

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

BRAZORIA AND HARRIS COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brazoria County Municipal Utility District No. 28
Brazoria and Harris Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 28 (the "District"), as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 28, 2018

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018

Management's discussion and analysis of Brazoria County Municipal Utility District No. 28's (the "District") financial performance provides an overview of the District's financial activities for the year ended July 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities, and, if applicable, deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, contract revenues and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of current year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$3,142,507 as of July 31, 2018.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 12,073,692	\$ 9,273,615	\$ 2,800,077
Intangible Assets (Net of Accumulated Amortization)	27,483,902	27,729,423	(245,521)
Capital Assets (Net of Accumulated Depreciation)	21,703,892	21,273,532	430,360
Total Assets	\$ 61,261,486	\$ 58,276,570	\$ 2,984,916
Deferred Outflows of Resources	\$ 334,189	\$ 363,355	\$ (29,166)
Due to Developers	\$ 3,273,946	\$ 1,486,883	\$ (1,787,063)
Bonds Payable	60,528,970	61,131,270	602,300
Other Liabilities	935,266	692,274	(242,992)
Total Liabilities	\$ 64,738,182	\$ 63,310,427	\$ (1,427,755)
Net Position:			
Net Investment in Capital Assets	\$ (13,161,557)	\$ (12,104,899)	\$ (1,056,658)
Restricted	7,432,805	4,814,683	2,618,122
Unrestricted	2,586,245	2,619,714	(33,469)
Total Net Position	\$ (3,142,507)	\$ (4,670,502)	\$ 1,527,995

The following table provides a summary of the District's operations for the years ended July 31, 2018, and July 31, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,567,912	\$ 3,591,468	\$ 976,444
Contract Revenues	943,077	840,002	103,075
Other Revenues	144,176	56,505	87,671
Total Revenues	\$ 5,655,165	\$ 4,487,975	\$ 1,167,190
Expenses for Services	4,127,170	5,145,287	1,018,117
Change in Net Position	\$ 1,527,995	\$ (657,312)	\$ 2,185,307
Net Position, Beginning of Year	(4,670,502)	(4,013,190)	(657,312)
Net Position, End of Year	\$ (3,142,507)	\$ (4,670,502)	\$ 1,527,995

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2018, were \$11,816,041, an increase of \$2,894,314 from the prior year.

The General Fund fund balance decreased by \$33,303, primarily due to a transfer of \$2,000,000 to the Debt Service Fund which was used subsequent to year end to redeem \$2,590,000 of the District's Series 2010 Bonds prior to its scheduled maturity dates.

The Debt Service Fund fund balance increased by \$2,955,185, primarily due to the structure of the District's debt service requirements as well as a transfer of \$2,000,000 from the General Fund which was used subsequent to year end to redeem \$2,590,000 of the District's Series 2010 Bonds prior to its scheduled maturity dates.

The Capital Projects Fund fund balance decreased by \$27,568, primarily due to professional fees exceeding interest earnings.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts an unappropriated budget for the General Fund and did not amend the budget during the current fiscal year. Actual revenues were \$1,584,012 more than budgeted revenues primarily due to higher than anticipated property tax revenues. Actual expenditures were \$27,643 more than budgeted expenditures primarily due to higher than expected professional fees.

INTANGIBLE ASSETS AND CAPITAL ASSETS

Intangible assets as of July 31, 2018, total \$27,483,902 and include the right to receive service from the City of Pearland (the "City") in exchange for water and wastewater facilities that have been conveyed to the City. See Note 6.

Capital assets as of July 31, 2018, total \$21,703,892 and include land, detention facilities, and connection charges.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land for Detention Facilities	\$ 5,185,921	\$ 5,165,882	\$ 20,039
Capital Assets, Net of Accumulated Depreciation:			
Detention Facilities	9,201,843	8,580,831	621,012
Connection Charges	7,316,128	7,526,819	(210,691)
Total Net Capital Assets	<u>\$ 21,703,892</u>	<u>\$ 21,273,532</u>	<u>\$ 430,360</u>

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of \$61,055,000. The changes in the debt position of the District during the fiscal year ended July 31, 2018, are summarized as follows:

Bond Debt Payable, August 1, 2017	\$ 61,675,000
Less: Bond Principal Paid	<u>620,000</u>
Bond Debt Payable, July 31, 2018	<u>\$ 61,055,000</u>

The District’s Series 2010, Series 2013, Series 2013 Refunding, Series 2014, Series 2014 Refunding and Series 2016 bonds carry underlying ratings of “BBB”. The District’s Series 2017 bonds carry underlying ratings of “A3”. The Series 2013 and Series 2013 Refunding Bonds carry an insured rating of “AA” from Standard & Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 and Series 2014 Refunding Bonds carry insured ratings of “AA” by virtue of bond insurance issued by Municipal Assurance Corp. The Series 2016 Bonds carry an insured rating of “BBB” by virtue of bond insurance issued by National Public Finance Guarantee Corporation. The Series 2017 Bonds carry an insured rating of “AA/A2” by virtue of bond insurance issued by Assured Guarantee Municipal Corporation. The above ratings are as of year-end and reflect all changes during the current fiscal year.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2019 projects an increase in General Fund fund balance of \$1,952,776. Revenues are expected to be \$2,220,000 and expenditures are expected to be \$267,224. The fiscal year 2019 tax rate (2018 tax year) has been set at \$0.82 on each \$100 of taxable value and 61% of the property tax will be used to fund debt service and 39% will be used for general operations.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brazoria County Municipal Utility District No. 28, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 750,714	\$ 5,360,515
Investments	1,710,953	2,905,130
Receivables:		
Property Taxes	15,893	37,545
Penalty and Interest on Delinquent Taxes		
Accrued Interest	3,994	10,474
Other	11,500	
Due from Other Funds	5,000	2,107
Prepaid Costs	3,437	
Intangible Assets (Net of Accumulated Amortization) - Right to Receive Service		
Capital Assets (Net of Accumulated Depreciation):		
Land		
Detention Facilities and Connection Charges		
TOTAL ASSETS	\$ 2,501,491	\$ 8,315,771
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,501,491	\$ 8,315,771

