

PRELIMINARY OFFICIAL STATEMENT

Dated: 03/06/2025

**S&P Rating Insured “AA”
S&P Underlying Rating: “A+”
(See “RATINGS” herein)**

NEW ISSUE: Book-Entry-Only

In the opinion of Jackson Walker LLP, Bond Counsel to the City (as defined below), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See “TAX MATTERS” herein.

THE CERTIFICATES WILL BE DESIGNATED
AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

\$2,520,000*
CITY OF BRAZORIA, TEXAS
(Brazoria County)
Combination Tax and Revenue
Certificates of Obligation, Series 2025

Dated Date: March 15, 2025

Due: February 15, as shown on inside cover

PAYMENT TERMS... Interest on the \$2,520,000* City of Brazoria, Texas (the “City”), Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”), will accrue from their delivery date to the underwriter listed below (the “Underwriter”) and will be payable February 15 and August 15 of each year, commencing on August 15, 2025. The Certificates will be issued only in fully registered form in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Certificates will be payable to the registered owners (the “Owners”) at maturity or prior redemption upon presentation at the principal corporate office of the paying agent/registrar (the “Paying Agent/Registrar”), initially UMB Bank, N.A., Austin, Texas. The Certificates will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interests in the Certificates. See “BOOK-ENTRY-ONLY SYSTEM” herein.

PURPOSE... Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) (i) sewer plant improvements, (ii) sewer and waterline replacement, (iii) natural gas distribution line improvements, (iv) a backhoe loader and sewer jet/vacuum machine for the utility department, and (v) replacement of the dispatch console system for 911 and dispatch and police radios and (2) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects. See “THE CERTIFICATES – Sources and Uses of Funds” herein.

REDEMPTION... The Certificates maturing on and after February 15, 20 are subject to optional redemption in whole or in part on February 15, 20, or on any date thereafter at a redemption price equal to the principal amount thereof plus accrued interest as more fully described herein. Certain of the Certificates may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more maturities as term certificates. See “THE CERTIFICATES – Optional Redemption” and “Mandatory Redemption” herein.

SECURITY AND SOURCE OF PAYMENT... The Certificates will constitute direct obligations of the City, payable from ad valorem taxes levied against all taxable property in the City within the limits prescribed by law, and a limited subordinate pledge of certain revenues derived from the operations of the City’s waterworks, sewer and natural gas system (the “System”) as provided in the ordinance authorizing the Certificates. See “THE CERTIFICATES – Security for Payment” herein



The scheduled payment of principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company (“BAM”). BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”).

See MATURITY SCHEDULE on the Inside Cover Page

LEGALITY... *The Certificates are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and Jackson Walker LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Naman Howell Smith & Lee, PLLC, Austin, Texas.*

DELIVERY... *The Certificates are expected to be available for delivery to the Underwriter through DTC on or about March 28, 2025.*

RAYMOND JAMES

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

\$2,520,000* Combination Tax and Revenue Certificates of Obligation, Series 2025

Maturity (2/15)^(a)	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield/Price^(b)</u>	<u>CUSIP^(c)</u>
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
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2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				

* Preliminary, subject to change

- (a) The Certificates maturing on and after February 15, 20__, are subject to optional redemption, in whole or in part, on February 15, 20__, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date of redemption. Certain of the Certificates may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more maturities as term certificates. (See “THE CERTIFICATES – Optional Redemption” and “– Mandatory Redemption”).
- (b) The initial yields and prices are established by, and are the sole responsibility of the Underwriter and may subsequently be changed.
- (c) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Certificates. Neither the City, the Financial Advisor, nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF BRAZORIA, TEXAS

CITY COUNCIL

Mayor	Philip Ray
Mayor Pro-Tem	Gary Kersh
Councilmember	Dustin Weisinger
Councilmember	Perry Morris
Councilmember	Tina Watts
Councilmember	Susan Swanner Parker

ADMINISTRATIVE OFFICERS

David Kocurek	City Manager
Clissa Mills	City Secretary
Charles Stevenson	City Attorney

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Jackson Walker LLP, Houston, Texas	Bond Counsel
Curtis T. Craig, Certified Public Accountant, Rosenberg, Texas	Independent Auditor
Government Capital Securities Corporation, Southlake, Texas	Financial Advisor

For additional information regarding the City, please contact:

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City of Brazoria
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Brazoria, Texas 77422
(979) 798-2489
citymanager@cityofbrazoria.org

Wade Thompson
Drew Whittington
Government Capital Securities Corporation
559 Silicon Drive, Suite 102
Southlake, TX 76092
(817) 722-0220
wthompson@govcapsecurities.com
dwhittington@govcapsecurities.com

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), and in effect on the date of the Preliminary Official Statement, this document constitutes an "Official Statement" of the City with respect to the Certificates that has been deemed "final" by the City as of this date except for the omissions of no more than the information permitted by the Rule.

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

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

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

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

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

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

None of the City, the Financial Advisor or the Underwriter make any representation as to the accuracy, completeness or adequacy of the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

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

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BOND INSURANCE

BOND INSURANCE POLICY

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$498.6 million, \$253.4 million and \$245.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

BOND INSURANCE RISKS

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by BAM at such time and in such amounts as would have been due absent such prepayment by the City (unless BAM chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "OWNER'S REMEDIES"). BAM may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Certificate holders.

In the event BAM is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from (i) continuing, direct annual ad valorem taxes levied against all taxable property within the City within the limits prescribed by law and (ii) a subordinate pledge of certain revenues derived from operations of the City's waterworks, sewer and natural gas system (the "System"), as further described in "THE CERTIFICATES – Security for the Certificates." In the event BAM becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

The long-term ratings on the Certificates will be dependent in part on the financial strength of BAM and its claims-paying ability. BAM's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of BAM and the ratings on the Certificates, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates.

The obligations of BAM under the Policy are general obligations of BAM and in an event of default by BAM, the remedies available may be limited by applicable bankruptcy law. None of the City, the Financial Advisor or the Underwriter have made independent investigation into the claims-paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P, and Fitch Ratings (the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of any

such bond insurer to pay principal of and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

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SUMMARY STATEMENT

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

The Issuer	The City of Brazoria, Texas (the “City”) is located in Brazoria County, Texas. For information regarding the City, see Appendices A and B.
The Certificates	The Certificates are issued as \$2,520,000* Combination Tax and Revenue Certificates of Obligation, Series 2025, dated as of March 15, 2025, maturing on the dates and in the amounts set forth on the inside front cover of this Official Statement. Interest on the Certificates will accrue from their date of delivery and will be paid semiannually on February 15 and August 15, commencing August 15, 2025 until maturity or prior redemption.
Purpose of Certificates	Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) (i) sewer plant improvements, (ii) sewer and water line replacement, (iii) natural gas distribution line improvements, (iv) a backhoe loader and sewer jet/vacuum machine for the utility department, and (v) replacement of the dispatch console system for 911 and dispatch and police radios and (2) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects. See “THE CERTIFICATES – Sources and Uses of Funds” herein.
Authorization and Security	The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, Chapter 1502, Texas Government Code, and an ordinance to be adopted by the City Council of the City (the “City Council”) on March 11, 2025. The Certificates are payable from ad valorem taxes to be levied, within the limits prescribed by law, on all taxable property within the City and a limited subordinate pledge of certain revenues derived from operation of the City’s waterworks, sewer and natural gas system (the “System”) as provided in the ordinance authorizing the Certificates.
Optional Redemption	The Certificates maturing on and after February 15, 20__, are subject to optional redemption in whole or in part on February 15, 20__, or on any date thereafter at a price of par plus accrued interest as more fully described herein. See “THE CERTIFICATES – Optional Redemption” herein.
Mandatory Redemption	Certain of the Certificates may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as term certificates. See “THE CERTIFICATES – Mandatory Redemption” herein.
Tax-Exemption	In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations. (see “TAX MATTERS – The Certificates” herein).
Qualified Tax-Exempt Obligations	The City will designate the Certificates as “qualified tax-exempt obligations”. (See “TAX MATTERS – Qualified Tax-Exempt Obligations” herein.)

*Preliminary, Subject to change

Ratings

The Certificates have been assigned an insured rating of “AA” by S&P Global Ratings, a division of Standard and Poor’s Financial Services LLC (“S&P”) based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. The Certificates have also been assigned an underlying rating of “A+” by S&P without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from S&P. See “RATINGS” herein.

Book-Entry-Only System

The Certificates are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry only system described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the purchasers thereof. Principal of, premium if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Certificates. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Payment Record

The City has never defaulted on the payment of its bonded indebtedness.

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2025 Certified Taxable Assessed Valuation..... \$244,421,491^(a)
(100% of Market Value as of January 1, 2025)

City Debt:

Outstanding Tax Supported Debt (as of 9/30/2024).....	\$4,355,000
Plus: The Certificates.....	\$2,520,000**
Total Tax Supported Debt.....	\$6,870,000**

	% of 2024 Assessed <u>Valuation</u>	2020 Per Capita <u>(2,866)</u>
Debt Ratios:		
Direct Tax Supported Debt.....	2.81%	\$2,397

2024-25 Tax Rate (per \$100 of Assessed Valuation)

Maintenance and Operation	\$0.4743
Debt Service	0.1354
Total	\$0.6097

Estimated Annual Debt Service Requirements.....

Average.....	\$ 398,255*
Maximum (2027).....	\$ 493,656*

Tax Collections

Current Year.....	In process
Total Collections.....	In process

*Preliminary, subject to change.

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

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**OFFICIAL STATEMENT
RELATING TO

\$2,520,000*
CITY OF BRAZORIA, TEXAS
(Brazoria County)
Combination Tax and Revenue
Certificates of Obligation, Series 2025

INTRODUCTORY STATEMENT**

This Official Statement, which includes the cover page, the schedules and the appendices hereto, provides certain information regarding the issuance by the City of Brazoria, Texas (the “City”) of its \$2,520,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”).

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

The City is a political subdivision of the State of Texas (the “State”) and a municipal corporation organized and existing under the laws of the State. For information regarding the City, see Appendices A and B of this Official Statement.

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

THE CERTIFICATES

Purpose

Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) (i) sewer plant improvements, (ii) sewer and water line replacement, (iii) natural gas distribution line improvements, (iv) acquisition a backhoe loader and sewer jet/vacuum machine for the utility department and (v) replacement of the dispatch console system for 911 and dispatch and police radios and (2) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects. See “THE CERTIFICATES – Sources and Uses of Funds” herein.

Authorization

The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and the Ordinance.

Security for the Certificates

The Certificates are payable from ad valorem taxes to be levied and collected, within the limits prescribed by law, on all taxable property within the City, and by a limited subordinate pledge of certain revenues derived from operation of the City’s waterworks, sewer and natural gas system as provided in the Ordinance.

Optional Redemption

The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15 20__, in whole or in part, in integral multiples of \$5,000, on February 15, 20__ or any date thereafter, such redemption date or dates to be fixed by the City, at a redemption price equal to the principal amount thereof plus

*Preliminary, subject to change.

accrued interest to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar (as defined herein) to select by lot the Certificates, or portions thereof, within each maturity to be redeemed.

