension contributions subsequent to the measurement date – TMRS	15,386	
OPEB Deferred inflows and outflows of resources less amortization	731	
OPEB contributions subsequent to the measurement date	206	
Totals	$ 31,225	$ 29,328
Total TMRS pension deferred inflows and outflows of resources	$ 200,567	$ 196,059
Total TESRS pension deferred inflows and outflows of resources	$ 14,284	$ -0-
Total OPEB deferred inflows and outflows of resources	$ 6,233	$ -0-

Unearned revenues reported in the governmental and business-type activities were $ 4,239 and $ 0 as of September 30, 2018.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at September 30, 2018 consisted of the following individual fund receivables and payables:

Fund	Receivable	Payable
General Fund:		
Enterprise fund	$ 507,270	$
Debt service fund		11,005
Total general fund	507,270	11,005
Debt Service Fund:		
General fund	11,005	-0-
Special Revenue Fund:		
Enterprise fund	79,386	-0-
Enterprise Fund:		
General fund		507,270
Special revenue		79,386
Total enterprise fund	-0-	586,656
Totals	$ 597,661	$ 597,661

During the year ended September 30, 2018, the Enterprise Fund had $586,656 payable to the governmental funds. The council decided to charge interest on the balance of $ 582,360 and planned to pay back the balance from Enterprise Fund to the governmental funds in fifteen years. The balance is considered a long-term receivable in the governmental funds and a long-term payable in the Enterprise Fund. Monthly principal and interest payments are required with a 1.9% interest rate. The following is the repayment schedule as of September 30, 2018:

Year Ended September 30,	Principal	Interest	Total
2019	$ 9,185	$ 11,065	$ 20,250
2020	14,360	10,890	20,250
2021	19,633	10,617	30,250
2022	25,006	10,244	35,250
2023	30,481	9,769	40,250
2024-2028	223,146	38,104	261,250
2029-2033	560,549	15,012	275,561
	$ 582,360	$ 105,701	$ 688,061

Other interfund balances represent short-term borrowing primarily for cash flow purposes. These include revenue or expenditure/expenses adjustment between funds at or near year-end.

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

Interfund Transfers

Interfund transfers for the year ended September 30, 2018 consisted of the following individual fund transfers in and transfers out.

	Transfers In			
	Governmental Funds			
Transfers Out	General Fund	Non-major Funds	Enterprise Fund	Total
Governmental Fund				
General Fund	$	$ 1,000	$ 82,936	$ 83,936
Enterprise Fund	86,871			86,871
	$ 86,871	$ 1,000	$ 82,936	$ 170,807

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 10/01/17	Additions	Retirements	Balance 09/30/18
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 335,262	$	$	$ 335,262
Total capital assets, not being depreciated	335,262	-0-	-0-	335,262
Capital Assets, Being Depreciated:				
Buildings	1,933,025			1,933,025
Equipment	2,086,341	599,967	(92,376)	2,593,932
Infrastructure	10,467,601			10,467,601
Total capital assets, being depreciated	14,486,967	599,967	(92,376)	14,994,558
Less Accumulated Depreciation For:				
Buildings	346,140	48,445		394,585
Equipment	1,587,207	175,005	(92,376)	1,669,836
Infrastructure	3,764,752	208,806		3,973,558
Total accumulated depreciation	5,698,099	432,256	(92,376)	6,037,979
Total capital assets, being depreciated, net	8,788,868	167,711	-0-	8,956,579
Governmental activities capital assets, net	$ 9,124,130	$ 167,711	$ -0-	$ 9,291,841

NOTE 7 - CAPITAL ASSETS - Continued

	Balance 10/01/17	Additions	Retirements	Balance 09/30/18
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 122,580	$	$	$ 122,580
Total capital assets, not being depreciated	122,580	-0-	-0-	122,580
Capital Assets, Being Depreciated:				
Buildings	193,270			193,270
Equipment	243,996	55,300		299,296
Infrastructure	11,560,139	8,873		11,569,012
Total capital assets, being depreciated	11,997,405	64,173	-0-	12,061,578
Less Accumulated Depreciation For:				
Buildings	115,398	5,544		120,942
Equipment	216,616	17,736		234,352
Infrastructure	4,990,218	291,488		5,281,706
Total accumulated depreciation	5,322,232	314,768	-0-	5,637,000
Total capital assets, being depreciated, net	6,675,173	(250,595)	-0-	6,424,578
Business-type activities capital assets, net	$ 6,797,753	$(250,595)	$ -0-	$ 6,547,158