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,092,698	\$ 7,203,927	\$	\$ 7,203,927
29,048	4,645,131		4,645,131
	53,438		53,438
		10,838	10,838
	14,468		14,468
	11,500		11,500
	7,107	(7,107)	
	3,437	130,953	134,390
		27,483,902	27,483,902
		5,185,921	5,185,921
		<u>16,517,971</u>	<u>16,517,971</u>
<u>\$ 1,121,746</u>	<u>\$ 11,939,008</u>	<u>\$ 49,322,478</u>	<u>\$ 61,261,486</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 334,189</u>	<u>\$ 334,189</u>
<u>\$ 1,121,746</u>	<u>\$ 11,939,008</u>	<u>\$ 49,656,667</u>	<u>\$ 61,595,675</u>

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 44,092	\$
Accrued Interest Payable		
Due to Other Funds	2,107	5,000
Due to Taxpayers		15,960
Due to Developers		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 46,199	\$ 20,960
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 15,893	\$ 37,545
FUND BALANCES		
Nonspendable -		
Prepaid Costs	\$ 3,437	\$
Restricted for:		
Authorized Construction		
Debt Service		8,257,266
Unassigned	2,435,962	
TOTAL FUND BALANCES	\$ 2,439,399	\$ 8,257,266
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,501,491	\$ 8,315,771
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,370	\$ 46,462	\$	\$ 46,462
		872,844	872,844
	7,107	(7,107)	
	15,960		15,960
		3,273,946	3,273,946
		930,000	930,000
		<u>59,598,970</u>	<u>59,598,970</u>
<u>\$ 2,370</u>	<u>\$ 69,529</u>	<u>\$ 64,668,653</u>	<u>\$ 64,738,182</u>
<u>\$ -0-</u>	<u>\$ 53,438</u>	<u>\$ (53,438)</u>	<u>\$ -0-</u>
\$	\$ 3,437	\$ (3,437)	\$
1,119,376	1,119,376	(1,119,376)	
	8,257,266	(8,257,266)	
	<u>2,435,962</u>	<u>(2,435,962)</u>	
<u>\$ 1,119,376</u>	<u>\$ 11,816,041</u>	<u>\$ (11,816,041)</u>	<u>\$ - 0 -</u>
<u>\$ 1,121,746</u>	<u>\$ 11,939,008</u>		
		\$ (13,161,557)	\$ (13,161,557)
		7,432,805	7,432,805
		<u>2,586,245</u>	<u>2,586,245</u>
		<u>\$ (3,142,507)</u>	<u>\$ (3,142,507)</u>

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2018

Total Fund Balances - Governmental Funds \$ 11,816,041

Amounts reported for governmental activities in the Statement of Net Position are different because:

Water and wastewater facilities constructed by the developer and reimbursed by the District using bond proceeds are conveyed to the City of Pearland for the right to receive service from the City of Pearland. These assets are amortized over the term of the service agreement as intangible assets in the Statement of Net Position. 27,483,902

Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 21,703,892

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 334,189

Bond insurance premiums are prepaid costs in governmental activities and amortized over the term of the related debt. 130,953

Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District. 64,276

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (3,273,946)	
Accrued Interest Payable	(872,844)	
Bonds Payable	<u>(60,528,970)</u>	<u>(64,675,760)</u>

Total Net Position - Governmental Activities \$ (3,142,507)

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

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BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 2,040,885	\$ 2,533,873
Contract Revenues	135,010	808,067
Penalty and Interest		41,867
Miscellaneous Revenues	40,199	59,343
TOTAL REVENUES	\$ 2,216,094	\$ 3,443,150
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 175,093	\$ 15,629
Contracted Services	15,506	65,798
Depreciation		
Amortization		
Other	58,798	9,309
Capital Outlay		
Debt Service:		
Bond Principal		620,000
Bond Interest		1,777,229
TOTAL EXPENDITURES/EXPENSES	\$ 249,397	\$ 2,487,965
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	\$ 1,966,697	\$ 955,185
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	\$ (2,000,000)	\$ 2,000,000
NET CHANGE IN FUND BALANCES	\$ (33,303)	\$ 2,955,185
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2017	2,472,702	5,302,081
FUND BALANCES/NET POSITION - JULY 31, 2018	\$ 2,439,399	\$ 8,257,266

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,574,758	\$ (6,846)	\$ 4,567,912
	943,077		943,077
	41,867	133	42,000
<u>2,634</u>	<u>102,176</u>	<u> </u>	<u>102,176</u>
\$ 2,634	\$ 5,661,878	\$ (6,713)	\$ 5,655,165
\$ 29,671	\$ 220,393	\$	\$ 220,393
	81,304		81,304
		471,757	471,757
		1,130,467	1,130,467
531	68,638		68,638
	620,000	(620,000)	
	<u>1,777,229</u>	<u>377,382</u>	<u>2,154,611</u>
\$ 30,202	\$ 2,767,564	\$ 1,359,606	\$ 4,127,170
\$ (27,568)	\$ 2,894,314	\$ (1,366,319)	\$ 1,527,995
\$ -0-	\$ -0-	\$ -0-	\$ -0-
\$ (27,568)	\$ 2,894,314	\$ (2,894,314)	\$
		1,527,995	1,527,995
<u>1,146,944</u>	<u>8,921,727</u>	<u>(13,592,229)</u>	<u>(4,670,502)</u>
\$ 1,119,376	\$ 11,816,041	\$ (14,958,548)	\$ (3,142,507)

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

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ 2,894,314
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(6,846)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	133
Governmental funds do not account for amortization. However, in the Statement of Net Position, intangible assets are amortized and amortization expense is recorded in the Statement of Activities.	(1,130,467)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(471,757)
Governmental funds report bond premiums, discounts, deferred charges on refunding bonds and bond insurance premiums as other financing sources and uses or expenditures in the year paid. However, in the Statement of Net Position, bond premiums, discounts, deferred charges on refunding bonds and bond insurance premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(52,822)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	620,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>(324,560)</u>
Change in Net Position - Governmental Activities	<u>\$ 1,527,995</u>

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 1. CREATION OF DISTRICT

Brazoria County Municipal Utility District No. 28 of Brazoria County, Texas (the “District”) was created effective February 27, 2003, by an Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 12, 2003, and the first bonds were sold on July 18, 2006.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, maintenance tax revenues, contract revenues and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2018, the General Fund recorded a payable of \$2,107 to the Debt Service Fund for an excess transfer of maintenance taxes, and the General Fund recorded a receivable of \$5,000 from the Debt Service Fund for arbitrage costs funded by the General Fund. During the fiscal year ended July 31, 2018, the General Fund transferred \$2,000,000 to the Debt Service Fund to assist in the early redemption of the District's Series 2010 bonds subsequent to year end.