Mandatory Redemption

Certain of the Certificates may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as term certificates.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Certificate to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. If notice is so given and sufficient funds are provided for the payment of the redemption price of the Certificates, interest shall cease to accrue after the date fixed for redemption whether or not the Certificates have been submitted for payment. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, AND THE FUNDS NECESSARY TO REDEEM SUCH CERTIFICATES HAVING BEEN PROVIDED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Sources and Uses of Funds

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

Sources

Principal Amount of Certificates
Original Issue Premium/Discount

Total Sources of Funds

Uses

Deposit to Project Fund
Costs of Issuance

Underwriter's Discount

Total Uses of Funds

GENERAL INFORMATION REGARDING THE CERTIFICATES

General Description

The Certificates will be dated as of March 15, 2025 (the "Dated Date"), and will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the date of delivery to the underwriter listed on the cover page hereof (the "Underwriter"), and interest will be paid semiannually on each February 15 and August 15, commencing August 15, 2025. Interest will accrue on the Certificates on the basis of a 360-day year consisting of twelve 30-day months. The Certificates will be issued as

book-entry-only securities pursuant to arrangements made with The Depository Trust Company, New York, New York. See “BOOK-ENTRY-ONLY SYSTEM.”

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

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

Legality

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

Defeasance

The City may defease the provisions of the Ordinance and discharge its obligations to the Registered Owners of any or all of the Certificates to pay the principal of and interest thereon in any manner permitted by law, including by depositing with the Paying Agent/Registrar or with the Comptroller of Public Accounts of the State of Texas either: (a) cash in an amount equal to the principal amount of such Certificates plus interest thereon to the date of maturity or redemption; or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, which, in the case of (i), (ii) or (iii), may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Certificates are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in the Ordinance. Upon such deposit, such Certificates shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City.

Amendments to the Ordinance

The Ordinance shall constitute a contract with the registered owners from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in the Ordinance. The City may, without the consent of or notice to any registered owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the consent of registered owners who own in the aggregate 51% of the principal amount of the Certificates then

Outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all registered owners of Outstanding Certificates, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (ii) give any preference to any Certificate over any other Certificate, or (iii) reduce the aggregate principal amount of Certificates required to be held by registered owners for consent to any such amendment, addition, or rescission.

OWNERSHIP

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

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

OWNER'S REMEDIES

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

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificate holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, with respect to principles of governmental immunity, and by general principles of equity that permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the

Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal and redemption payments of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Certificates is a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, principal, interest, and redemption payments on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" above.

Future Registration

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

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date is the last day of the month next preceding such interest payment date, as specified in the Ordinance. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (the "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least 5 days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Certificate appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Certificates

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

Replacement of Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any

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

AD VALOREM PROPERTY TAXATION

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Brazoria County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

Effective January 1, 2024, an appraisal district may only increase the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 1, 2026 (unless extended by the Texas Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies" herein.

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased, or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” for descriptions of any of the City’s tax abatement agreements.

Chapter 380 Agreements

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

Temporary Exemption For Qualified Property Damaged By A Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code, to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

Public Hearing and Maintenance and Operation Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition

signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact 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 Certificates.

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.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

Issuer and Taxpayer Remedies

Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See “– Public Hearing and Maintenance and Operation Tax Rate Limitations”.) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, 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. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of 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 State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

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

City Application of Property Tax Code

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$30,000; disabled are also granted an exemption of \$30,000.

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

The City does not grant the Freeport Exemption

The City has not taken action to tax Goods-in-Transit

The City participates in one TIRZ designated as "Reinvestment Zone Number One, City of Brazoria, Texas"

The City does not have any active tax abatement agreements or Chapter 380 Agreements

RETIREMENT PLAN

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System, an agent multi-employer public employee retirement system. For a discussion of the Retirement Plan, see “Appendix D - Audited Financial Statements for the Fiscal Year Ended September 30, 2023.”

INVESTMENT POLICIES

Accounting Principles Generally Accepted in the United States

The City policy is to adhere to accounting principles generally accepted in the United States (see “Appendix D - Audited Financial Statements for the Fiscal Year Ended September 30, 2023”).

Legal Investments

Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (i) that are issued by or through an institution that has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than “AAA” or its equivalent. In addition, bond proceeds may be

invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

Investment Policies

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

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

Additional Provisions

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

Current Investments

As of September 30, 2023, the City's investment portfolio was invested in the following categories. As of such date, the market value of such investments was approximately 100% of their book value.

<u>Type of Investment</u>	<u>Amount</u>
Cash	\$3,102,325
TexPool	\$1,181,758
Total	\$4,284,083

RATINGS

The Certificates have been assigned an insured rating of "AA" by S&P Global Ratings, a division of Standard and Poor's Financial Services LLP, ("S&P") based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. The Certificates have also been assigned an underlying rating of "A+" by S&P without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from S&P. The ratings reflect only the view of S&P and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates. Neither the Underwriter nor the City has undertaken any responsibility to bring to the attention of the Registered Owners of the Certificates any proposed revision or withdrawal of the ratings of the Certificates or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Certificates. BAM's financial strength is rated "AA/Stable" by S&P.

PENDING LITIGATION

There is no material litigation currently pending or to its knowledge, threatened, against the City.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Certificates are valid and binding obligations of the City, and based upon examination of such transcripts of

proceedings, the approving legal opinions of Bond Counsel to the effect that (i) the Certificates issued in compliance with the provisions of the Ordinance are valid and legally binding obligations of the City and (ii) the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions (see “TAX MATTERS”). Though it may represent the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Certificates, and the opinion of Bond Counsel will make no statement as to such matters, or any other information that may have been relied on by anyone in making the decision to purchase the Certificates. The applicable legal opinion will be printed on or attached to the definitive Certificates.

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

In the opinion of Jackson Walker LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. The proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

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

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Certificates”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Certificates,

like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect the market price or marketability of the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

LEGAL INVESTMENTS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such Certificates are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The

City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligations, because the City does not have outstanding more than \$10,000,000 in aggregate principal amount of municipal securities (excluding securities offered in transactions that were exempt from the Rule). Pursuant to the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included this Official Statement, but only to the extent that such information is customarily prepared by the City and publicly available. The City will update and provide this information within twelve months after the end of each fiscal year.

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

The City's current fiscal year end is September 30. If the City changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices

The City will file with the MSRB notice of any of the following events with respect to the Certificates in a timely manner (not more than 10 business days after 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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if

material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, 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 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 (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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.

Neither the Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement (other than the Policy), or liquidity enhancement. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports”. The City will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (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. The term “financial obligation” used in clauses (15) and (16) of the immediately preceding paragraph 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) a guarantee or either (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Limitations and Amendments

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

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

agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

Compliance with Prior Undertakings

The City has complied with all continuing disclosure agreements pursuant to the Rule during the past 5 years.

OTHER INFORMATION

Financial Advisor

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

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

Underwriting

The Underwriter has agreed to purchase the Certificates from the City for \$_____ (being the principal amount of the Certificates, plus a [net] premium of \$_____, less an Underwriter's discount of \$_____).

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

Forward-Looking Statements

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

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

Concluding Statement

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

In the Ordinance, the City Council of the City will approve the Official Statement and said instrument will be authorized for use and distribution by the Underwriter for the purpose of offering the Certificates.

/s/ Philip Ray
Mayor, City of Brazoria, Texas

ATTEST:

/s/ Clissa Mills
Secretary, City of Brazoria, Texas

APPENDIX A
FINANCIAL INFORMATION REGARDING
THE
CITY OF BRAZORIA, TEXAS

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FINANCIAL INFORMATION FOR THE CITY

ASSESSED VALUATION

TABLE 1

2024-25 Total Value of Taxable Property		\$319,173,735
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$10,481,132	
Disabled and Deceased Veterans' Exemptions	673,843	
Productivity Value Loss	4,492,594	
Homestead 10% Cap Adjustment ^(b)	25,040,266	
Abatement	0	
Total Exempt Property	33,581,729	
Other	<u>482,680</u>	<u>74,752,244</u>
2024-25 Net Taxable Assessed Valuation (100% of Actual) ^(a)		<u>\$244,421,491</u>

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

^(b) Total includes 23.231 Cap.

Source: Brazoria County Appraisal District

PRINCIPAL TAXPAYERS

TABLE 2

<u>Name</u>	<u>Type of Business</u>	<u>2024 Net Taxable Assessed Valuation</u>	<u>% of Total 2024 Assessed Valuation*</u>
QRV Brazoria LLC	Mobile Homes/Park	\$ 7,193,000	2.94%
Buc-ee's Ltd.	Gas Station	5,602,460	2.29%
Texas New Mexico Power Co.	Electric Utility	2,967,310	1.21%
West Brazos Stewart Property Holdings of Brazoria	Strip Mall/Plaza	2,460,750	1.01%
Brazoria Telephone Co.	Telephone Utility	2,417,830	0.99%
Baymark Pipeline LLC	Oil & Gas Pipeline	2,413,260	0.99%
BRP Brazoria Bess LLC	Electric Utility	2,365,220	0.97%
Texas Dow Employees Credit Union	Financial/Banking	1,719,030	0.70%
J Miska Company LLC	Car Wash	1,661,745	0.68%
Union Pacific Railroad Company	Railroad	<u>1,538,530</u>	<u>0.63%</u>
Total		<u>\$30,339,135</u>	<u>12.41%</u>

* Based on the 2024-25 Net Taxable Assessed Valuation of \$244,421,491.

Source: Brazoria County Appraisal District

PROPERTY TAX RATES AND COLLECTIONS^(a)

TABLE 3

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Collection %		Fiscal Year Ended
			Current	Total^(b)	
2020	\$138,262,834	\$0.6805	97.95%	98.84%	9-30-21
2021	152,458,728	0.6805	97.45%	98.46%	9-30-22
2022	188,046,868	0.6805	97.43%	97.43%	9-30-23
2023	236,865,251	0.5965	99.5%	99.5%	9-30-24
2024	244,421,491	0.6097	In process		9-30-25

^(a) See “TAX INFORMATION - The City Application of the Property Tax Code” in the Official Statement for a description of the City’s taxation procedures.

^(b) Excludes interest and penalties.

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Brazoria County Appraisal District, and the City’s 2023 Annual Financial Statements.

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

TAX RATE DISTRIBUTION

TABLE 4

	2024-25	2023-24	2022-23	2021-22	2020-21
Maintenance & Operations	\$0.4743	\$0.4550	\$0.5084	\$0.4800	\$0.4716
I & S Fund	0.1354	0.1415	0.1721	0.2005	0.2089
TOTAL	\$0.6097	\$0.5965	\$0.6805	\$0.6805	\$0.6805

Source: The City

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The
Certificates

Fiscal Year 30-Sept	Existing Debt Service	Principal*	Interest*	Total Debt Service*
2025	\$ 326,100	\$ -	\$ 51,289.58	\$ 377,389.58
2026	329,700	55,000	108,531.26	493,231.26
2027	328,000	60,000	105,656.26	493,656.26
2028	326,100	60,000	102,656.26	488,756.26
2029	328,900	65,000	99,531.26	493,431.26
2030	326,400	65,000	96,281.26	487,681.26
2031	328,600	70,000	92,906.26	491,506.26
2032	325,500	75,000	89,281.26	489,781.26
2033	327,100	80,000	85,406.26	492,506.26
2034	328,300	80,000	81,406.26	489,706.26
2035	329,100	85,000	77,281.26	491,381.26
2036	324,600	90,000	73,356.26	487,956.26
2037	324,800	95,000	69,656.26	489,456.26
2038	324,600	100,000	65,756.26	490,356.26
2039	328,900	100,000	61,756.26	490,656.26
2040	327,700	105,000	57,656.26	490,356.26
2041	326,100	110,000	53,356.26	489,456.26
2042	329,000	115,000	48,856.26	492,856.26
2043	<u>326,400</u>	120,000	44,156.26	490,556.26
2044		125,000	39,178.13	164,178.13
2045		130,000	33,918.75	163,918.75
2046		135,000	28,368.75	163,368.75
2047		140,000	22,525.00	162,525.00
2048		145,000	16,468.75	161,468.75
2049		155,000	10,093.75	165,093.75
2050		160,000	3,400.00	163,400.00
Total	\$6,215,900	\$2,520,000	\$1,618,730.39	\$10,354,630.39

* Preliminary, subject to change. Interest estimated at market rates for purposes of illustration.

