

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds are NOT designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 10607U

RATINGS: Insured "AA" (stable) S&P
See "BOND INSURANCE"

\$7,200,000
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT No. 32
(A political subdivision of the State of Texas, located in Brazoria County, Texas)
UNLIMITED TAX BONDS
SERIES 2020

Dated: August 1, 2020

Due: April 1 (as shown below)

Interest on the Bonds (the "Bonds" or the "Series 2020 Bonds") will accrue from August 1, 2020, and will be payable on April 1 and October 1 of each year, commencing April 1, 2021. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM").



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$150,000	2024	4.500%	0.900%	\$225,000	2032(b)	2.000%	1.900%
\$175,000	2025	4.500%	1.000%	\$225,000	2033(b)	2.000%	2.000%
\$175,000	2026	4.500%	1.100%	\$250,000	2034(b)	2.000%	2.100%
\$175,000	2027(b)	4.500%	1.120%	\$250,000	2035(b)	2.000%	2.150%
\$200,000	2028(b)	4.500%	1.150%	\$250,000	2036(b)	2.000%	2.200%
\$200,000	2029(b)	4.000%	1.180%	\$275,000	2037(b)	2.000%	2.250%
\$200,000	2030(b)	2.000%	1.700%	\$275,000	2038(b)	2.125%	2.300%
\$225,000	2031(b)	2.000%	1.800%	\$300,000	2039(b)	2.125%	2.350%

\$1,650,000 2.375% Term Bond Due April 1, 2044 to Yield 2.450% (a) (b) (c)

\$2,000,000 2.500% Term Bond Due April 1, 2049 to Yield 2.537% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2027, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2026, or on 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 fixed for redemption. See "THE BONDS—Optional Redemption."
- (c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Brazoria County Municipal Utility District No. 32 (the "District") to: (1) finance certain District reimbursable cost in the Sierra Vista subdivision, including certain engineering and contingency cost; (2) finance wastewater treatment plant capacity; (3) pay for Developer interest on funds advanced by the Developer; (4) pay for Bond Anticipation Note interest and cost of issuance and redeem the Bond Anticipation Note; (5) fund 12 months of capitalized interest on the Bonds; and (6) pay administrative cost and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Brazoria County, the City of Iowa Colony, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Brazoria County, or the City of Iowa Colony is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS."**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The Issuer will be advised on certain legal matters concerning disclosure by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about August 20, 2020.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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 state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or 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 and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. 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 B- Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds:

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.018583% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.599097% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information 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.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO

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

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the "SEC") regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution (the "Resolution"), the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2020. The District will provide the updated information to the MSRB.

The District 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 District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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 District or other obligated person if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The terms "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provisions for debt service reserves or liquidity enhancement. In addition, the

District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District 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 District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District 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 Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement 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 operations of the District, if but only if, the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but, in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

This is the District's first bond issue. The District has never entered into a continuing disclosure agreement in accordance with the Rule.

INSURED MUNICIPAL BOND RATING

Standard & Poor's Global Ratings ("S&P") is expected to assign its municipal bond rating of "AA" (stable) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that S&P's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current

assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, 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 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, 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 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description:** The Unlimited Tax Bonds, Series 2020, are dated August 1, 2020. The Bonds represent the first series of bonds to be issued by the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Brazoria County, the City of Iowa Colony, or any other political subdivision or agency. See "THE BONDS."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2027, are subject to early redemption, in whole or from time to time in part, on April 1, 2026, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1, 2044, and 2049 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2040 and 2045 respectively. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) finance certain District reimbursable cost in the Sierra Vista subdivision, including certain engineering and contingency cost; (2) finance wastewater treatment plant capacity; (3) pay for Developer interest on funds advanced by the Developer; (4) pay for Bond Anticipation Note interest cost of issuance and redeem the Bond Anticipation Note; (5) fund 12 months of capitalized interest on the Bonds; and (6) pay administrative cost and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."
- Legal Opinion:** Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.
- Payment Record:** This is the District's first bond issue. Therefore, the District has never defaulted in the payment of principal or interest on any bonds or outstanding obligations.
- Risk Factors:** The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- NOT Qualified Tax Exempt Obligations:** The Bonds are NOT designated as "qualified tax-exempt obligations" for financial institutions.
- Municipal Bond Insurance and Rating:** S&P is expected to assign its municipal bond rating of "AA" (stable) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that S&P's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "INSURED MUNICIPAL BOND RATING," "BOND INSURANCE," and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

THE DISTRICT

Description: The District is a municipal utility district created by order of the Texas Commission on Environmental Quality ("TCEQ") dated October 17, 2007. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain road and park powers. See "THE DISTRICT."