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

Governmental Activities:	
General administration	$ 53,407
City maintenance	2,082
Streets and drainage	223,283
Police department	74,649
Fire department	68,916
Parks and recreation	9,919
Total depreciation expense-governmental activities	$ 432,256
Business-type Activities:	
Water and sewer	$ 314,768
Total depreciation expense-business-type activities	$ 314,768

NOTE 7 - CAPITAL ASSETS - Continued

Contributed Capital

During the year ended September 30, 2018 the City received contributed capital in the amount of $ 40,000 which was reported within governmental activities.

Governmental Fund Construction Commitments

The City has no governmental fund construction commitment at September 30, 2018.

Proprietary Fund Construction Commitments

The City has no proprietary fund construction commitment at September 30, 2018.

NOTE 8 - LONG-TERM DEBT

General Obligation Bonds/Certificates of Obligation

In July 2011, the City issued City of Richwood, Texas General Obligation Refunding Bonds, Series 2011 in the amount of $ 740,000 to refund the City of Richwood, Texas Tax and Revenue Certificates of Obligation Bonds, Series 1999. Interest rate for these bonds is 3.13%.

In July 2012, the City issued City of Richwood, Texas Combined Tax and Revenue Certificates of Obligation Bonds, Series 2012 in the amount of $ 1,115,000 to fund the purchase and construction of the new city hall.

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2018, are summarized as follows:

		Series Dates			Bonds
	Interest Rates %	Issued	Maturity	Callable	Outstanding 09/30/18
General Obligation Refunding Bonds, Series 2011	3.13%	2011	2024		$ 380,000
Certificate of Obligation Bond, Series 2012	2.00-3.50%	2012	2032		845,000
Total					$ 1,225,000

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Bonds/Certificates of Obligation - Continued

General obligation bond transactions for the year ended September 30, 2018 were as follows:

Bonds outstanding, October 1, 2017	$ 1,335,000
Maturities	(110,000)
Bonds outstanding, September 30, 2018	$ 1,225,000

The following is a summary of general obligation and certificate of obligation bond requirements for governmental activities by year as of September 30, 2018:

Year Ending September 30,	Principal	Interest	Total Requirements
2019	$ 105,000	$ 39,944	$ 144,944
2020	110,000	37,223	147,223
2021	115,000	33,845	148,845
2022	120,000	30,310	150,310
2023	120,000	26,626	146,626
2024-2028	375,000	84,091	459,091
2029-2032	280,000	25,025	305,025
Total	$ 1,225,000	$ 277,064	$ 1,502,064

Notes

During the year ended September 30, 2013, the City received a loan of $ 300,000 from the First National Bank of Lake Jackson to finance the completion of the City Hall building. Quarterly principal and interest payments of $ 5,347 are required with a 3.75% interest rate. During the year ended September 30, 2018, the City paid $ 11,938 in principle and $ 9,451 in interest.

The following is the note repayment schedule as of September 30, 2018:

Year Ending September 30,	Principal	Interest	Total Requirements
2019	$ 15,563	$ 11,173	$ 26,736
2020	12,984	8,405	21,389
2021	13,477	7,911	21,388
2022	13,990	7,399	21,389
2023	14,522	25,617	40,139
2024-2028	81,326	8,930	90,256
2029-2033	92,666	8,930	101,596
Total	$ 244,528	$ 78,365	$ 322,893

NOTE 8 - LONG-TERM DEBT - Continued

Notes - Continued

During the year ended September 30, 2016, the City received a loan of $ 20,000 from the First State Bank of Clute to finance the purchase of tools. Annually principal and interest payments of $ 7,332 are required with a 4.50% interest rate. During the year ended September 30, 2018, the City paid $ 6,713 in principle and $ 619 in interest. The following is the note repayment schedule as of September 30, 2018:

Year Ending September 30,	Principal	Interest	Total Requirements
2019	$ 7,045	$ 317	$ 7,362
Total	$ 7,045	$ 317	$ 7,362