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APPENDIX B
GENERAL INFORMATION REGARDING
THE CITY OF BRAZORIA, TEXAS

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General

The City of Brazoria is a city located at the junction of State Highway 36 and State Highway 332, approximately 50 miles from Houston central business district. The 2020 population was 2,866. Nearby chemical and petrochemical industries provide employment for many of the City's residents.

The City of Brazoria offers access to several financial institutions, churches of various denominations, and daycare centers. The City is also located within minutes of Lake Jackson, which provides a variety of retail outlets, sporting and outdoor activities.

Education

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

Brazoria County

Brazoria County is located in south central Texas, encompassing 911 square miles, and was created in 1846. The County is the third largest county of the nine counties comprising the Houston Consolidated Metropolitan Statistical Area. The County is traversed by Highways 36, 332, and 521 and State Highways 288 and 35. The economy is diversified by manufacturing, state supported institutions and agriculture. According to the 2020 U.S. Census, the County's 2020 population was 372,031.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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_____, 2025

City of Brazoria, Texas Certificates of Obligation, Series 2025

Ladies and Gentlemen:

We have acted as bond counsel to the City of Brazoria, Texas (the “City”) in connection with the issuance of \$ _____ aggregate principal amount of Obligations designated as “City of Brazoria, Texas Certificates of Obligation, Series 2025” (the “Obligations”). The Obligations are authorized by an ordinance adopted by the City Council of the City (the “City Council”) on March 11, 2025 (the “Ordinance”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial

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

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

1. The Obligations constitute the valid and binding obligations of the City.
2. The City Council has power and is obligated to levy an annual ad valorem tax, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Obligations.
3. The Obligations are also secured by a limited subordinate pledge of certain revenues derived from operations of the City's waterworks, sewer and natural gas system.
4. Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Obligations is not a specific preference item for purposes of the federal individual alternative minimum tax. Interest on the Obligations included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Faithfully yours,

JACKSON WALKER LLP

APPENDIX D
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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City of Brazoria, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

City of Brazoria, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2023

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City of Brazoria, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2023

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INTRODUCTORY SECTION

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City of Brazoria, Texas

PRINCIPAL OFFICIALS

September 30, 2023

MAYOR

Philip Ray

CITY COUNCIL

Mayor Pro-Tem
Councilmember
Councilmember
Councilmember
Councilmember

Gary Kersh
Susan Swanner Parker
Perry Morris
Dustin Weisinger
Tina Watts

CITY MANAGER

Sheila Williams

CITY SECRETARY

Clissa Mills

CITY ATTORNEY

Charles Stevenson

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FINANCIAL SECTION

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9314 Turnbull Ln.
Rosenberg, TX 77469
Tel: 281.725.2706
Email: curtis@curtiscraigcpa.com

INDEPENDENT AUDITOR'S REPORT

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

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Brazoria, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Brazoria, Texas's basic financial statements as listed in the table of contents.

In my 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 of Brazoria, Texas, as of September 30, 2023, 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.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Brazoria, Texas, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brazoria, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Brazoria, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brazoria, Texas's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other post-employment benefit information on pages 7 through 14, page 56 and pages 58 through 65, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brazoria, Texas's basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information is comprised of the introductory section but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Curtis T. Craig, CPA

Rosenberg, Texas
March 8, 2024

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Management's Discussion and Analysis

As management of the City of Brazoria, Texas, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2023.

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 \$8,833,444 (net position).
- The City's total net position increased by \$1,185,727 during the 2023 fiscal year.
- The City's total expenses were \$4,296,896. Program revenues of \$2,359,374 reduced the net cost of the City's functions to be financed from the City's general revenues to \$1,937,522.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,763,418, or 72.6 percent of total General Fund expenditures.
- The City's total long-term liabilities decreased by \$200,814 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has two types of funds:

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

The City maintains eight major governmental funds, the General Fund, Debt Service Fund, Storm Clean Up Fund, 2018 CO Construction Fund, Contingency Fund, ARPA Construction Fund, GLO Drainage Construction Fund and the GLO Wastewater Construction Fund for financial reporting purposes. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these funds.

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

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 53 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s General Fund budget and the City’s pension and other post-employment benefits provided to its employees. Required supplementary information can be found on pages 56 through 65 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,833,444 as of September 30, 2023.

The largest portion of the City’s net position (\$8,745,217) reflects its investment in capital assets (e.g. land, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the City’s net position (\$246,130) represents restricted financial resources which are not available for future spending.

Lastly, the remaining portion of the City’s net position represents unrestricted financial resources available for future operations. As of September 30, 2023, the City reports a negative unrestricted net position balance of \$157,903 due to governmental activities non-capital related debt.

SUMMARY OF STATEMENT OF NET POSITION
As of September 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 4,509,855	\$ 6,456,526	\$ 526,094	\$ 575,093	\$ 5,035,949	\$ 7,031,619
Capital assets, net	3,942,015	4,747,405	5,549,487	2,340,246	9,491,502	7,087,651
Total Assets	8,451,870	11,203,931	6,075,581	2,915,339	14,527,451	14,119,270
Deferred outflows of resources	338,917	80,043	125,351	18,776	464,268	98,819
Long-term liabilities	4,720,854	4,908,999	32,384	32,334	4,753,238	4,941,333
Other liabilities	869,956	1,065,011	231,592	209,698	1,101,548	1,274,709
Total Liabilities	5,590,810	5,974,010	263,976	242,032	5,854,786	6,216,042
Deferred inflows of resources	221,547	287,007	81,942	67,323	303,489	354,330
Net Position:						
Net investment in capital assets	3,195,730	3,098,695	5,549,487	2,340,246	8,745,217	5,438,941
Restricted	215,128	516,191	31,002	96,439	246,130	612,630
Unrestricted	(432,428)	1,408,071	274,525	188,075	(157,903)	1,596,146
Total Net Position	\$ 2,978,430	\$ 5,022,957	\$ 5,855,014	\$ 2,624,760	\$ 8,833,444	\$ 7,647,717

Net position of the City, which relates to governmental and business-type activities, increased by \$1,185,727. Key elements of the increase are as follows:

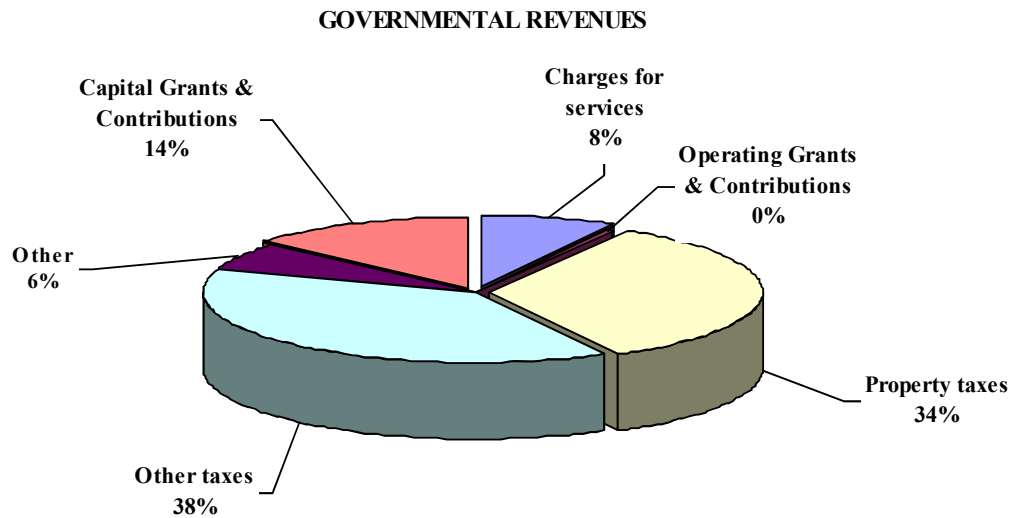
CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 310,106	\$ 354,869	\$ 1,509,433	\$ 1,430,271	\$ 1,819,539	\$ 1,785,140
Operating grants and contributions	12,622	31,799			12,622	31,799
Capital grants and contributions	527,213	219,566		225,000	527,213	444,566
General revenues:						
Property taxes	1,304,704	1,093,387			1,304,704	1,093,387
Other taxes	1,471,039	1,324,783			1,471,039	1,324,783
Other	240,157	1,021,617	107,349	64,682	347,506	1,086,299
Total Revenues	3,865,841	4,046,021	1,616,782	1,719,953	5,482,623	5,765,974
Expenses						
General administration	775,899	782,341			775,899	782,341
Police	1,025,349	943,664			1,025,349	943,664
Municipal court	87,154	79,689			87,154	79,689
Code enforcement	107,789	142,835			107,789	142,835
Streets and drainage	298,321	250,361			298,321	250,361
Parks and recreation	96,508	108,729			96,508	108,729
Interest and fiscal charges	179,303	185,498			179,303	185,498
Utilities			1,726,573	1,378,527	1,726,573	1,378,527
Total Expenses	2,570,323	2,493,117	1,726,573	1,378,527	4,296,896	3,871,644
Increase (Decrease) in Net Position Before Transfers						
Transfers	(3,340,045)	(145,414)	3,340,045	145,414		
Change in Net Position	(2,044,527)	1,407,490	3,230,254	486,840	1,185,727	1,894,330
Net Position, Beginning	5,022,957	3,615,467	2,624,760	2,137,920	7,647,717	5,753,387
Net Position, Ending	\$ 2,978,430	\$ 5,022,957	\$ 5,855,014	\$ 2,624,760	\$ 8,833,444	\$ 7,647,717

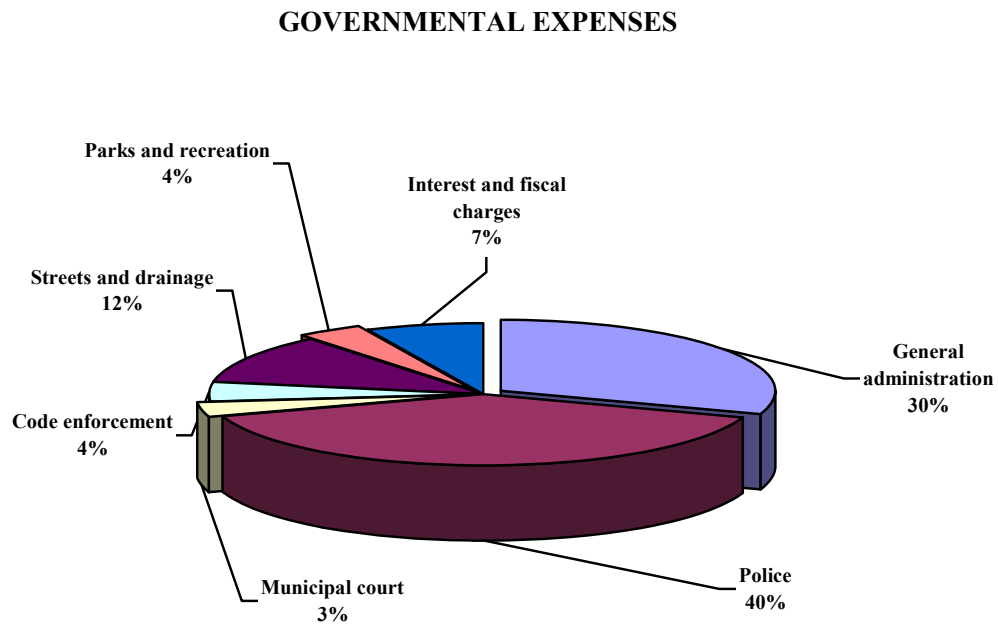
The City's governmental activities net position decreased by \$2,044,527, as compared to an increase of \$1,407,490 in the prior year.