The District contains approximately 531 acres of land. The District is located entirely within Brazoria County, Texas, and entirely within the extraterritorial jurisdiction of the City of Iowa Colony, Texas. The District is located entirely within the Alvin Independent School District. The District is located approximately 20 miles south of the Central Business District of the City of Houston. The District consists of 4 non-contiguous tracts of land. The District is generally bounded on the north by County Road No. 56 and to the east by State Highway 288. According to the District's Engineer, none of the developed land within the District would be subject to flooding during a hypothetical 100-year flood event. See "THE DISTRICT."

Status of Land Development:

A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed Acres	349	(a)
Under Development	0	
Remaining Developable Acreage	94	(b)
Undevelopable Acreage	88	(c)
Total Approximate Acres	531	

- (a) Represent the developable acres located in Sierra Vista Subdivision, Sections 1, 2, 4a, 4b, 5, 6 and 7, and Sterling Lakes, Section 13. Additionally includes approximately 143 acres of developed commercial reserves.
- (b) Represents acres that will most likely be developed for commercial uses in the future.
- (c) Includes street rights-of-way, detention ponds, drainage easements, parks and recreation, open spaces, District plant sites, and drilling sites.

Homebuilding Development:

As of June 1, 2020, residential development in the District included 305 completed homes, 44 homes under construction, and 348 vacant developed lots. Homes are currently being constructed by Westin Homes, Colina Homes, Anglia Homes, Castle Rock Homes and D.R. Horton; and being marketed in the \$192,000 - \$298,000 price range.

The Developer:

The Developer in the District is Land Tejas Sterling Lakes South, LLC (the "Developer"), a special purpose entity created by Land Tejas Companies, Ltd. solely for the purpose of developing land located within the District. The General Partner and sole member of the Developer is Mr. Al P. Brende who is also the President of Land Tejas Company, Ltd.

The development financing has been provided by TREZ Capital (2015) Corporation, A British Columbia Corporation. The development loan documents include a Loan Agreement, Note, Deed of Trust, and a limited personal guarantee agreement provided by Mr. Al Brende. The development loan is secured by the land in the District owned by the Developer, lot sale revenues, and future District receivables to be paid by the District to the Developer from future bond anticipation note issues and future bond issues. The development loan is a fixed rate loan with a maturity date of August 10, 2021. According to representatives of the Developer, as of June 1, 2020, the development loan had an outstanding balance of \$21,982,153. According to the Developer, the development loan is presently current and has never been in default.

The System:

The System currently obtains all of its water from Brazoria County Municipal Utility District No. 31 ("MUD 31"). The District recently completed paying for 100% of the capacity of a water plant expansion to such water supply facilities. Such expansion was paid for from the proceeds of the District's Capital Recovery

Fees charged by the District for each lot purchased by the homebuilders in the District. The District currently leases water supply capacity from MUD 31 pursuant to the terms of a Joint Facilities Cost Sharing Agreement. The District currently owns water supply capacity capable of serving 1,500 ESFCs. The District is currently serving approximately 354 ESFCs. See "THE SYSTEM."

100-Year Flood Plain

The District currently has approximately 78 acres within the 100- year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map Numbers 48039C0105H, 48039C0110H, 48039C0115H, and 48039C0120H dated June 15, 1989, Harris County, Texas, and Incorporated Areas, dated June 9, 2014. None of the District currently lies within the 100-year flood plain. See "THE SYSTEM."