During the year ended September 30, 2017, the City received a loan of $ 98,493 from the First National Bank of Lake Jackson to finance the purchase of equipment. Monthly principal and interest payments of $ 2,213 are required with a 3.75% interest rate. During the year ended September 30, 2018, the City paid $ 24,072 in principle and $ 2,483 in interest. The following is the note repayment schedule as of September 30, 2018:

Year Ending September 30,	Principal	Interest	Total Requirements
2019	$ 24,990	$ 1,565	$ 26,555
2020	25,942	613	26,555
2021	2,206	7	2,213
Total	$ 53,138	$ 2,185	$ 55,323

Revenue Bonds/Certificates of Obligation

In July 2004, the City issued $ 500,000 of City of Richwood, Texas Combination Tax and Revenue Certificates of Obligation, Series 2004 to finance improvements to the existing wastewater system (the "Project"). Interest rates on these bonds range from 2.75% to 5.70%. These certificates of obligation were purchased by the Texas Water Development Board.

In July 2011, the City issued $ 770,000 of City of Richwood, Texas Combination Tax and Revenue Certificates of Obligation, Series 2011 to finance improvements to the existing wastewater system. Interest rates on these bonds were 3.89%.

NOTE 8 - LONG-TERM DEBT - Continued

Revenue Bonds/Certificates of Obligation - continued

Revenue and certificates of obligation payable from business-type activities at September 30, 2018, are summarized as follows:

	Interest Rates %	Series Dates Issued	Series Dates Maturity	Series Dates Callable	Bonds Outstanding 09/30/16
Certificates of Obligation:					
Combination Tax and Revenue, Series 2004	2.75 - 5.70	2004	2025		$ 235,000
Combination Tax and Revenue, Series 2011	3.89	2011	2031	2020	570,000
Total					$ 805,000

Revenue bonds and certificates of obligation transactions for the year ended September 30, 2018 were as follows:

Bonds outstanding, October 1, 2017	$ 860,000
Maturities	(55,000)
Bonds outstanding, September 30, 2018	$ 805,000

The following is a summary of revenue and certificates of obligation bond requirements for business type activities by year as of September 30, 2018:

Year Ending September 30,	Principal	Interest	Total Requirements
2019	$ 65,000	$ 34,361	$ 99,361
2020	65,000	31,409	96,409
2021	65,000	28,428	93,428
2022	70,000	25,277	95,277
2023	75,000	21,965	96,965
2024-2028	300,000	63,537	363,537
2029-2031	165,000	13,226	178,226
Total	$ 805,000	$ 218,203	$ 1,023,203

NOTE 8 - LONG-TERM DEBT - Continued

Transactions for the year ended September 30, 2018 are summarized as follows:

	Balance 10/01/17	Issues or Additions	Payments or Expenditures	Balance 09/30/18	Due Within One Year
Governmental Type Activities:					
Certificates of obligation	$ 1,335,000	$	$ 110,000	$ 1,225,000	$ 105,000
Notes payable	347,433		42,722	304,711	47,507
Capital lease*		375,690		375,690	19,413
Premium	34,064		2,290	31,774	2,290
Net pension liability**	609,922	371,611	551,122	430,411	
Total OPEB liability***	48,039	8,580	224	56,395	
Total governmental activities	2,374,458	755,881	706,358	2,423,981	174,210
Business Type Activities:					
Certificates of obligation	860,000		55,000	805,000	65,000
Capital lease*	443,714		56,264	387,450	58,486
Net pension liability**	102,529	62,430	94,975	69,984	
Total OPEB liability***	8,451	1,509	39	9,921	-0-
Total business type activities	1,414,694	63,939	206,278	1,272,355	123,486
Less Portion Payable from Restricted Assets:					
Certificates of obligation	55,000	65,000	55,000	65,000	65,000
Net business-type activities	1,359,694	(1,061)	151,278	1,207,355	58,486
Total government (net)	$ 3,734,152	$ 754,820	$ 857,636	$ 3,631,336	$ 232,696

*See Note 9 for capital lease.
**See Notes 11 and 12 for net pension liability.
***See Note 13 for total OPEB liability.

NOTE 9 - LEASES

Capital Lease

In January 2014, the City entered into $ 600,000 Equipment Lease Purchase Agreement with Green Campus Partners, LLC under lease classified as capital lease. The interest rate related to the lease obligation is 3.95% and the maturity date is January 2024. The City will have the option to purchase the Equipment, upon giving written notice to Lessor at least 30 days before the date of purchase and may exercise the option on or after January 31, 2020. During the year ended September 30, 2018, $ 56,264 of lease expenses and $ 17,527 of interest expenses related to this lease were paid.