The City's business-type activities net position increased by \$3,230,254, as compared to an increase of \$486,840 in the prior year.

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



For the fiscal year ended September 30, 2023, revenue from governmental activities totaled \$3,865,841.



For the fiscal year ended September 30, 2023, expenses from governmental activities totaled \$2,570,323, the largest portion of which relates to police (39.9%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

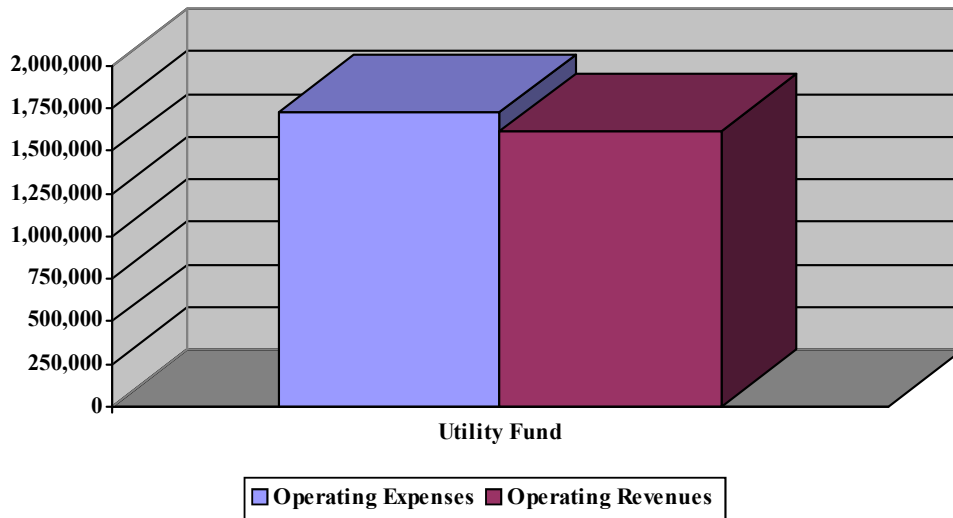
Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balance may serve as a useful measure of a government's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

As of September 30, 2023, the City's governmental funds reported an ending fund balance of \$3,489,851, which is a decrease of \$1,439,101 from last year's total of \$4,928,952. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 72.6 percent of total General Fund expenditures.

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

The Utility Fund has an unrestricted net position at fiscal year-end of \$274,525. The increase in total net position of the Utility Fund for the year is \$3,230,254. Other factors concerning the finances of the City's proprietary fund have already been addressed in the discussion of the City's business-type activities.

BUSINESS-TYPE ACTIVITIES
Operating Expenses and Revenues



CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets – As of September 30, 2023, the total of the City’s capital assets, net of accumulated depreciation, amounts to \$9,491,502. These capital assets include land, construction-in-progress, buildings and improvements, vehicles, machinery, equipment, and furnishings, and infrastructure.

**CAPITAL ASSETS SCHEDULE
September 30, 2023 and 2022**

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 47,686	\$ 47,686	\$ 27,304	\$ 27,304	\$ 74,990	\$ 74,990
Construction-in-progress	1,661,139	2,580,354			1,661,139	2,580,354
Buildings and improvements	919,004	892,549	300,476	300,476	1,219,480	1,193,025
Vehicles	426,399	449,059	83,521	108,521	509,920	557,580
Machinery, equipment, and furnishings	379,348	474,448	522,014	538,550	901,362	1,012,998
Infrastructure	2,028,530	1,813,353	5,906,445	2,566,400	7,934,975	4,379,753
Less: accum. depreciation	(1,520,091)	(1,510,044)	(1,290,273)	(1,201,005)	(2,810,364)	(2,711,049)
Totals	\$ 3,942,015	\$ 4,747,405	\$ 5,549,487	\$ 2,340,246	\$ 9,491,502	\$ 7,087,651

Additional information on the City’s capital assets can be found in Note 9 in the Notes to Financial Statements.

Long-Term Liabilities - At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$4,753,238.

**SCHEDULE OF LONG-TERM LIABILITIES
September 30, 2023 and 2022**

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Certificates of obligation	\$ 4,505,000	\$ 4,650,000	\$	\$	\$ 4,505,000	\$ 4,650,000
Notes payable	6,412	18,859			6,412	18,859
Compensated absences	71,966	71,762	11,704	12,926	83,670	84,688
Total OPEB liability	55,912	93,039	20,680	21,824	76,592	114,863
Issuance premium	81,564	85,642			81,564	85,642
Totals	\$ 4,720,854	\$ 4,919,302	\$ 32,384	\$ 34,750	\$ 4,753,238	\$ 4,954,052

The City’s total long-term liabilities decreased by \$200,814 during the current fiscal year.

All debt is scheduled to be retired by 2043.

Additional information on the City’s long-term liabilities can be found in Note 10 in the Notes to Financial Statements.

GENERAL FUND HIGHLIGHTS

- For the fiscal year ended September 30, 2023, fund balance in the General Fund increased to \$1,809,882.
- For the 2023 fiscal year, total revenues were more than budgeted amounts by \$17,485.
- For the 2023 fiscal year, total expenditures were less than appropriations by \$355,112.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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CITY OF BRAZORIA, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION

September 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 3,944,110	\$ 339,973	\$ 4,284,083
Receivables, net:			
Property taxes	88,763		88,763
Customer accounts		148,838	148,838
Other	346,697		346,697
Prepays	46,464	6,281	52,745
Net pension asset	83,821	31,002	114,823
Capital assets, not being depreciated	1,708,825	27,304	1,736,129
Capital assets, net of accumulated depreciation	2,233,190	5,522,183	7,755,373
Total Assets	<u>8,451,870</u>	<u>6,075,581</u>	<u>14,527,451</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources	338,917	125,351	464,268
Total Deferred Outflows of Resources	<u>338,917</u>	<u>125,351</u>	<u>464,268</u>
<u>Liabilities</u>			
Accounts payable and other current liabilities	206,926	102,984	309,910
Accrued interest payable	22,536		22,536
Customer deposits		128,608	128,608
Unearned revenue	640,494		640,494
Noncurrent liabilities:			
Due within one year	163,608	1,170	164,778
Due in more than one year	4,557,246	31,214	4,588,460
Total Liabilities	<u>5,590,810</u>	<u>263,976</u>	<u>5,854,786</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows of resources	221,547	81,942	303,489
Total Deferred Inflows of Resources	<u>221,547</u>	<u>81,942</u>	<u>303,489</u>
<u>Net Position</u>			
Net investment in capital assets	3,195,730	5,549,487	8,745,217
Restricted	215,128	31,002	246,130
Unrestricted	(432,428)	274,525	(157,903)
Total Net Position	<u>\$ 2,978,430</u>	<u>\$ 5,855,014</u>	<u>\$ 8,833,444</u>

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Governmental Activities:				
General administration	\$ 775,899	\$ 17,473	\$ 12,622	\$ 419,625
Police	1,025,349	96,960		
Municipal court	87,154	162,351		
Code enforcement	107,789	33,322		
Streets and drainage	298,321			107,588
Parks and recreation	96,508			
Fire department support				
Library support				
Little league support				
Interest and fiscal charges	179,303			
Total Governmental Activities	2,570,323	310,106	12,622	527,213
Business-Type Activities:				
Utilities	1,726,573	1,509,433		
Total Business-Type Activities	1,726,573	1,509,433		
Totals	\$ 4,296,896	\$ 1,819,539	\$ 12,622	\$ 527,213

General Revenues:

Taxes:

Property taxes, penalties and interest

Sales taxes

Franchise taxes

Garbage collections

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning

Net Position, Ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental	Business-Type	
Activities	Activities	Totals
\$ (326,179)	\$	\$ (326,179)
(928,389)		(928,389)
75,197		75,197
(74,467)		(74,467)
(190,733)		(190,733)
(96,508)		(96,508)
(179,303)		(179,303)
<u>(1,720,382)</u>		<u>(1,720,382)</u>
	(217,140)	(217,140)
	<u>(217,140)</u>	<u>(217,140)</u>
<u>\$ (1,720,382)</u>	<u>\$ (217,140)</u>	<u>\$ (1,937,522)</u>
\$ 1,304,704	\$	\$ 1,304,704
1,331,236		1,331,236
139,803		139,803
51,177		51,177
188,980	107,349	296,329
<u>(3,340,045)</u>	<u>3,340,045</u>	
(324,145)	3,447,394	3,123,249
<u>(2,044,527)</u>	<u>3,230,254</u>	<u>1,185,727</u>
5,022,957	2,624,760	7,647,717
<u>\$ 2,978,430</u>	<u>\$ 5,855,014</u>	<u>\$ 8,833,444</u>

CITY OF BRAZORIA, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2023

	General Fund	Debt Service Fund	Storm Clean Up Fund	2018 CO Construction Fund
<u>Assets</u>				
Cash and cash equivalents	\$ 1,607,399	\$ 16,179	\$ 166,727	\$ 1,177,464
Receivables, net:				
Property taxes	60,437	28,326		
Sales tax	112,104			
Franchise tax	47,220			
Customer services	44,322			
Miscellaneous	43,823			
Due from other funds	27,604			
Prepays	46,464			
Total Assets	\$ 1,989,373	\$ 44,505	\$ 166,727	\$ 1,177,464
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 99,362	\$ 1,306	\$	\$ 7,618
Due to other funds				
Due to other governments	19,692			
Unearned revenue				
Total Liabilities	119,054	1,306		7,618
<u>Deferred Inflows of Resources</u>				
Unavailable revenues - property taxes	60,437	28,326		
Total Deferred Inflows of Resources	60,437	28,326		
<u>Fund Balances</u>				
Nonspendable	46,464			
Restricted		14,873		1,169,846
Committed			166,727	
Unassigned	1,763,418			
Total Fund Balances	1,809,882	14,873	166,727	1,169,846
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,989,373	\$ 44,505	\$ 166,727	\$ 1,177,464

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

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

Pension and OPEB assets, liabilities, deferred inflows of resources and deferred outflows of resources are not reported in the funds: Net pension asset (\$83,821), total OPEB liability (\$-55,912), pension deferred outflows of resources (\$329,048), OPEB deferred outflows of resources (\$9,869), pension deferred inflows of resources (-\$194,766) and OPEB deferred inflows of resources (-\$26,781).