Intangible Assets

Intangible assets, consisting of rights to receive water and wastewater service, are reported in the government-wide Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City of Pearland and amortized over the term of the applicable service contract, which is 40 years from the execution date of the contract.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Detention Facilities	45
Connection Charges	40

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2018:

	August 1, 2017	Additions	Retirements	July 31, 2018
Bonds Payable	\$ 61,675,000	\$	\$ 620,000	\$ 61,055,000
Unamortized Discounts	(1,133,002)		(51,884)	(1,081,118)
Unamortized Premiums	589,272		34,184	555,088
Bonds Payable, Net	<u>\$ 61,131,270</u>	<u>\$ -0-</u>	<u>\$ 602,300</u>	<u>\$ 60,528,970</u>
		Amount Due Within One Year		\$ 930,000
		Amount Due After One Year		59,598,970
		Bonds Payable, Net		<u>\$ 60,528,970</u>

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2010	Series 2013	Refunding Series 2013
Amount Outstanding – July 31, 2018	\$2,590,000	\$3,250,000	\$3,380,000
Interest Rates	4.00% - 6.00%	2.50% - 3.625%	3.00% - 4.00%
Maturity Date	September 1, 2018/2034	September 1, 2018/2034	September 1, 2018/2026
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2017 *	September 1, 2020 *	September 1, 2020 *
	Series 2014	Refunding Series 2014	Series 2016
Amount Outstanding – July 31, 2018	\$6,550,000	\$5,425,000	\$13,950,000
Interest Rates	2.50% - 4.25%	3.00% - 4.00%	2.00% - 3.50%
Maturity Date	September 1, 2018/2040	September 1, 2018/2034	September 1, 2018/2040
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2021 *	September 1, 2021 *	September 1, 2023 *

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2010 term bonds maturing on September 1, 2034, are subject to mandatory redemption by random selection beginning on September 1, 2031. Series 2013 term bonds maturing on September 1, 2022, September 1, 2024, September 1, 2026, September 1, 2028, September 1, 2032 and September 1, 2034, are subject to mandatory redemption by random selection beginning September 1, 2021, September 1, 2023, September 1, 2025, September 1, 2027, September 1, 2029 and September 1, 2033, respectively. Series 2014 Refunding term bonds maturing on September 1, 2026 are subject to mandatory redemption by random selection beginning September 1, 2016. Series 2016 term bonds maturing on September 1, 2040 are subject to mandatory redemption by random selection beginning September 1, 2038.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2017
Amount Outstanding – July 31, 2018	\$25,910,000
Interest Rates	3.00% - 3.50%
Maturity Date	September 1, 2019/2040
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2024 **

** Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2017 term bonds maturing on September 1, 2038 and September 1, 2040 are subject to mandatory redemption by random selection beginning September 1, 2037 and September 1, 2039, respectively.

As of July 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 930,000	\$ 2,089,489	\$ 3,019,489
2020	1,765,000	2,048,735	3,813,735
2021	1,825,000	1,994,167	3,819,167
2022	1,890,000	1,938,875	3,828,875
2023	1,965,000	1,880,757	3,845,757
2024-2028	11,050,000	8,388,935	19,438,935
2029-2033	13,480,000	6,332,402	19,812,402
2034-2038	16,525,000	3,668,944	20,193,944
2039-2041	11,625,000	653,624	12,278,624
	\$ 61,055,000	\$ 28,995,928	\$ 90,050,928

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

As of July 31, 2018, the District had authorized but unissued bonds for the purposes of acquiring or constructing utility facilities in the amount of \$24,630,000 and authorization of \$57,665,000 for refunding purposes.

During the year ended July 31, 2018, the District levied an ad valorem debt service tax rate of \$0.45 per \$100 of assessed valuation, which resulted in a tax levy of \$2,479,234 on the adjusted taxable valuation of \$550,940,977 for the 2017 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 8 for the maintenance tax levy.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

Levy Date	- October 1, or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

The bond resolutions state that the District is required to provide continuing disclosure of certain general financial information and operating data, as well as notice of certain material events as defined by federal securities laws, with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of collateral eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such collateral is pledged. At fiscal year end, the carrying amount of the District's deposits was \$9,886,256 and the bank balance was \$9,879,008. Of the bank balance, \$3,251,909 was covered by federal depository insurance and the remaining balance was covered by letters of credit held in safekeeping by a third-party institution in the District's name.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 750,714	\$ 896,751	\$ 1,647,465
DEBT SERVICE FUND	5,360,515	1,785,578	7,146,093
CAPITAL PROJECTS FUND	1,092,698		1,092,698
TOTAL DEPOSITS	\$ 7,203,927	\$ 2,682,329	\$ 9,886,256

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s 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.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

As of July 31, 2018, the District had the following investments and maturities:

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	\$ 814,202	\$ 814,202
Certificates of Deposit	896,751	896,751
<u>DEBT SERVICE FUND</u>		
TexSTAR	1,119,552	1,119,552
Certificates of Deposit	1,785,578	1,785,578
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	29,048	29,048
TOTAL INVESTMENTS	<u><u>\$ 4,645,131</u></u>	<u><u>\$ 4,645,131</u></u>

The District invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a Division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR. Certificates of deposit are reported by the District at amortized cost.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2018, the District’s investment in TexSTAR was rated AAAM by Standard and Poor’s. The District manages credit risk by investing in certificates of deposit with balances that are below FDIC insurance coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions - All cash and investments of the Debt Service Fund are restricted for payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 6. INTANGIBLE ASSETS