NOTE 9 - LEASES - Continued

Capital Lease - continued

The following is a schedule showing the future minimum lease payments:

Year Ending September 30,	Principal	Interest	Total Requirements
2019	$ 58,486	$ 15,304	$ 73,790
2020	60,796	12,994	73,790
2021	63,198	10,593	73,791
2022	65,694	8,096	73,790
2023	68,289	5,501	73,790
2024	70,987	2,804	73,791
Total	$ 387,450	$ 55,292	$ 442,742

In November 2017, the City entered into $ 375,690 Equipment Lease Purchase Agreement with Community First National Bank under lease classified as capital lease. The interest rate related to the lease obligation is 3.54% and the maturity date is November 2032. The City will have the option to purchase the Equipment, upon giving written notice to Lessor at least 30 days before the date of purchase. During the year ended September 30, 2018, no lease expenses and interest expenses related to this lease were paid.

The following is the note repayment schedule as of September 30, 2018:

Year Ending September 30,	Principal	Interest	Total Requirements
2019	$ 19,413	$ 13,299	$ 32,712
2020	20,100	12,612	32,712
2021	20,812	11,901	32,713
2022	21,548	11,164	32,712
2023	22,311	10,401	32,712
2024-2028	123,976	39,584	163,560
2029-2032	147,530	16,031	163,561
Total	$ 375,690	$ 114,992	$ 490,682

NOTE 9 - LEASES - Continued

Operating Leases

The City leases copiers each year. The lease is considered for accounting purposes to be an operating lease. The lease is on a month-to-month basis. Total governmental activities lease expenditures for the year ended September 30, 2018 were $ 5,800.

On February 26, 2010, the City's Enterprise Fund entered into an interlocal waste water transmission line lease agreement, an operating lease, with the City of Clute. The lease requires quarterly payments on January 15, April 15, July 15, and October 15 of each year from 2010 to 2025. The lease requires total payments of $ 2,413,627 with varying quarterly payment. During the year ended September 30, 2018 the business-type activities reported expenses in the amount of $ 137,522. The following are the minimal lease payments required under this lease:

Year Ending September 30,	Total Requirements
2019	$ 139,087
2020	140,987
2021	142,953
2022	144,989
2023	147,095
2024-2026	338,832
Total	$ 1,053,943

NOTE 10 - JOINT OPERATIONS

The City is party to an agreement with the City of Clute to share costs associated with the operation of a sewer treatment plant. The percentage for sharing the operating expenses (excluding maintenance and capital outlay) is determined based upon the metered flow of wastewater for each City. For the year ended September 30, 2018, the City of Richwood's portion of these expenses was determined to be 21.04%, which amounted to $ 213,056. Further, the City of Richwood shares in 25.00% of maintenance costs (including capital acquisitions) which amounted to $ 68,610 for the year ended September 30, 2018. The City of Clute maintains both budgetary and accounting responsibility over these operations.

NOTE 11 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City participates as one of 883 plans in the nontraditional, join contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

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

B. Benefits Provided

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

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

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

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	16
Active employees	23
	57

NOTE 11 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

C. Contributions

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

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.24% and 11.23 % in the calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were $ 140,265, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 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% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

NOTE 11 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100%	

Discount Rate

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

NOTE 11 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2016	$ 3,794,533	$ 3,129,852	$ 664,681
Changes for the Year:			
Service cost	167,945		167,945
Interest	253,787		253,787
Difference between expected and actual experience	5,669		5,669
Contributions – employer		147,798	(147,798)
Contributions – employee		65,747	(65,747)
Net investment income		433,788	(433,788)
Benefit payment, including refunds of employee contributions	(237,383)	(237,383)	
Administrative expense		(2,248)	2,248
Other changes		(114)	114
Net changes	190,018	407,588	(217,570)
Balance at 12/31/2017	$ 3,984,551	$ 3,537,440	$ 447,111

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what's the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-perentage-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	$ 968,092	$ 447,111	$ 18,868

Pension Plan Fiduciary Net Position

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

NOTE 11 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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

For the year ended September 30, 2018, the City recognized pension expense of $ 127,057.