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

Net Position of Governmental Activities

See Notes to Financial Statements.

Exhibit A-3

Contingency Fund	ARPA Construction Fund	GLO Drainage Construction Fund	GLO Wastewater Construction Fund	Other Governmental Funds	Totals Governmental Funds
\$ 212,089	\$ 647,818	\$	\$	\$ 116,434	\$ 3,944,110
					88,763
					112,104
					47,220
					44,322
			99,228		143,051
					27,604
					46,464
<u>\$ 212,089</u>	<u>\$ 647,818</u>	<u>\$</u>	<u>\$ 99,228</u>	<u>\$ 116,434</u>	<u>\$ 4,453,638</u>
\$	\$ 7,324	\$	\$ 71,624	\$	\$ 187,234
			27,604		27,604
	640,494				19,692
	<u>647,818</u>		<u>99,228</u>		<u>640,494</u>
					<u>875,024</u>
					88,763
					<u>88,763</u>
					46,464
				116,434	1,301,153
212,089					378,816
					<u>1,763,418</u>
<u>212,089</u>				<u>116,434</u>	<u>3,489,851</u>
<u>\$ 212,089</u>	<u>\$ 647,818</u>	<u>\$</u>	<u>\$ 99,228</u>	<u>\$ 116,434</u>	<u>\$ 4,453,638</u>
					\$ 3,942,015
					(4,687,478)
					145,279
					88,763
					<u>\$ 2,978,430</u>

CITY OF BRAZORIA, TEXAS

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

For the Year Ended September 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Storm Clean Up Fund</u>	<u>2018 CO Construction Fund</u>
<u>Revenues</u>				
Property taxes	\$ 947,446	\$ 322,573	\$	\$
Penalties and interest	20,632			
Sales taxes	1,331,236			
Franchise taxes	139,803			
Hotel/motel taxes				
Fines and forfeitures	150,666			
Garbage collection	51,177			
Licenses, permits and fees	39,706			
Intergovernmental	12,622			
Investment earnings	103,533		4,325	41,979
Other	137,564			
Total Revenues	<u>2,934,385</u>	<u>322,573</u>	<u>4,325</u>	<u>41,979</u>
<u>Expenditures</u>				
Current:				
General administration	772,042			
Police	998,133			
Municipal court	88,703			
Code enforcement	107,733			
Streets and drainage	211,468			
Parks and recreation	91,015			
Debt Service:				
Principal payments		145,000		
Interest and fiscal charges		183,600		
Capital outlay	<u>161,244</u>			<u>2,001,205</u>
Total Expenditures	<u>2,430,338</u>	<u>328,600</u>		<u>2,001,205</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>504,047</u>	<u>(6,027)</u>	<u>4,325</u>	<u>(1,959,226)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in		20,000		
Transfers (out)	(20,000)			
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>20,000</u>		
Net Change in Fund Balances	484,047	13,973	4,325	(1,959,226)
Fund Balances - Beginning	<u>1,325,835</u>	<u>900</u>	<u>162,402</u>	<u>3,129,072</u>
Fund Balances - Ending	<u>\$ 1,809,882</u>	<u>\$ 14,873</u>	<u>\$ 166,727</u>	<u>\$ 1,169,846</u>

See Notes to Financial Statements.

Exhibit A-4

<u>Contingency Fund</u>	<u>ARPA Construction Fund</u>	<u>GLO Drainage Construction Fund</u>	<u>GLO Wastewater Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
\$	\$	\$	\$	\$	\$ 1,270,019
					20,632
					1,331,236
					139,803
				2,032	2,032
				11,686	162,352
					51,177
				12,375	52,081
	108,488	117,113	194,024		432,247
5,503				117	155,457
					137,564
<u>5,503</u>	<u>108,488</u>	<u>117,113</u>	<u>194,024</u>	<u>26,210</u>	<u>3,754,600</u>
				175	772,217
				468	998,601
				316	89,019
					107,733
					211,468
					91,015
				12,448	157,448
				526	184,126
	108,488	117,113	194,024		2,582,074
	108,488	117,113	194,024	13,933	5,193,701
<u>5,503</u>				<u>12,277</u>	<u>(1,439,101)</u>
					20,000
					(20,000)
5,503				12,277	(1,439,101)
206,586				104,157	4,928,952
<u>\$ 212,089</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 116,434</u>	<u>\$ 3,489,851</u>

CITY OF BRAZORIA, TEXAS

Exhibit A-5

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

For the Year Ended September 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (1,439,101)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	2,534,655
Governmental funds do not report capital assets, and therefore, do not report the transfer of capital assets to the Utility Fund.	(3,340,045)
Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	157,448
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the change in the net pension asset, total OPEB liability, pension/OPEB deferred outflows of resources, pension/OPEB deferred inflows of resources, accrued compensated absences and accrued interest.	28,463
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This adjustment reflects the net change in property taxes receivable on the accrual basis of accounting.	<u>14,053</u>
Change in Net Position of Governmental Activities	<u><u>\$ (2,044,527)</u></u>

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

Exhibit A-6

STATEMENT OF NET POSITION PROPRIETARY FUND

September 30, 2023

	<u>Business-Type Activities</u> <u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 339,973
Receivables:	
Accounts, net	148,838
Prepays	6,281
Non-Current Assets:	
Net pension asset	31,002
Capital assets	6,839,760
Less: accumulated depreciation	(1,290,273)
Total capital assets, net of accumulated depreciation	5,549,487
Total Assets	6,075,581
<u>Deferred Outflows of Resources</u>	
Deferred outflows of resources	125,351
Total Deferred Outflows of Resources	125,351
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable and accrued expenses	102,984
Customer deposits	128,608
Compensated absences	1,170
Non-Current Liabilities:	
Compensated absences	10,534
Total OPEB liability	20,680
Total Liabilities	263,976
<u>Deferred Inflows of Resources</u>	
Deferred inflows of resources	81,942
Total Deferred Inflows of Resources	81,942
<u>Net Position</u>	
Investment in capital assets	5,549,487
Restricted	31,002
Unrestricted	274,525
Total Net Position	\$ 5,855,014

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

Exhibit A-7

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

For the Year Ended September 30, 2023

	Business-Type Activities
	Enterprise Fund
	Utility
	Fund
<u>Operating Revenues</u>	
Charges for services	\$ 1,509,433
Tap fees	25,445
Other	81,904
Total Operating Revenues	1,616,782
<u>Operating Expenses</u>	
Cost of sales and services	1,589,088
Depreciation	137,485
Total Operating Expenses	1,726,573
Operating Income (Loss)	(109,791)
<u>Non-Operating Revenues (Expenses)</u>	
Interest and fiscal charges	
Total Non-Operating Revenues (Expenses)	
Income (Loss) Before Contributions	(109,791)
Capital contributions	3,340,045
Total Contributions	3,340,045
Change in Net Position	3,230,254
Net Position, Beginning	2,624,760
Net Position, Ending	\$ 5,855,014

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

Exhibit A-8 (Page 1 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended September 30, 2023

	Business-Type Activities
	Enterprise Fund
	Utility Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 1,595,671
Cash paid for goods and services to suppliers	(1,022,056)
Cash paid for personnel services	(555,650)
Net Cash Provided by Operating Activities	17,965
<u>Cash Flows from Capital and Related</u>	
<u>Financing Activities</u>	
Acquisition of capital assets	(7,075)
Net Cash (Used) by Capital and Related	
Financing Activities	(7,075)
Net Increase in Cash and Cash Equivalents	10,890
Cash and Cash Equivalents, Beginning	329,083
Cash and Cash Equivalents, Ending	\$ 339,973

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

Exhibit A-8 (Page 2 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended September 30, 2023

Reconciliation of Operating (Loss) to Net Cash

Provided by Operating Activities

Operating (loss)	\$	(109,791)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:		
Depreciation expense		137,485
(Increase) decrease in receivables		(23,344)
(Increase) decrease in prepaids		17,796
(Increase) decrease in net pension asset		65,437
(Increase) decrease in deferred outflows - pension/OPEB activities		(106,575)
Increase (decrease) in customer deposits		(577)
Increase (decrease) in total OPEB liability		(1,144)
Increase (decrease) in deferred inflows - pension/OPEB activities		14,619
Increase (decrease) in accounts payable and accrued expenses		24,059
Net Cash Provided by Operating Activities	\$	17,965

See Notes to Financial Statements.

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

B. Financial Statement Presentation

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

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

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

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

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

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

C. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

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

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

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

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

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

The government reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

Storm Clean Up Fund

The Storm Clean Up Fund accounts for monies that have been committed by City Council for storm clean up and related costs.

2018 CO Construction Fund

The 2018 Construction Fund accounts for monies used to pay contractual obligations incurred for combined waterworks, sewer and natural gas system improvements and for the payment of contractual obligations for professional services pursuant to Subchapter C of Chapter 271, Texas Local Government Code, as amended.

Contingency Fund

The Contingency Fund accounts for monies that have been committed by City Council for contingency purposes.

ARPA Construction Fund

The ARPA Construction Fund accounts for monies used to pay contractual obligations incurred for improvements to the wastewater treatment plant.

GLO Drainage Construction Fund

The GLO Drainage Construction Fund accounts for monies used to pay contractual obligations incurred for flood and drainage projects.

GLO Wastewater Construction Fund

The GLO Wastewater Construction Fund accounts for monies used to pay contractual obligations incurred for the construction of sewer facilities.

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

The government reports the following major proprietary fund:

Utility Fund

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

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

E. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are reported at fair value, except for the position in investment pools. The City's investments in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

F. Receivables

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

G. Interfund Receivables and Payables

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

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

In accordance with GASB Statement 34, Phase 3 governments may elect to report general infrastructure prospectively only. The City has elected to report general infrastructure prospectively only, therefore, any general infrastructure acquired prior to October 1, 2003, has not been recorded in the City's financial statements.

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	10-40 years
Vehicles	8 years
Machinery, equipment and furnishings	5-10 years
Infrastructure	20-50 years

I. Compensated Employee Absences

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

J. Unearned Revenue

Unearned revenue represents amounts received from grantors in excess of qualifying expenditures for grant programs as of the end of the fiscal year.

K. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in the fund level financial statements consist of unavailable property taxes. Deferred inflows of resources in the government-wide financial statements relate to pension and OPEB transactions - differences in economic experiences and changes in assumptions.

L. Deferred Outflows of Resources

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

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

M. Pensions

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

N. Post-Employment Benefits Other Than Pensions (“OPEB”)

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (“TMRS SDBF”) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City’s total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

O. Long-Term Obligations

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

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

P. Fund Balance/Net Position

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

Net Position represents the differences between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets net position 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. Restricted net position, as presented in the government-wide Statement of Net Position, is reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, granters,

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

Q. Estimates

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

R. Net Position Flow Assumption

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

S. Fund Balance Flow Assumption

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

T. Interfund Activity

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

U. Operating and Nonoperating Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Utility Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

V. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have no effect on the excess of revenues over expenditures/expenses.