In accordance with the Utility Agreement (see Note 9), upon completion of construction, certain water and wastewater facilities have been conveyed to the City of Pearland for operations and maintenance. In exchange for the conveyance of these assets, the City of Pearland agrees to provide water and wastewater services to the District, which results in an intangible asset of the District. As of July 31, 2018, the District had the following intangible assets:

	August 1, 2017	Increases	Decreases	July 31, 2018
Intangible Assets Subject to Amortization				
Infrastructure Conveyed to the City of Pearland	\$ 33,766,852	\$ 884,946	\$	\$ 34,651,798
Accumulated Amortization				
Infrastructure Conveyed to the City of Pearland	<u>6,037,429</u>	<u>1,130,467</u>	<u> </u>	<u>7,167,896</u>
Total Intangible Assets, Net of Accumulated Amortization	<u>\$ 27,729,423</u>	<u>\$ (245,521)</u>	<u>\$ - 0 -</u>	<u>\$ 27,483,902</u>

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2018 is as follows:

	August 1, 2017	Increases	Decreases	July 31, 2018
Capital Assets Not Being Depreciated				
Land for Detention Facilities	\$ 5,165,882	\$ 20,039	\$ -0-	\$ 5,185,921
Capital Assets Subject to Depreciation				
Detention Facilities	\$ 9,601,275	\$ 882,078	\$	\$ 10,483,353
Connection Charges	<u>8,380,205</u>	<u> </u>	<u> </u>	<u>8,380,205</u>
Total Capital Assets Subject to Depreciation	<u>\$ 17,981,480</u>	<u>\$ 882,078</u>	<u>\$ - 0 -</u>	<u>\$ 18,863,558</u>
Accumulated Depreciation				
Detention Facilities	\$ 1,020,444	\$ 261,066	\$	\$ 1,281,510
Connection Charges	<u>853,386</u>	<u>210,691</u>	<u> </u>	<u>1,064,077</u>
Total Accumulated Depreciation	<u>\$ 1,873,830</u>	<u>\$ 471,757</u>	<u>\$ - 0 -</u>	<u>\$ 2,345,587</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,107,650</u>	<u>\$ 410,321</u>	<u>\$ - 0 -</u>	<u>\$ 16,517,971</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,273,532</u>	<u>\$ 430,360</u>	<u>\$ - 0 -</u>	<u>\$ 21,703,892</u>

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 8. MAINTENANCE TAX

On May 3, 2003, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District. During the year ended July 31, 2018, the District levied an ad valorem maintenance tax rate of \$0.37 per \$100 of assessed valuation, which resulted in a tax levy of \$2,038,482 on the adjusted taxable valuation of \$550,940,977 for the 2017 tax year.

NOTE 9. UTILITY AGREEMENT

On September 3, 2003, the District executed a Utility Agreement dated February 25, 2002, between the City of Pearland, Texas (the “City”) and two developers in the District. The Utility Agreement was executed by the Developers on behalf of the District and amended on June 26, 2017 in contemplation of additional tracts of land annexed into the District. The Agreement acknowledges that the District is within the corporate limits of the City. The Agreement provides that the District acquire for the benefit of and conveyance to the City the water, sewer and drainage utilities needed to serve lands being developed within the boundaries of the District and in order to enhance the economic feasibility of the District. The City agreed to make annual tax and monthly water and sewer revenue rebate payments to the District in consideration of the District’s financing, acquisition, and construction of such facilities.

The Agreement contemplates that the District will issue bonds from time to time, when economically feasible and allowed by law and appreciable regulations, to finance the facilities. Upon completion of construction of the utilities and until the bonds financing the facilities are retired, the utilities will be conveyed to the City and a security interest will be reserved to the District for the purpose of securing the performance of the City under the Agreement. Upon conveyance of the facilities to the City, the City will assume responsibility for the operation and maintenance of the facilities.

The City is obligated to expand, enlarge, and modify its water supply and distribution system and its wastewater treatment and collection system to have capacity available to serve new improvements within the District. In consideration for the provision of the requisite capacities, the District agrees to pay to the City a Connection Charge per equivalent connection. The City can amend the Connection Charge from time to time in accordance with the requirements of state law.

In consideration of the development of the land within the District and the City and the related increase in taxable value and as a result of the conveyance of the facilities to the City, the City makes an annual payment to the District of a portion of the City’s tax revenues actually collected and received by the City, exclusive of any interest and penalties paid by the taxpayer to the City and exclusive of any collection costs incurred by the City. All annual payments received by the

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 9. UTILITY AGREEMENT (Continued)

District are deposited into the Debt Service Fund of the District. During the current fiscal year, the District received contract payments of \$808,067 in accordance with the terms of this provision. The Annual Payment will be incrementally reduced upon the occurrence of the District decreasing its combined debt service and operation and maintenance tax rate.

In addition to the Annual Payment, the City imposes a monthly surcharge per equivalent single-family connection located within the District which the City pays to the District monthly. During the current fiscal year, \$135,010 in revenue was received for monthly surcharge contract payments.

The District and City acknowledge that the City has the legal authority to dissolve the District should the appropriate circumstances exist. The City agrees that the District will not be abolished until such time as the District is fully developed and has sold all bonds necessary to finance the costs of the facilities and has reimbursed developers and landowners within the District in accordance with the financing and reimbursement agreements previously entered into by the District. The term of the Agreement is limited to either the dissolution of the District by the City or the expiration of 40 years from the date of the Agreement.

NOTE 10. UNREIMBURSED COSTS

The District has executed financing agreements with several Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities as well as connection charges until such time as the District can sell bonds to reimburse the Developers. The District has recorded a liability of \$3,273,946 for completed facilities funded by the Developers. The facilities included in this amount are detention facilities for which the District retains ownership as well as water and wastewater facilities that are conveyed to the City for the right to receive service.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements in the past three years.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 12. SUBSEQUENT EVENTS

On July 18, 2018, the Commission approved the use of surplus funds totaling \$480,000 from the District's Series 2017 bonds. Subsequent to year-end, on August 15, 2018, the District used these funds to reimburse the Developers \$453,411 for certain construction and land acquisition costs related to District water, wastewater, drainage and detention facilities.