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General:

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. As described herein under "RISK FACTORS – Infectious Disease Outlook (COVID-19)," federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Impacts:

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas and the Houston area. Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

**SELECTED FINANCIAL INFORMATION
(Unaudited)**

5/15/2020 Estimated Taxable Value	\$109,042,810	(a)
1/1/2020 Preliminary Taxable Value	\$90,819,585	(b)
2019 Certified Taxable Value	\$40,147,211	(c)
Direct Debt (d)		
The Bonds	<u>\$7,200,000</u>	(d)
Total Direct Debt	<u>\$7,200,000</u>	
Estimated Overlapping Debt	\$3,788,775	
Direct and Estimated Overlapping Debt	\$10,988,775	
Percentage of Direct Debt to:		
5/15/2020 Estimated Taxable Value	6.60%	
1/1/2020 Preliminary Taxable Value	7.93%	
2019 Certified Taxable Value	17.93%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
5/15/2020 Estimated Taxable Value	10.08%	
1/1/2020 Preliminary Taxable Value	12.10%	
2019 Certified Taxable Value	27.37%	
See "DISTRICT DEBT"		
2019 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.00	
Maintenance Tax	<u>\$1.35</u>	
Total 2019 Tax Rate	\$1.35	
Cash and Temporary Investment Balances		
General Fund (as of June 1, 2020)	\$726,000	
Debt Service Fund (as of August 20, 2020)	\$186,781	(e)

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- (a) Reflects data supplied by Brazoria County Appraisal District ("BCAD"). The Estimated Taxable Value as of 5/15/2020 was prepared by BCAD and provided to the District. Such values are not binding on BCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA."
- (b) Reflects data supplied by BCAD. The Preliminary Taxable Value as of 1/1/2020 was prepared by BCAD and provided to the District. Such values are not binding on BCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA."
- (c) Reflects the 2019 Certified Taxable Value according to data supplied by BCAD. See "DISTRICT TAX DATA - Analysis of Tax Base."
- (d) The District currently has two outstanding road bond anticipation notes; the total principal amount of the road bond anticipation notes is \$6,000,000. The District is currently planning to issue approximately \$7,230,000 unlimited tax road bonds in September 2020 to pay the interest on and refund the principal of all of the outstanding road bond anticipation notes.
- (e) The cash and investment balance in the Debt Service Fund includes 12 months of capitalized interest to be funded with the proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA - Tax Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the District's Bonds.

<u>Year</u>	<u>Debt Service on the 2020 Bonds</u>		<u>Total Debt Service Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2021		\$217,911	\$217,911
2022		\$186,781	\$186,781
2023		\$186,781	\$186,781
2024	\$150,000	\$183,406	\$333,406
2025	\$175,000	\$176,093	\$351,093
2026	\$175,000	\$168,218	\$343,218
2027	\$175,000	\$160,343	\$335,343
2028	\$200,000	\$151,906	\$351,906
2029	\$200,000	\$143,406	\$343,406
2030	\$200,000	\$137,406	\$337,406
2031	\$225,000	\$133,156	\$358,156
2032	\$225,000	\$128,656	\$353,656
2033	\$225,000	\$124,156	\$349,156
2034	\$250,000	\$119,406	\$369,406
2035	\$250,000	\$114,406	\$364,406
2036	\$250,000	\$109,406	\$359,406
2037	\$275,000	\$104,156	\$379,156
2038	\$275,000	\$98,484	\$373,484
2039	\$300,000	\$92,375	\$392,375
2040	\$300,000	\$85,625	\$385,625
2041	\$325,000	\$78,203	\$403,203
2042	\$325,000	\$70,484	\$395,484
2043	\$350,000	\$62,468	\$412,468
2044	\$350,000	\$54,156	\$404,156
2045	\$375,000	\$45,312	\$420,312
2046	\$375,000	\$35,937	\$410,937
2047	\$400,000	\$26,250	\$426,250
2048	\$425,000	\$15,937	\$440,937
2049	\$425,000	\$5,312	\$430,312
TOTALS	\$7,200,000	\$3,216,136	\$10,416,136

Maximum Annual Debt Service Requirements (2048)..... \$440,937

\$0.43 tax rate on the 5/15/2020 Estimated Taxable Value of \$109,042,810
 @ 95% collections produces\$455,440