W. Date of Management’s Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 8, 2024, the date that the financial statements were available to be issued.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 – CASH AND CASH EQUIVALENTS

The City's cash and short-term investments are classified as cash and cash equivalents. The cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in external public funds investment pool accounts such as TexPool.

	Weighted Average Maturity (Days)	Value
Cash and cash equivalents:		
Cash deposits		\$ 3,102,325
Cash equivalents:		
TexPool	26	1,181,758
Total Cash and Cash Equivalents		\$ 4,284,083

Custodial Credit Risk - Deposits

The risk that, in the event of bank failure, the City’s deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities, to the extent the deposits exceed FDIC coverage.

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

The City's total cash deposits as of September 30, 2023, were entirely covered by collateralized securities held in the City's name or by federal deposit insurance.

TexPool

TexPool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Hermes, Inc., and State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds. The TexPool investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and no maximum transaction amounts. TexPool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects TexPool's liquidity.

NOTE 4 - PROPERTY TAXES

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

Property taxes are levied for operations and are based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.680476 per \$100 of assessed valuation (including \$0.172077 for debt service). The resulting adjusted tax levy was \$1,267,444 on the total adjusted taxable valuation of \$186,258,490 for the 2022 tax year.

Property taxes receivable, as of September 30, 2023, consists of the following:

<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
2022	\$ 24,334	\$ 8,236	\$ 32,570
2021	12,017	5,020	17,037
2020	8,466	3,749	12,215
2019	6,901	1,973	8,874
2018	4,773	2,363	7,136
2017 and prior	24,046	16,385	40,431
Totals	<u>\$ 80,537</u>	<u>\$ 37,726</u>	<u>\$ 118,263</u>

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

NOTE 5 – PROPERTY TAX ABATEMENT AND SALES TAX REBATE

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

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

For fiscal year 2023, the tax abatement described above was the only ad valorem tax abatement agreement that was active under the economic development program and the amount of the tax abatement for the year was \$296.

In addition to the property tax abatement, the City also entered into a sales tax rebate agreement with BUC-EE's LTD. The City makes payments to BUC-EE's LTD from sales tax revenues actually collected from the property owned by BUC-EE's LTD (net of any Texas State Comptroller collection costs) in an amount equal to fifty percent (50%) of the City's 1.5% of sales and use tax collections. The payments are paid in monthly installments, within 15 days of receipt from the Texas State Comptroller's office, beginning January 1 following the year the project reopened for business to the public and shall continue for a period of 25 years. For fiscal year 2023, the amount of the sales tax rebate was \$62,951.

NOTE 6 - RECEIVABLES

Receivables as September 30, 2023, for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

	Governmental Activities			Business-Type Activities	Totals
	General Fund	Debt Service Fund	GLO	Utility Fund	
			Wastewater Construction Fund		
Net Receivables:					
Accounts	\$	\$	\$	\$ 148,838	\$ 148,838
Property taxes	60,437	28,326			88,763
Other	247,469		99,228		346,697
Totals	\$ 307,906	\$ 28,326	\$ 99,228	\$ 148,838	\$ 584,298

NOTE 7 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUE

Governmental Funds:

Governmental funds defer the recognition of revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (“unearned revenue”).

As of September 30, 2023, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Unearned Revenue
Delinquent property taxes receivable	\$	\$ 88,763	\$
Grants			640,494
Totals	\$	\$ 88,763	\$ 640,494

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, 2023, 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 deferred inflows of resources. Further, 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”).

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

As of September 30, 2023, the various components of deferred inflows of resources, deferred outflows of resources and unearned revenue reported in the governmental and business-type activities are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
<u>Governmental Activities:</u>			
Pension deferred inflows and outflows of resources less amortization	\$ 284,805	\$ 194,766	\$
Pension contributions subsequent to the measurement date	44,243		
OPEB deferred inflows and outflows of resources less amortization	6,342	26,781	
OPEB contributions subsequent to the measurement date	3,527		
Grants			640,494
Totals	<u>\$ 338,917</u>	<u>\$ 221,547</u>	<u>\$ 640,494</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
<u>Business-Type Activities:</u>			
Pension deferred inflows and outflows of resources less amortization	\$ 105,338	\$ 72,037	\$
Pension contributions subsequent to the measurement date	16,363		
OPEB deferred inflows and outflows of resources less amortization	2,345	9,905	
OPEB contributions subsequent to the measurement date	1,305		
Totals	<u>\$ 125,351</u>	<u>\$ 81,942</u>	<u>\$</u>

NOTE 8 – INTERFUND RECEIVABLES/PAYABLES

As of September 30, 2023, interfund receivables and payables consisted of the following:

	<u>Payable Fund</u>	
	GLO Wastewater Construction	
<u>Receivable Fund</u>	<u>Fund</u>	<u>Total</u>
General Fund	\$ 27,604	\$ 27,604
Totals	<u>\$ 27,604</u>	<u>\$ 27,604</u>

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

NOTE 9 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2023:

Governmental Activities:

	<u>Balances</u> <u>Oct. 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>Sept. 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 47,686	\$	\$	\$ 47,686
Construction-in-progress	2,580,354	2,420,830	(3,340,045)	1,661,139
Total capital assets not being depreciated	<u>2,628,040</u>	<u>2,420,830</u>	<u>(3,340,045)</u>	<u>1,708,825</u>
Capital assets being depreciated:				
Buildings and improvements	892,549	26,455		919,004
Vehicles	449,059	27,200	(49,860)	426,399
Machinery, equipment and furnishings	474,448		(95,100)	379,348
Infrastructure	1,813,353	215,177		2,028,530
Total capital assets being depreciated	<u>3,629,409</u>	<u>268,832</u>	<u>(144,960)</u>	<u>3,753,281</u>
Less accumulated depreciation for:				
Buildings and improvements	(723,274)	(17,251)		(740,525)
Vehicles	(222,994)	(37,506)	39,964	(220,536)
Machinery, equipment and furnishings	(360,997)	(19,288)	94,596	(285,689)
Infrastructure	(202,779)	(70,562)		(273,341)
Total accumulated depreciation	<u>(1,510,044)</u>	<u>(144,607)</u>	<u>134,560</u>	<u>(1,520,091)</u>
Total capital assets being depreciated, net	<u>2,119,365</u>	<u>124,225</u>	<u>(10,400)</u>	<u>2,233,190</u>
Governmental activities capital assets, net	<u>\$ 4,747,405</u>	<u>\$ 2,545,055</u>	<u>\$ (3,350,445)</u>	<u>\$ 3,942,015</u>

Business-Type Activities:

	<u>Balances</u> <u>Oct. 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>Sept. 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 27,304	\$	\$	\$ 27,304
Total capital assets not being depreciated	<u>27,304</u>			<u>27,304</u>
Capital assets being depreciated:				
Buildings and improvements	300,476			300,476
Vehicles	108,521		(25,000)	83,521
Machinery, equipment and furnishings	538,550	7,075	(23,611)	522,014
Infrastructure	2,566,400	3,340,045		5,906,445
Total capital assets being depreciated	<u>3,513,947</u>	<u>3,347,120</u>	<u>(48,611)</u>	<u>6,812,456</u>
Less accumulated depreciation for:				
Buildings and improvements	(288,775)	(1,300)		(290,075)
Vehicles	(72,880)	(10,441)	25,000	(58,321)
Machinery, equipment and furnishings	(393,123)	(17,908)	23,217	(387,814)
Infrastructure	(446,227)	(107,836)		(554,063)
Total accumulated depreciation	<u>(1,201,005)</u>	<u>(137,485)</u>	<u>48,217</u>	<u>(1,290,273)</u>
Total capital assets being depreciated, net	<u>2,312,942</u>	<u>3,209,635</u>	<u>(394)</u>	<u>5,522,183</u>
Business-type activities capital assets, net	<u>\$ 2,340,246</u>	<u>\$ 3,209,635</u>	<u>\$ (394)</u>	<u>\$ 5,549,487</u>

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

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

Governmental Activities:	
General administration	\$ 7,338
Police	35,776
Code enforcement	705
Streets and drainage	89,786
Parks and recreation	11,002
Total Depreciation Expense - Governmental Activities	\$ 144,607
Business-Type Activities:	
Utilities	\$ 137,485
Total Depreciation Expense - Business-Type Activities	\$ 137,485

Construction-in-Progress:

<u>Projects</u>	<u>In Progress as of Sept. 30, 2023</u>
<u>Governmental Activities:</u>	
Wastewater project	\$ 746,285
ARPA water treatment plant upgrade	117,488
GLO drainage project	411,504
GLO wastewater treatment plant	385,862
Total Construction-in-Progress	\$ 1,661,139

NOTE 10 - LONG-TERM LIABILITIES

Governmental Activities Long-Term Liabilities

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

<u>Bonds</u>	<u>Original Issue Amount</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Amount Outstanding</u>
<u>Governmental Activities:</u>				
Certificates of Obligation, Series 2018	\$ 5,055,000	2043	4.00	\$ 4,505,000
Total				\$ 4,505,000

The Certificates of Obligation, Series 2018, were issued to provide funds to pay contractual obligations to be incurred for combined waterworks, sewer and natural gas system improvements and for the payment of contractual obligations for professional services pursuant to Subchapter C of Chapter 271, Texas Local Government Code, as amended.

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

The City's has one note payable outstanding as of September 30, 2023, which is listed below:

<u>Notes</u>	<u>Original Note Amount</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Amount Outstanding</u>
Governmental Activities:				
First National Bank - Sensus Software	\$ 58,696	2024	4.00	\$ 6,412
Total				<u>\$ 6,412</u>

The note payable to First National Bank provided funding for the purchase of software related to the City's utility billing system.

Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2023, are as follows:

	<u>Balances Oct. 1, 2022</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balances Sept. 30, 2023</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Certificates of obligation	\$ 4,650,000		\$ (145,000)	\$ 4,505,000	\$ 150,000
Note payable	18,859		(12,447)	6,412	6,412
Compensated absences	71,762	204		71,966	7,196
Total OPEB liability	93,039		(37,127)	55,912	
Issuance premium	85,642		(4,078)	81,564	
Total Governmental Activities	<u>\$ 4,919,302</u>	<u>\$ 204</u>	<u>\$ (198,652)</u>	<u>\$ 4,720,854</u>	<u>\$ 163,608</u>
Business-Type Activities:					
Compensated absences	\$ 12,926		\$ (1,222)	\$ 11,704	\$ 1,170
Total OPEB liability	21,824		(1,144)	20,680	
Total Business-Type Activities	<u>\$ 34,750</u>	<u>\$</u>	<u>\$ (2,366)</u>	<u>\$ 32,384</u>	<u>\$ 1,170</u>

NOTE 11 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (“SBITA”) was issued in May 2020 and was effective for periods beginning after June 15, 2022. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The City has evaluated the effects of this statement and has determined that it does not impact the City's financial statements. As such the City has not incorporated such SBITAs into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

The City implemented a software program for accounting, municipal court, utility billing and the police department in 2003. Currently, the City renews a maintenance agreement for the software program on an annual basis for a twelve-month period, subject to approval by City Council and funding through the annual

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

budget process. Since the maintenance agreement is renewed for a period of one year or less, the City has determined that this maintenance agreement does not meet the requirements of GASB Statement No. 96.