Subsequent to year-end, on August 15, 2018, the District redeemed \$2,590,000 of its outstanding Series 2010 bonds prior to their scheduled maturity dates. The Series 2010 redeemed bonds had original maturity dates ranging from September 1, 2018 through September 1, 2034 with an optional call date of September 1, 2017 or any date thereafter. The early redemption resulted in overall debt service savings to the District of \$1,305,693.

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BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2018

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 510,082	\$ 2,040,885	\$ 1,530,803
Contract Revenues	120,000	135,010	15,010
Miscellaneous Revenues	<u>2,000</u>	<u>40,199</u>	<u>38,199</u>
TOTAL REVENUES	<u>\$ 632,082</u>	<u>\$ 2,216,094</u>	<u>\$ 1,584,012</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 139,730	\$ 175,093	\$ (35,363)
Contracted Services	14,500	15,506	(1,006)
Other	<u>67,524</u>	<u>58,798</u>	<u>8,726</u>
TOTAL EXPENDITURES	<u>\$ 221,754</u>	<u>\$ 249,397</u>	<u>\$ (27,643)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 410,328</u>	<u>\$ 1,966,697</u>	<u>\$ 1,556,369</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ (2,000,000)</u>	<u>\$ (2,000,000)</u>
NET CHANGE IN FUND BALANCE	\$ 410,328	\$ (33,303)	\$ (443,631)
FUND BALANCE - AUGUST 1, 2017	<u>2,472,702</u>	<u>2,472,702</u>	<u></u>
FUND BALANCE - JULY 31, 2018	<u>\$ 2,883,030</u>	<u>\$ 2,439,399</u>	<u>\$ (443,631)</u>

See accompanying independent auditor's report.

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BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JULY 31, 2018

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u>N/A</u>	Retail Water	<u>N/A</u>	Wholesale Water	<u>N/A</u>	Drainage
<u>N/A</u>	Retail Wastewater	<u>N/A</u>	Wholesale Wastewater	<u>N/A</u>	Irrigation
<u>N/A</u>	Parks/Recreation	<u>N/A</u>	Fire Protection	<u>N/A</u>	Security
<u>N/A</u>	Solid Waste/Garbage	<u>N/A</u>	Flood Control	<u>N/A</u>	Roads
<u>N/A</u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>X</u>	Other (specify): <u>Storm Water Detention</u>				

Pursuant to an agreement between the District and the City of Pearland (the “City”), water, wastewater and drainage facilities (except storm water detention ponds) constructed by the District have been conveyed to the City. The City maintains the facilities and operates the facilities for the benefit of the residents of the District. Therefore, the District will not be responsible for operation of the utilities within its boundaries. The District is responsible for maintaining the drainage and detention aspects of its detention ponds.

2. RETAIL SERVICE PROVIDERS: NOT APPLICABLE

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: NOT APPLICABLE

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes _____ No X

Counties in which District is located:

Brazoria and Harris Counties, Texas

Is the District located within a city?

Entirely X Partly _____ Not at all _____

See accompanying independent auditor’s report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018

5. LOCATION OF DISTRICT: (Continued)

City in which the District is Located:

City of Pearland, Texas

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2018

PROFESSIONAL FEES:	
Auditing	\$ 14,800
Engineering	43,680
Legal	<u>116,613</u>
TOTAL PROFESSIONAL FEES	<u>\$ 175,093</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 15,506</u>
REPAIRS AND MAINTENANCE	<u>\$ 25,191</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 13,050
Election Costs	3,347
Insurance	5,616
Office Supplies and Postage	1,205
Payroll Taxes	1,205
Travel and Meetings	6,918
Other	<u>2,161</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 33,502</u>
OTHER EXPENDITURES -	
Permit Fees	<u>\$ 105</u>
TOTAL EXPENDITURES	<u><u>\$ 249,397</u></u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
INVESTMENTS
JULY 31, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexSTAR	XXXX2220	Varies	Daily	\$ 814,202	\$
Certificate of Deposit	XXXX1813	1.20%	12/18/18	203,978	1,509
Certificate of Deposit	XXXX0418	1.95%	04/18/19	244,295	1,358
Certificate of Deposit	XXXX5430	1.98%	07/16/19	244,717	603
Certificate of Deposit	XXXX3171	2.10%	06/18/19	101,898	252
Certificate of Deposit	XXXX2129	2.32%	06/19/19	101,863	272
TOTAL GENERAL FUND				<u>\$ 1,710,953</u>	<u>\$ 3,994</u>
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX3330	Varies	Daily	\$ 1,119,552	\$
Certificate of Deposit	XXXX3625	1.10%	09/06/18	206,619	2,042
Certificate of Deposit	XXXX7655	1.00%	10/01/18	212,014	1,760
Certificate of Deposit	XXXX4734	2.00%	04/26/19	240,000	1,263
Certificate of Deposit	XXXX1725	1.25%	09/04/18	208,220	1,048
Certificate of Deposit	XXXX2317	1.45%	03/17/19	209,448	1,132
Certificate of Deposit	XXXX2538	1.70%	04/01/19	229,277	1,292
Certificate of Deposit	XXXX7143	2.04%	04/26/19	240,000	1,288
Certificate of Deposit	XXXX7955	1.25%	06/19/19	240,000	649
TOTAL DEBT SERVICE FUND				<u>\$ 2,905,130</u>	<u>\$ 10,474</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX4440	Varies	Daily	\$ 29,048	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 4,645,131</u>	<u>\$ 14,468</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2017	\$	10,103		\$ 50,181
Adjustments to Beginning				
Balance		<u>8,193</u>	\$ 18,296	<u>42,003</u> \$ 92,184
Original 2017 Tax Levy	\$	1,908,354		\$ 2,320,971
Adjustment to 2017 Tax Levy		<u>130,128</u>	<u>2,038,482</u>	<u>158,263</u> <u>2,479,234</u>
TOTAL TO BE				
ACCOUNTED FOR			\$ 2,056,778	\$ 2,571,418
TAX COLLECTIONS:				
Prior Years	\$	13,684		\$ 68,359
Current Year		<u>2,027,201</u>	<u>2,040,885</u>	<u>2,465,514</u> <u>2,533,873</u>
TAXES RECEIVABLE -				
JULY 31, 2018			<u>\$ 15,893</u>	<u>\$ 37,545</u>
TAXES RECEIVABLE BY				
YEAR:				
2017			\$ 11,281	\$ 13,720
2016			3,496	20,398
2015			591	1,204
2014			289	1,686
2013			<u>236</u>	<u>537</u>
TOTAL			<u>\$ 15,893</u>	<u>\$ 37,545</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 87,507,324	\$ 79,287,881	\$ 64,486,644	\$ 48,943,375
Improvements	512,528,178	411,349,153	289,252,924	223,027,207
Personal Property	7,743,519	5,796,076	3,868,332	3,740,064
Exemptions	<u>(56,838,044)</u>	<u>(57,733,510)</u>	<u>(46,300,285)</u>	<u>(43,461,901)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 550,940,977</u>	<u>\$ 438,699,600</u>	<u>\$ 311,307,615</u>	<u>\$ 232,248,745</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.45	\$ 0.70	\$ 0.55	\$ 0.70
Maintenance	<u>0.37</u>	<u>0.12</u>	<u>0.27</u>	<u>0.12</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.82</u>	<u>\$ 0.82</u>	<u>\$ 0.82</u>	<u>\$ 0.82</u>
ADJUSTED TAX LEVY*	<u>\$ 4,517,716</u>	<u>\$ 3,597,336</u>	<u>\$ 2,553,099</u>	<u>\$ 1,904,762</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.45 %</u>	<u>99.34 %</u>	<u>99.93 %</u>	<u>99.90 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on May 3, 2003.