At September 30, 2018, 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 experience	$ 8,837	$ 17,856
Difference between projected and actual earnings	85,938	178,203
Differences in assumption changes	4,844	
Contributions subsequent to the measurement date	100,948	
Total	$ 200,567	$ 196,059

$ 100,948 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2019	$(7,740)
2020	(1,566)
2021	(42,644)
2022	(44,490)

NOTE 12 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

A Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a standalone financial report that is available to the public at www.tesrs.org.

NOTE 12 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. On August 31, 2017, there were 235 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

B Benefits Provided

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

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

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

C Funding Policy

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

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

NOTE 12 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

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

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

D Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2017, total contributions of $ 5,012,131 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated $ 1,583,825 for the fiscal year ending August 31, 2017.

The City is not an employer of the members under the TESRS Plan. However, the City makes contributions directly to the TESRS Plan for members of the participating fire department in the City. During the measurement period of 2017 for fiscal 2018 reporting, the amount of the City’s contributions recognized by the plan was $ 10,725.

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

The most recently completed biennial actuarial valuation as of August 31, 2016 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately $ 725,000 each year to pay for part of the System’s administrative expenses.

NOTE 12 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

E Net Pension Liability

The System's net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016 and rolled forward to August 31, 2017. The City's proportionate share of net pension liability was $ 53,284.

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.0%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflected a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	32%	5.72%
Small cap domestic	10	5.96
Development international	21	6.21
Emerging markets	6	7.18
Master limited partnership	5	7.61
Fixed Income:		
Domestic	21	1.61
International	5	1.81
Cash	0	0.00
Total	100%	
Weighted average		4.97%

NOTE 12 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease In Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase In Discount Rate (8.75%)
City's Net Pension Liability	$ 99,503	$ 53,284	$ 24,126

F Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At September 30, 2018, 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 experience	$ 57	$
Differences between projected and actual earnings	4,969	
Differences in assumption changes	778	
Contributions subsequent to the measurement date	8,480	
Total	$ 14,284	$ -0-

NOTE 12 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

$ 8,480 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,		
2019	$	2,507
2020		4,599
2021	(	220)
2022	(	1,082)

For the year ended September 30 2018, the City recognized pension expense of $ 11,180.

NOTE 13 - DEFINED OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The City also participates in the 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 SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75, paragraph 4b and there are no assets accumulated for OPEB. As such the SDBF is considered to be a single employer unfunded OPEB plan with benefit payments treated as being equal to the employer’s yearly contributions for retirees.

B. Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	6
Active employees	23
	38

NOTE 13 - DEFINED OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN - Continued

C. Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.20% and 0.22% in the calendar years 2017 and 2018, of which 0.05% and 0.06% represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for the year ended September 30, 2018 was $ 1,849 representing contributions for both active and retiree coverage which equaled the required contributions. The City's contribution for retiree portion as of September 30, 2018 was $ 369.

D. Total OPEB Liability

The City's total OPEB liability of $ 66,316 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.5% including inflation
Discount rate	3.31%
Investment Rate of Return	A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled retirees, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period from December 31, 2010 to December 31, 2014.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

NOTE 13 - DEFINED OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN - Continued

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/2016	$ 56,490
Changes for the Year:	
Service cost	2,103
Interest	2,170
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes in assumption or other inputs	5,816
Benefit payments	(263)
Net changes	9,826
Balance at 12/31/2017	$ 66,316

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what's the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-perentage-point higher (4.31%) than the current rate:

	1% Decrease In Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase In Discount Rate (4.31%)
City's Total OPEB Liability	$ 81,314	$ 66,316	$ 54,870

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

For the year ended September 30, 2018, the City recognized OPEB expense of $ 5,205.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in assumption changes	$ 4,884	$
Contributions subsequent to the measurement date	1,349	
Total	$ 6,233	$ 0

NOTE 13 - DEFINED OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN - Continued

$ 1,349 reported as deferred outflows of resources related to OPEB relating from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,		
2019	$	932
2020		932
2021		932
2022		932
2023		932
Thereafter		224

NOTE 14 - RISK POOL PARTICIPATION

The City is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of liability, property, worker's compensation, and medical insurance. The City pays annual premiums to the pool for the coverages stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Property and liability insurance provide varying and appropriate coverage, with most claims subject to a $ 5,000 deductible. Workers compensation claims are managed by the Texas Municipal League. In addition, the City has designated a portion of the General Fund fund balance for insurance contingencies, to handle deductibles and other associated costs. For medical insurance claims, the City pays insurance premiums for full coverage and has no liability for claims filed by employees or their covered dependents.