NOTE 12 - INTERFUND TRANSFERS

For the year ended September 30, 2023, interfund transfers consisted of the following:

<u>Transfer Out</u>	<u>Transfer In</u>	
	Debt Service	
	Fund	<u>Total</u>
General Fund	\$ 20,000	\$ 20,000
Total	\$ 20,000	\$ 20,000

NOTE 13 - FUND BALANCES

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

Nonspendable:

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

Restricted:

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

Committed:

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

Assigned:

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

Unassigned:

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

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

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

Fund balances for all of the governmental funds as of September 30, 2023, were distributed as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Storm Clean Up Fund</u>	<u>2018 CO Construction Fund</u>	<u>Contingency Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Nonspendable:							
Prepays	\$ 46,464	\$	\$	\$	\$	\$	\$ 46,464
Subtotal	<u>46,464</u>						<u>46,464</u>
Restricted for:							
Court and law enforcement						100,611	100,611
Tourism						10,652	10,652
Vehicle and equip. replacement						5,171	5,171
Capital projects				1,169,846			1,169,846
Debt service		14,873					14,873
Subtotal		<u>14,873</u>		<u>1,169,846</u>		<u>116,434</u>	<u>1,301,153</u>
Committed for:							
Contingency					212,089		212,089
Storm clean up			166,727				166,727
Subtotal			<u>166,727</u>		<u>212,089</u>		<u>378,816</u>
Unassigned							
	<u>1,763,418</u>						<u>1,763,418</u>
Totals	<u>\$ 1,809,882</u>	<u>\$ 14,873</u>	<u>\$ 166,727</u>	<u>\$ 1,169,846</u>	<u>\$ 212,089</u>	<u>\$ 116,434</u>	<u>\$ 3,489,851</u>

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

NOTE 14 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Brazoria, Texas, participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (“TMRS”). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (“the TMRS Act”) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (“ACFR”) that can be obtained at www.tMrs.com.

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

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

Benefits Provided

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

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

A summary of plan provisions adopted by the City are as follows:

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

Employees covered by benefit terms.

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2022</u>
Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>27</u>
Total	<u><u>75</u></u>

Contributions

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

CITY OF BRAZORIA, TEXAS

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NOTES TO FINANCIAL STATEMENTS

Employees for the City of Brazoria, Texas, were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Brazoria, Texas, were 5.82% and 6.02% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$83,209, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2022, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Pension liabilities have been liquidated in prior years from the General Fund for governmental activities and the Utility Fund for business-type activities.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return	6.75%

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. 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 2022 are summarized in the following table:

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public & Private Mrk.	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	<u>100.0%</u>	

Discount Rate

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

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension (Asset) Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at 12/31/21	\$ 5,359,252	\$ 5,866,825	\$ (507,573)
Changes for the year:			
Service cost	146,733		146,733
Interest	358,544		358,544
Change of benefit terms			
Difference between expected and actual experience	(397,232)		(397,232)
Changes of assumptions			
Contributions - employer		76,581	(76,581)
Contributions - employee		65,800	(65,800)
Net investment income		(427,801)	427,801
Benefit payments, including refunds of employee contributions	(241,702)	(241,702)	
Administrative expense		(3,706)	3,706
Other changes		4,421	(4,421)
Net changes	\$ (133,657)	\$ (526,407)	\$ 392,750
Balance at 12/31/22	<u>\$ 5,225,595</u>	<u>\$ 5,340,418</u>	<u>\$ (114,823)</u>
Plan fiduciary net position as a percentage of the total pension liability			102.2%

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 584,474	\$ (114,823)	\$ (688,440)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the City recognized pension expense of \$33,186.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 244,731
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	368,071	
Contributions subsequent to the measurement date	60,606	
Totals	\$ 428,677	\$ 244,731

\$60,606 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended Sept. 30:</u>	
2024	\$ (96,304)
2025	(38,504)
2026	93,388
2027	164,760
2028	
Thereafter	
	\$ 123,340

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

NOTE 15 – DEFINED OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) PLAN

Plan Description

The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City’s pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

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, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2022</u>
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>27</u>
Total	<u><u>44</u></u>

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.34% for 2022 and 0.48% for 2023, of which 0.25% and 0.29%, respectively, 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 contributions to the SDBF for the years ended September 30, 2022, and September 30, 2023, were \$4,196 and \$6,153, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period December 31, 2014, to December 31, 2018.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 4.05% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022.

Total OPEB Liability

The City's Total OPEB Liability of \$76,592 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

Changes in the Total OPEB Liability

	Increase (Decrease)
	Total OPEB
	Liability
Balance at 12/31/21	\$ 114,863
Changes for the year:	
Service cost	4,738
Interest on total OPEB liability	2,127
Changes of benefit terms including TMRS plan participation	
Differences between expected and actual experience	(7,481)
Changes in assumptions or other inputs	(34,365)
Benefit payments	(3,290)
Net changes	\$ (38,271)
Balance at 12/31/22	\$ 76,592

The total OPEB liability attributable to the governmental activities will be liquidated by the General Fund. The total liability attributable to the business-type activities will be liquidated by the Utility Fund.

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 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease in	Discount Rate (4.05%)	1% Increase in
	Discount Rate (3.05%)	Discount Rate (4.05%)	Discount Rate (5.05%)
City's total OPEB liability	\$ 89,815	\$ 76,592	\$ 66,060

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$2,583.

As of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
	of Resources	of Resources
Differences between expected and actual economic experience	\$ 101	\$ 9,364
Changes in actuarial assumptions	8,586	27,322
Contributions subsequent to the measurement date	4,832	
Totals	\$ 13,519	\$ 36,686

CITY OF BRAZORIA, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

\$4,832 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended Sept. 30:</u>		
2024	\$	(4,910)
2025		(7,407)
2026		(8,140)
2027		(7,542)
2028		
Thereafter		
	\$	<u>(27,999)</u>

NOTE 16 – CONTINGENT LIABILITIES

The City is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. As of September 30, 2023, the City is not aware of any existing or potential liabilities.

NOTE 17 – NEGATIVE UNRESTRICTED NET POSITION

As of September 30, 2023, the City has reported a negative unrestricted net position balance of \$157,903. This negative balance is due to the negative unrestricted net position balance for governmental activities of \$432,428, which can be attributed to outstanding governmental activities debt issued to finance the construction of water and wastewater projects that were completed and recorded as capital assets in the City's business-type activities.

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

During the year ended September 30, 2023, the City restated the beginning net position of Governmental Activities from \$5,854,675 to \$5,022,957. This restatement was made to reflect (1) the addition of the City's other post-employment benefit liability of \$82,736, and (2) to record unspent grant proceeds of \$748,982 as unearned revenue.

During the year ended September 30, 2023, the City restated the beginning net position of the Utility Fund and the beginning net position of Business-Type Activities from \$2,644,168 to \$2,624,760. This restatement was made to reflect the addition of the City's other post-employment benefit liability of \$19,408.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRAZORIA, TEXAS

Exhibit B-1

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

Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 958,000	\$ 958,000	\$ 947,446	\$ (10,554)
Penalties and interest	16,000	16,000	20,632	4,632
Sales taxes	1,190,000	1,350,000	1,331,236	(18,764)
Franchise taxes	113,500	113,500	139,803	26,303
Fines and forfeitures	148,500	148,500	150,666	2,166
Garbage collection	100,000	44,500	51,177	6,677
Licenses, permits and fees	30,300	38,500	39,706	1,206
Intergovernmental		12,000	12,622	622
Investment earnings	15,000	108,600	103,533	(5,067)
Other	95,400	127,300	137,564	10,264
Total Revenues	<u>2,666,700</u>	<u>2,916,900</u>	<u>2,934,385</u>	<u>17,485</u>
<u>Expenditures</u>				
Current:				
General administration	717,650	786,740	772,042	14,698
Police	1,296,750	1,287,250	998,133	289,117
Municipal court	95,700	95,700	88,703	6,997
Code enforcement	220,050	129,960	107,733	22,227
Streets and drainage	181,800	211,300	211,468	(168)
Parks and recreation	88,300	99,100	91,015	8,085
Capital Outlay	<u>205,200</u>	<u>175,400</u>	<u>161,244</u>	<u>14,156</u>
Total Expenditures	<u>2,805,450</u>	<u>2,785,450</u>	<u>2,430,338</u>	<u>355,112</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(138,750)</u>	<u>131,450</u>	<u>504,047</u>	<u>372,597</u>
<u>Other Financing (Uses)</u>				
Transfers (out)		(20,000)	(20,000)	
Total Other Financing (Uses)		<u>(20,000)</u>	<u>(20,000)</u>	
Net Change in Fund Balance	<u>(138,750)</u>	<u>111,450</u>	<u>484,047</u>	<u>372,597</u>
Fund Balance - Beginning	<u>1,325,835</u>	<u>1,325,835</u>	<u>1,325,835</u>	
Fund Balance - Ending	<u>\$ 1,187,085</u>	<u>\$ 1,437,285</u>	<u>\$ 1,809,882</u>	<u>\$ 372,597</u>

CITY OF BRAZORIA, TEXAS

Exhibit B-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Budgets and Budgetary Accounting

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

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2023, expenditures exceeded appropriations in the streets and drainage department of the General Fund by \$168.

CITY OF BRAZORIA, TEXAS

**TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF CHANGES
IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**

	Last Ten Years*			
	2022	2021	2020	2019
Total Pension Liability				
Service cost	\$ 146,733	\$ 132,713	\$ 134,787	\$ 123,924
Interest (on the total pension liability)	358,544	337,671	321,014	304,331
Changes of benefit terms				
Difference between expected and actual experience	(397,232)	62,576	(3,846)	(7,380)
Change of assumptions				24,167
Benefit payments, including refunds of employee contributions	(241,702)	(219,761)	(188,547)	(218,087)
Net Change in Total Pension Liability	(133,657)	313,199	263,408	226,955
Total Pension Liability - Beginning	5,359,252	5,046,053	4,782,645	4,555,690
Total Pension Liability - Ending (a)	\$ 5,225,595	\$ 5,359,252	\$ 5,046,053	\$ 4,782,645
Plan Fiduciary Net Position				
Contributions - employer	\$ 76,581	\$ 72,520	\$ 68,921	\$ 76,906
Contributions - employee	65,800	60,434	60,660	57,479
Net investment income	(427,801)	686,507	375,842	674,862
Benefit payments, including refunds of employee contributions	(241,702)	(219,761)	(188,547)	(218,087)
Administrative expense	(3,706)	(3,179)	(2,434)	(3,816)
Other	4,421	21	(94)	(115)
Net Change in Plan Fiduciary Net Position	(526,407)	596,542	314,348	587,229
Plan Fiduciary Net Position - Beginning	5,866,825	5,270,283	4,955,935	4,368,706
Plan Fiduciary Net Position - Ending (b)	\$ 5,340,418	\$ 5,866,825	\$ 5,270,283	\$ 4,955,935
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (114,823)	\$ (507,573)	\$ (224,230)	\$ (173,290)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	102.20%	109.47%	104.44%	103.62%
Covered Payroll	\$ 1,315,993	\$ 1,208,675	\$ 1,213,204	\$ 1,149,573
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-8.73%	-41.99%	-18.48%	-15.07%