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

S E R I E S - 2 0 1 0				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2019	\$ 110,000	\$ 135,163	\$	245,163
2020	115,000	130,547		245,547
2021	120,000	125,492		245,492
2022	125,000	119,978		244,978
2023	130,000	113,982		243,982
2024	130,000	107,613		237,613
2025	140,000	100,862		240,862
2026	145,000	93,647		238,647
2027	150,000	85,994		235,994
2028	155,000	77,891		232,891
2029	155,000	69,559		224,559
2030	170,000	60,719		230,719
2031	175,000	51,122		226,122
2032	175,000	40,950		215,950
2033	190,000	30,000		220,000
2034	195,000	18,450		213,450
2035	210,000	6,300		216,300
2036				
2037				
2038				
2039				
2040				
2041				
	\$ 2,590,000	\$ 1,368,269	\$	3,958,269

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

S E R I E S - 2 0 1 3				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2019	\$ 130,000	\$ 101,288	\$	231,288
2020	135,000	97,975		232,975
2021	140,000	94,537		234,537
2022	145,000	90,884		235,884
2023	150,000	87,013		237,013
2024	160,000	82,644		242,644
2025	165,000	77,769		242,769
2026	175,000	72,669		247,669
2027	185,000	67,269		252,269
2028	190,000	61,525		251,525
2029	200,000	55,431		255,431
2030	215,000	48,544		263,544
2031	225,000	40,843		265,843
2032	240,000	32,706		272,706
2033	250,000	24,131		274,131
2034	265,000	14,953		279,953
2035	280,000	5,075		285,075
2036				
2037				
2038				
2039				
2040				
2041				
	\$ 3,250,000	\$ 1,055,256	\$	4,305,256

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

REFUNDING SERIES - 2013

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 340,000	\$ 115,700	\$ 455,700
2020	355,000	105,275	460,275
2021	365,000	94,475	459,475
2022	380,000	83,300	463,300
2023	395,000	69,700	464,700
2024	415,000	53,500	468,500
2025	430,000	36,600	466,600
2026	450,000	19,000	469,000
2027	250,000	5,000	255,000
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 3,380,000</u>	<u>\$ 582,550</u>	<u>\$ 3,962,550</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

S E R I E S - 2 0 1 4				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2019	\$ 50,000	\$ 264,375	\$	314,375
2020	50,000	263,125		313,125
2021	50,000	261,750		311,750
2022	50,000	260,250		310,250
2023	50,000	258,750		308,750
2024	75,000	256,875		331,875
2025	75,000	254,625		329,625
2026	75,000	252,375		327,375
2027	75,000	250,031		325,031
2028	75,000	247,547		322,547
2029	75,000	245,016		320,016
2030	100,000	242,000		342,000
2031	100,000	238,250		338,250
2032	100,000	234,250		334,250
2033	100,000	230,250		330,250
2034	100,000	226,250		326,250
2035	100,000	222,250		322,250
2036	750,000	205,250		955,250
2037	800,000	173,750		973,750
2038	850,000	139,187		989,187
2039	900,000	102,000		1,002,000
2040	950,000	62,688		1,012,688
2041	1,000,000	21,250		1,021,250
	\$ 6,550,000	\$ 4,912,094	\$	11,462,094

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

REFUNDING SERIES - 2014

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 10,000	\$ 213,500	\$ 223,500
2020	10,000	213,200	223,200
2021	10,000	212,900	222,900
2022	10,000	212,600	222,600
2023	10,000	212,300	222,300
2024	15,000	211,925	226,925
2025	15,000	211,475	226,475
2026	15,000	211,025	226,025
2027	240,000	207,200	447,200
2028	540,000	192,800	732,800
2029	575,000	170,500	745,500
2030	590,000	147,200	737,200
2031	620,000	123,000	743,000
2032	650,000	97,600	747,600
2033	675,000	71,100	746,100
2034	710,000	43,400	753,400
2035	730,000	14,600	744,600
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 5,425,000</u>	<u>\$ 2,766,325</u>	<u>\$ 8,191,325</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 290,000	\$ 431,719	\$ 721,719
2020	300,000	422,869	722,869
2021	315,000	413,644	728,644
2022	330,000	405,619	735,619
2023	330,000	399,019	729,019
2024	350,000	392,000	742,000
2025	355,000	384,288	739,288
2026	370,000	375,669	745,669
2027	385,000	365,991	750,991
2028	375,000	355,781	730,781
2029	390,000	344,775	734,775
2030	380,000	333,225	713,225
2031	405,000	321,450	726,450
2032	425,000	309,000	734,000
2033	450,000	295,594	745,594
2034	475,000	281,141	756,141
2035	500,000	265,594	765,594
2036	1,150,000	238,781	1,388,781
2037	1,200,000	199,844	1,399,844
2038	1,225,000	158,922	1,383,922
2039	1,250,000	116,375	1,366,375
2040	1,325,000	71,312	1,396,312
2041	1,375,000	24,062	1,399,062
	\$ 13,950,000	\$ 6,906,674	\$ 20,856,674