NOTE 15 - LITIGATION

The City currently is not involved in any nor is the City aware of any threatened litigation, claims, or assessments.

NOTE 16 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2017, expenditures exceeded appropriations on the funds as follows:

Debt Services Fund	$	500
Enterprise Fund	$	195,686

The budget was not amended; however, the City Council approved these expenditures as required by City budget procedures. The variance in the Debt Services Fund was resulted from fees charged from the bank and the variance in the Enterprise Fund was mainly resulted from under budget on depreciation.

NOTE 17 - ECONOMIC DEVELOPMENT AGREEMENTS

On December 9, 2014 the City entered into an Economic Development Agreement with 210 Development Group, LLC ("the Developer") in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, the Developer is expected to construct and operate an apartment complex and the City agrees to provide the Developer an economic incentive for the period of five years commencing with payment of ad valorem taxes on the property by the Developer. For the year ending September 30, 2018, the City made a rebate payment of $ 147,103 under this agreement, all of which was paid during the fiscal year 2018.

On January 26, 216 the City entered into an Economic Development Agreement with Jerry Crawford ("Crawford") in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, Crawford is expected to operate and continue an existing business at the property known as Crawford's Furniture and Appliance, Inc. and the City agrees to provide Crawford an economic incentive for the period of ten years commencing with payment of ad valorem taxes on the property by Crawford. For the year ending September 30, 2018, the City made a rebate payment of $ 7,238 under this agreement, all of which was paid during the fiscal year 2018.

On April 10, 2017 the City entered into an Economic Development Agreement with Big Kountry Shooting, LLC ("BKS") in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, BKS is expected to construct and operate an indoor shooting range within the city limits of the City and the City agrees to provide BKS an economic incentive for the period of two years commencing with payment of ad valorem taxes on the property by BKS. For the year ending September 30, 2018, no rebate payments made by the City.

NOTE 18 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 26, 2019, the date which the financial statements were available to be issued.

On February 11, 2019, the council of the City amended the loan balance between the governmental funds and the enterprise fund to $ 456,421 and also decided to only require repayment and charge interest in fiscal year 2019 and repel the remaining repayment schedule.

Year Ended September 30,	Principal	Interest	Total
2019	$ 11,578	$ 8,672	$ 20,250

APPENDIX C

FORM OF BOND COUNSEL OPINIONS

NORTON ROSE FULBRIGHT

[DATE]

Norton Rose Fulbright US LLP
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
United States

Tel +1 713 651 5151
Fax +1 713 651 5246
nortonrosefulbright.com

We have acted as bond counsel in connection with the issuance by the City of Richwood, Texas (the "*Issuer*") of its General Obligation Bonds, Series 2019A in the aggregate principal amount of $2,780,000 and its General Obligation Bonds, Series 2019B in the aggregate principal amount of $3,750,000 (collectively, the "*Bonds*").

In rendering the opinions herein we have examined and relied upon executed Bonds; original or certified copies of the proceedings had in connection with issuance of the Bonds, including the respective Ordinances of the governing body of the Issuer which authorizes issuance of the Bonds (the "*Ordinances*"); certificates of officers of the Issuer related to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Issuer, which are within its sole knowledge and control; and such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates.

Based upon such examination, we are of the opinion, that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds are valid and legally binding obligations of the Issuer payable from the sources, and enforceable in accordance with the terms and conditions, described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. The Bonds are payable from and equally and ratably secured solely by a pledge of and lien on certain net revenues from the operation of the Issuer's waterworks and sewer facilities.

3. Pursuant to the Internal Revenue Code of 1986, as amended and in force on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, assuming continuing compliance with the provisions of the Ordinances relating to sections 141 through 150 of the Code, interest on the Bonds is excludable for federal income tax purposes from the gross income, as defined in section 61 of the Code, of the owners thereof pursuant to section 103 of the Code, and such interest will not be included for federal income tax purposes in computing the alternative minimum taxable income of the owners thereof.

We express no other opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the

NORTON ROSE FULBRIGHT

Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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 change 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 or any court; 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.