Notes to Schedule: N/A

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

Exhibit B-3

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$	125,966	\$ 129,095	\$ 121,451	\$ 115,599	\$ 107,876	\$ N/A
	293,622	281,593	263,392	253,000	233,748	N/A
						N/A
	(93,056)	(121,469)	(31,369)	(51,678)	6,427	N/A
				35,370		N/A
	(115,643)	(103,248)	(72,046)	(62,764)	(90,987)	N/A
	<u>210,889</u>	<u>185,971</u>	<u>281,428</u>	<u>289,527</u>	<u>257,064</u>	<u>N/A</u>
	4,344,801	4,158,830	3,877,402	3,587,875	3,330,811	N/A
\$	<u><u>4,555,690</u></u>	<u><u>4,344,801</u></u>	<u><u>4,158,830</u></u>	<u><u>3,877,402</u></u>	<u><u>3,587,875</u></u>	<u><u>N/A</u></u>
\$	96,897	\$ 100,613	\$ 88,427	\$ 89,898	\$ 86,356	\$ N/A
	56,336	57,890	54,316	55,152	55,074	N/A
	(133,741)	537,126	240,988	5,140	185,991	N/A
	(115,643)	(103,248)	(72,046)	(62,764)	(90,987)	N/A
	(2,586)	(2,786)	(2,724)	(3,132)	(1,942)	N/A
	(136)	(140)	(147)	(155)	(160)	N/A
	<u>(98,873)</u>	<u>589,455</u>	<u>308,814</u>	<u>84,139</u>	<u>234,332</u>	<u>N/A</u>
	4,467,579	3,878,124	3,569,310	3,485,171	3,250,839	N/A
\$	<u><u>4,368,706</u></u>	<u><u>4,467,579</u></u>	<u><u>3,878,124</u></u>	<u><u>3,569,310</u></u>	<u><u>3,485,171</u></u>	<u><u>N/A</u></u>
\$	<u><u>186,984</u></u>	<u><u>(122,778)</u></u>	<u><u>280,706</u></u>	<u><u>308,092</u></u>	<u><u>102,704</u></u>	<u><u>N/A</u></u>
	95.90%	102.83%	93.25%	92.05%	97.14%	N/A
\$	1,126,712	\$ 1,157,802	\$ 1,086,321	\$ 1,103,042	\$ 1,101,482	\$ N/A
	16.60%	-10.60%	25.84%	27.93%	9.32%	N/A

CITY OF BRAZORIA, TEXAS

**TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF
EMPLOYER CONTRIBUTIONS**

Last Ten Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially Determined Contributions	\$ 83,209	\$ 78,348	\$ 75,385	\$ 73,863
Contributions in Relation to the Actuarially Determined Contributions	\$ 83,209	\$ 78,348	\$ 75,385	\$ 73,863
Contribution Deficiency (Excess)	\$	\$	\$	\$
Covered Payroll	\$ 1,395,113	\$ 1,263,677	\$ 1,220,018	\$ 1,195,295
Contributions as a Percentage of Covered Payroll	5.96%	6.20%	6.18%	6.18%

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

Exhibit B-4

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 85,012	\$ 97,394	\$ 100,236	\$ 92,586	\$ 89,898	\$ N/A
\$ 85,012	\$ 97,394	\$ 100,236	\$ 92,586	\$ 89,898	\$ N/A
\$	\$	\$	\$	\$	\$ N/A
\$ 1,141,808	\$ 1,103,127	\$ 1,146,204	\$ 1,110,147	\$ 1,103,042	\$ N/A
7.45%	8.83%	8.75%	8.34%	8.15%	N/A

CITY OF BRAZORIA, TEXAS

Exhibit B-5

TEXAS MUNICIPAL RETIREMENT SYSTEM - NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

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CITY OF BRAZORIA, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Ten Years*

	2022	2021	2020	2019
Total Pension Liability				
Service cost	\$ 4,738	\$ 4,351	\$ 3,518	\$ 2,529
Interest (on the total OPEB liability)	2,127	2,181	2,730	2,905
Changes in assumptions	(34,365)	3,410	14,129	15,021
Difference between expected and actual experience	(7,481)	(542)	(9,232)	805
Benefit payments, including refunds of employee contributions	(3,290)	(2,780)	(849)	(690)
Net Change in Total OPEB Liability	(38,271)	6,620	10,296	20,570
Total OPEB Liability - Beginning	114,863	108,243	97,947	77,377
Total OPEB Liability - Ending	\$ 76,592	\$ 114,863	\$ 108,243	\$ 97,947
 Covered Payroll	 \$ 1,315,993	 \$ 1,208,675	 \$ 1,213,204	 \$ 1,149,573
Net OPEB Liability as a Percentage of Covered Payroll	5.82%	9.50%	8.92%	8.52%

Notes to Schedule:

Changes in assumptions or other inputs reflect the effects of changes in the discount rates each period. The following are the discount rates used in each period:

2022	4.05%
2021	1.84%
2020	2.00%
2019	2.75%
2018	3.71%

No assets are accumulated in a trust for the SDB plan to pay related benefits that meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

* GASB 75 requires ten years of data to be provided in this schedule, however, only five years are currently available.

Exhibit B-6

2018	2017	2016	2015	2014	2013
\$ 3,267	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
2,625	N/A	N/A	N/A	N/A	N/A
(5,295)	N/A	N/A	N/A	N/A	N/A
(550)	N/A	N/A	N/A	N/A	N/A
(676)	N/A	N/A	N/A	N/A	N/A
(629)	N/A	N/A	N/A	N/A	N/A
78,006	N/A	N/A	N/A	N/A	N/A
<u>\$ 77,377</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 1,126,712	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
6.87%	N/A	N/A	N/A	N/A	N/A

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

Hotel/Motel Tax Fund - Accounts for the collection and expenditure of legally restricted revenue sources, arising from taxes collected by hotels and motels in the City.

CITY OF BRAZORIA, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2023

	Vehicle and Equipment Replacement Fund	Police Special Fund	Court Special Fund	Hotel/ Motel Tax Fund	Totals
<u>Assets</u>					
Cash and cash equivalents	\$ 5,171	\$ 7,463	\$ 93,148	\$ 10,652	\$ 116,434
Receivables:					
Other					
Total Assets	<u>5,171</u>	<u>7,463</u>	<u>93,148</u>	<u>10,652</u>	<u>116,434</u>
<u>Liabilities</u>					
Accounts payable					
Total Liabilities					
<u>Fund Balances</u>					
Restricted	<u>5,171</u>	<u>7,463</u>	<u>93,148</u>	<u>10,652</u>	<u>116,434</u>
Total Fund Balances	<u>5,171</u>	<u>7,463</u>	<u>93,148</u>	<u>10,652</u>	<u>116,434</u>
Total Liabilities and Fund Balances	<u>\$ 5,171</u>	<u>\$ 7,463</u>	<u>\$ 93,148</u>	<u>\$ 10,652</u>	<u>\$ 116,434</u>

CITY OF BRAZORIA, TEXAS

Exhibit C-2

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

Year Ended September 30, 2023

	Vehicle and Equipment Replacement Fund	Police Special Fund	Court Special Fund	Hotel/ Motel Tax Fund	Totals
<u>Revenues</u>					
Fines and forfeitures	\$	\$	\$ 11,686	\$	\$ 11,686
Licenses, permits and fees	12,375				12,375
Hotel/motel taxes				2,032	2,032
Investment earnings		117			117
Total Revenues	<u>12,375</u>	<u>117</u>	<u>11,686</u>	<u>2,032</u>	<u>26,210</u>
<u>Expenditures</u>					
Current:					
Police		468			468
Tourism				175	175
Streets and drainage					
Municipal court			316		316
Debt Service:					
Principal payments	12,448				12,448
Interest and fiscal charges	526				526
Total Expenditures	<u>12,974</u>	<u>468</u>	<u>316</u>	<u>175</u>	<u>13,933</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(599)</u>	<u>(351)</u>	<u>11,370</u>	<u>1,857</u>	<u>12,277</u>
Fund Balances - Beginning	<u>5,770</u>	<u>7,814</u>	<u>81,778</u>	<u>8,795</u>	<u>104,157</u>
Fund Balances - Ending	<u>\$ 5,171</u>	<u>\$ 7,463</u>	<u>\$ 93,148</u>	<u>\$ 10,652</u>	<u>\$ 116,434</u>

CITY OF BRAZORIA, TEXAS

Exhibit C-3

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

Year Ended September 30, 2023

	2023		
	Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>			
Property taxes	\$ 317,150	\$ 322,573	\$ 5,423
Total Revenues	<u>317,150</u>	<u>322,573</u>	<u>5,423</u>
<u>Expenditures</u>			
Debt Service:			
Principal payments	145,000	145,000	
Interest and fiscal charges	183,600	183,600	
Total Expenditures	<u>328,600</u>	<u>328,600</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,450)</u>	<u>(6,027)</u>	<u>5,423</u>
<u>Other Financing Sources</u>			
Transfers in	20,000	20,000	
Total Other Financing Sources	<u>20,000</u>	<u>20,000</u>	
Net Change in Fund Balance	8,550	13,973	5,423
Fund Balance - Beginning	<u>900</u>	<u>900</u>	
Fund Balance - Ending	<u>\$ 9,450</u>	<u>\$ 14,873</u>	<u>\$ 5,423</u>

CITY OF BRAZORIA, TEXAS

Exhibit D-1

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

For the Year Ended September 30, 2023

Fiscal Year Ending	Total Requirements - All Long-Term Debt			Certificates of Obligation, Series 2018		
	Principal	Interest	Totals	Principal	Interest	Totals
2024	\$ 156,412	\$ 177,275	\$ 333,687	\$ 150,000	\$ 177,200	\$ 327,200
2025	155,000	171,100	326,100	155,000	171,100	326,100
2026	165,000	164,700	329,700	165,000	164,700	329,700
2027	170,000	158,000	328,000	170,000	158,000	328,000
2028	175,000	151,100	326,100	175,000	151,100	326,100
2029	185,000	143,900	328,900	185,000	143,900	328,900
2030	190,000	136,400	326,400	190,000	136,400	326,400
2031	200,000	128,600	328,600	200,000	128,600	328,600
2032	205,000	120,500	325,500	205,000	120,500	325,500
2033	215,000	112,100	327,100	215,000	112,100	327,100
2034	225,000	103,300	328,300	225,000	103,300	328,300
2035	235,000	94,100	329,100	235,000	94,100	329,100
2036	240,000	84,600	324,600	240,000	84,600	324,600
2037	250,000	74,800	324,800	250,000	74,800	324,800
2038	260,000	64,600	324,600	260,000	64,600	324,600
2039	275,000	53,900	328,900	275,000	53,900	328,900
2040	285,000	42,700	327,700	285,000	42,700	327,700
2041	295,000	31,100	326,100	295,000	31,100	326,100
2042	310,000	19,000	329,000	310,000	19,000	329,000
2043	320,000	6,400	326,400	320,000	6,400	326,400
	<u>\$ 4,511,412</u>	<u>\$ 2,038,175</u>	<u>\$ 6,549,587</u>	<u>\$ 4,505,000</u>	<u>\$ 2,038,100</u>	<u>\$ 6,543,100</u>

Fiscal Year Ending	Note Payable - First National Bank - Sensus Software		
	Principal	Interest	Totals
2024	\$ 6,412	\$ 75	\$ 6,487
	<u>\$ 6,412</u>	<u>\$ 75</u>	<u>\$ 6,487</u>

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APPENDIX E

SPECIMEN BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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