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$	\$ 827,744	\$ 827,744
2020	800,000	815,744	1,615,744
2021	825,000	791,369	1,616,369
2022	850,000	766,244	1,616,244
2023	900,000	739,993	1,639,993
2024	900,000	712,994	1,612,994
2025	950,000	685,244	1,635,244
2026	975,000	656,369	1,631,369
2027	1,000,000	626,744	1,626,744
2028	1,050,000	595,994	1,645,994
2029	1,075,000	564,118	1,639,118
2030	1,125,000	531,119	1,656,119
2031	1,175,000	496,619	1,671,619
2032	1,225,000	460,619	1,685,619
2033	1,250,000	422,712	1,672,712
2034	1,300,000	382,056	1,682,056
2035	1,350,000	338,994	1,688,994
2036	1,400,000	293,431	1,693,431
2037	1,435,000	245,591	1,680,591
2038	1,500,000	195,125	1,695,125
2039	1,575,000	141,312	1,716,312
2040	1,600,000	85,750	1,685,750
2041	1,650,000	28,875	1,678,875
	\$ 25,910,000	\$ 11,404,760	\$ 37,314,760

See accompanying independent auditor's report.

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BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 930,000	\$ 2,089,489	\$ 3,019,489
2020	1,765,000	2,048,735	3,813,735
2021	1,825,000	1,994,167	3,819,167
2022	1,890,000	1,938,875	3,828,875
2023	1,965,000	1,880,757	3,845,757
2024	2,045,000	1,817,551	3,862,551
2025	2,130,000	1,750,863	3,880,863
2026	2,205,000	1,680,754	3,885,754
2027	2,285,000	1,608,229	3,893,229
2028	2,385,000	1,531,538	3,916,538
2029	2,470,000	1,449,399	3,919,399
2030	2,580,000	1,362,807	3,942,807
2031	2,700,000	1,271,284	3,971,284
2032	2,815,000	1,175,125	3,990,125
2033	2,915,000	1,073,787	3,988,787
2034	3,045,000	966,250	4,011,250
2035	3,170,000	852,813	4,022,813
2036	3,300,000	737,462	4,037,462
2037	3,435,000	619,185	4,054,185
2038	3,575,000	493,234	4,068,234
2039	3,725,000	359,687	4,084,687
2040	3,875,000	219,750	4,094,750
2041	4,025,000	74,187	4,099,187
	<u>\$ 61,055,000</u>	<u>\$ 28,995,928</u>	<u>\$ 90,050,928</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2018

Description	Original Bonds Issued	Bonds Outstanding August 1, 2017
Brazoria County Municipal Utility District No. 28 Unlimited Tax Bonds - Series 2010	\$ 3,165,000	\$ 2,695,000
Brazoria County Municipal Utility District No. 28 Unlimited Tax Bonds - Series 2013	3,605,000	3,375,000
Brazoria County Municipal Utility District No. 28 Unlimited Tax Refunding Bonds - Series 2013	4,220,000	3,710,000
Brazoria County Municipal Utility District No. 28 Unlimited Tax Bonds - Series 2014	6,645,000	6,600,000
Brazoria County Municipal Utility District No. 28 Unlimited Tax Refunding Bonds - Series 2014	5,510,000	5,435,000
Brazoria County Municipal Utility District No. 28 Unlimited Tax Bonds - Series 2016	13,950,000	13,950,000
Brazoria County Municipal Utility District No. 28 Unlimited Tax Bonds - Series 2017	<u>25,910,000</u>	<u>25,910,000</u>
TOTAL	<u><u>\$ 63,005,000</u></u>	<u><u>\$ 61,675,000</u></u>

Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 89,155,000	\$ 57,850,000
Amount Issued	<u>64,525,000</u>	<u>185,000</u>
Remaining to be Issued	<u><u>\$ 24,630,000</u></u>	<u><u>\$ 57,665,000</u></u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 105,000	\$ 139,462	\$ 2,590,000	Wells Fargo Bank N.A. Houston, TX
	125,000	104,475	3,250,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	330,000	125,750	3,380,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	50,000	265,625	6,550,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	10,000	213,800	5,425,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		436,069	13,950,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		<u>492,048</u>	<u>25,910,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 620,000</u>	<u>\$ 1,777,229</u>	<u>\$ 61,055,000</u>	

Debt Service Fund cash and investment balances as of July 31, 2018: \$ 8,265,645

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 3,915,258

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 2,040,885	\$ 520,741	\$ 835,465
Contract Revenues	135,010	134,540	110,628
Miscellaneous Revenues	<u>40,199</u>	<u>13,216</u>	<u>5,898</u>
TOTAL REVENUES	<u>\$ 2,216,094</u>	<u>\$ 668,497</u>	<u>\$ 951,991</u>
EXPENDITURES			
Professional Fees	\$ 175,093	\$ 132,394	\$ 154,516
Contracted Services	15,506	12,019	12,600
Other	58,798	59,728	52,380
Capital Outlay	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 249,397</u>	<u>\$ 204,141</u>	<u>\$ 219,496</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 1,966,697</u>	<u>\$ 464,356</u>	<u>\$ 732,495</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ (2,000,000)</u>	<u>\$ 21,779</u>	<u>\$ 46,069</u>
NET CHANGE IN FUND BALANCE	\$ (33,303)	\$ 486,135	\$ 778,564
BEGINNING FUND BALANCE	<u>2,472,702</u>	<u>1,986,567</u>	<u>1,208,003</u>
ENDING FUND BALANCE	<u><u>\$ 2,439,399</u></u>	<u><u>\$ 2,472,702</u></u>	<u><u>\$ 1,986,567</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2015</u>	<u>2014</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 280,609	\$ 444,853	92.1 %	77.9 %	87.8 %	75.5 %	85.7 %
86,510	72,790	6.1	20.1	11.6	23.3	14.0
4,384	1,673	1.8	2.0	0.6	1.2	0.3
<u>\$ 371,503</u>	<u>\$ 519,316</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 197,791	\$ 141,231	7.9 %	19.8 %	16.2 %	53.2 %	27.2 %
12,150	12,000	0.7	1.8	1.3	3.3	2.3
85,819	42,653	2.7	8.9	5.5	23.1	8.2
31,464					8.5	
<u>\$ 327,224</u>	<u>\$ 195,884</u>	<u>11.3 %</u>	<u>30.5 %</u>	<u>23.0 %</u>	<u>88.1 %</u>	<u>37.7 %</u>
<u>\$ 44,279</u>	<u>\$ 323,432</u>	<u>88.7 %</u>	<u>69.5 %</u>	<u>77.0 %</u>	<u>11.9 %</u>	<u>62.3 %</u>
<u>\$ -0-</u>	<u>\$ 40,693</u>					
\$ 44,279	\$ 364,125					
1,163,724	799,599					
<u>\$ 1,208,003</u>	<u>\$ 1,163,724</u>					

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 2,533,873	\$ 3,032,330	\$ 1,701,516
Contract Revenues	808,067	705,462	317,656
Penalty and Interest	41,867	19,420	9,652
Miscellaneous Revenues	59,343	16,371	8,178
TOTAL REVENUES	\$ 3,443,150	\$ 3,773,583	\$ 2,037,002
EXPENDITURES			
Tax Collection Expenditures	\$ 85,911	\$ 60,762	\$ 62,544
Debt Service Principal	620,000	590,000	580,000
Debt Service Interest and Fees	1,782,054	1,247,804	933,958
Debt Issuance Costs			
TOTAL EXPENDITURES	\$ 2,487,965	\$ 1,898,566	\$ 1,576,502
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 955,185	\$ 1,875,017	\$ 460,500
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 2,000,000	\$	\$
Long-Term Debt Issued			
Payment to Refunded Bond Escrow Agent			
Bond Premium (Discount)			
TOTAL OTHER FINANCING SOURCES, NET	\$ 2,000,000	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 2,955,185	\$ 1,875,017	\$ 460,500
BEGINNING FUND BALANCE	5,302,081	3,427,064	2,966,564
ENDING FUND BALANCE	\$ 8,257,266	\$ 5,302,081	\$ 3,427,064
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2015</u>	<u>2014</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,626,327	\$ 1,014,273	73.6 %	80.4 %	83.5 %	83.5 %	79.4 %
302,277	252,688	23.5	18.7	15.6	15.5	19.8
11,736	5,040	1.2	0.5	0.5	0.6	0.4
7,332	5,714	1.7	0.4	0.4	0.4	0.4
<u>\$ 1,947,672</u>	<u>\$ 1,277,715</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 37,315	\$ 29,666	2.5 %	1.6 %	3.1 %	1.9 %	2.3 %
415,000	335,000	18.0	15.6	28.5	21.3	26.2
798,001	624,425	51.8	33.1	45.8	41.0	48.9
228,707	202,300				11.7	15.8
<u>\$ 1,479,023</u>	<u>\$ 1,191,391</u>	<u>72.3 %</u>	<u>50.3 %</u>	<u>77.4 %</u>	<u>75.9 %</u>	<u>93.2 %</u>
<u>\$ 468,649</u>	<u>\$ 86,324</u>	<u>27.7 %</u>	<u>49.7 %</u>	<u>22.6 %</u>	<u>24.1 %</u>	<u>6.8 %</u>
\$ 5,510,000	\$ 4,220,000					
(5,421,606)	(4,338,487)					
142,320	149,135					
<u>\$ 230,714</u>	<u>\$ 30,648</u>					
\$ 699,363	\$ 116,972					
2,267,201	2,150,229					
<u>\$ 2,966,564</u>	<u>\$ 2,267,201</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018

District Mailing Address - Brazoria County Municipal Utility District No. 28
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Current Board Members:	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of office for the year ended July 31, 2018</u>	<u>Expense reimbursements for the year ended July 31, 2018</u>	<u>Title</u>
Richard Escamilla	05/2018 05/2022 (Elected)	\$ -0-	\$ 85	President
Nigel Brooks	05/2018 05/2022 (Elected)	\$ 600	\$ 86	Vice President
John Gordon	05/2016 05/2020 (Elected)	\$ 6,000	\$ 2,840	Assistant Vice President
Linda Clem	07/2016 05/2020 (Appointed)	\$ 1,500	\$ 303	Secretary
Ernest Hubert	05/2018 05/2022 (Elected)	\$ 450	\$ 86	Assistant Secretary
Roland Graza	05/2014 05/2018 (Elected)	\$ 1,650	\$ 272	Former Director
Colleen Hoppens	05/2014 05/2018 (Appointed)	\$ 1,500	\$ 302	Former Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
May 16, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution (TWC Section 49.060) on March 12, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended July 31, 2018</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 151,790	General Counsel
McCall Gibson Swedlund Barfoot PLLC	11/03/04	\$ 14,800	Auditor
Myrtle Cruz, Inc.	05/07/03	\$ 16,467	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/03/04	\$ 16,429	Delinquent Tax Attorney
LJA Engineering, Inc.	05/07/03	\$ 45,521 \$ -0-	Engineer Bond Related
Rathmann & Associates, L.P.	05/07/03	\$ -0-	Financial Advisor
Mary Jarmon c/o Myrtle Cruz, Inc.	08/18/10	\$ -0-	Investment Officer
Assessments of the Southwest, Inc.	06/04/03	\$ 32,242	Tax Assessor/ Collector

See accompanying independent auditor's report.