\$1.16 tax rate on 2019 Certified Taxable Valuation of \$40,147,211
 @ 95% collections produces\$442,422

See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

OFFICIAL STATEMENT

Relating to

\$7,200,000

Brazoria County Municipal Utility District No. 32

(A political subdivision of the State of Texas located within Brazoria County, Texas)

UNLIMITED TAX BONDS

SERIES 2020

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$7,200,000 Brazoria County Municipal Utility District No. 32 Unlimited Tax Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to Article XVI Section 59 the Texas Constitution and general laws of the State of Texas, specifically, Chapter 49 and 54 of the Texas Water Code as amended, pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of Brazoria County Municipal Utility District No. 32 (the "District"), an election held within the District, and an Order of the Texas Commission on Environmental Quality.

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District and its financial condition, and the Developer in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Brazoria County, the City of Iowa Colony, or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. In addition, Harris County, within which the District is located, has issued a "shelter in place" order for most citizens except when engaged in specified essential businesses and government functions. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic conditions within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic conditions and financial markets worldwide and within Texas and the Houston area. Stock values and oil prices, in the U.S. and globally, have seen significant declines attributed in part to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

The potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be impaired by (a) repetitive, annual, expensive collection procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES – District's Right in the Event of Tax Delinquencies".

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District (a) is generally authorized to file for federal bankruptcy protection by the State law;

(b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against the District.

A District cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors

The Houston area economy is particularly tied to the energy industry, and continuing low oil and natural gas prices could adversely affect the demand for housing and the assessed values of properties located in the District.

The continued growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current building programs will be completed. The competitive position of the Developer in the sale of its developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and within the market area in which the District is located. Such sites could pose competition to the continued homebuilding development and commercial development on comparable sites within the District.

Landowners/Developer under No Obligation to the District

Neither the Developer nor any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developer) to sell its land. Failure to construct taxable improvements on developed lots (anticipated to be created by the Developer) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2019 tax rate of \$1.35 per \$100 of assessed valuation is slightly higher than the tax rate that is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Brazoria County. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further residential building development within the District, other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay ad valorem taxes levied by the District. After the issuance of the Bonds, the maximum annual debt service requirement will be \$440,937 (2048). The District's 5/15/2020 Estimated Taxable Value is \$109,042,810, assuming no increase or decrease from the 1/1/2020 Preliminary Taxable Value and no use of other District funds, a tax rate of \$0.43 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the maximum annual debt service requirement. The District's 2019 Certified Taxable Value is \$40,147,211. Assuming no increase or decrease from the 2019 Certified Taxable Value and no use of other District funds, a tax rate of \$1.16 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Future Debt

The District's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$188,988,000	For certain water, sanitary sewer, and storm water facilities and for refunding
\$70,059,000	For certain road facilities and for refunding
\$20,695,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have \$181,788,00 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, \$70,059,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and \$20,695,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money bonds) to be issued by the District must also be approved by the TCEQ.

The District currently has two outstanding road bond anticipation notes; the total principal amount of the road bond anticipation notes is \$6,000,000. The District is currently planning to issue approximately \$7,230,000 unlimited tax road bonds in September 2020 to pay the interest on and refund the principal of all of the outstanding road bond anticipation notes.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the fire plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the

value of the taxable property in the District. The District held a park and recreational facilities bond election on May 5, 2018, that authorized \$20,695,000 of park bonds.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard). In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects. Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The District must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial

seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR is effective June 22, 2020, and is currently the subject of ongoing litigation.

Due to existing and possible future litigation, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Changes in Tax Legislation

Certain tax legislation, if enacted whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending, or future legislation.

Hurricane Harvey

The Houston area, including Brazoria County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the observations of the District's Operator and the District's Engineer, the District's System did not sustain any significant damage; In August of 2017 there were no customers in the District.

Inclement Weather

The District is located approximately 70 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

Ponding (or Pluvial) Flooding - Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Tax Payment Installments

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date. See "TAXING PROCEDURES."

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) finance certain District reimbursable cost in the Sierra Vista subdivision, including certain engineering and contingency cost; (2) finance water supply and wastewater treatment plant capacity; (3) pay for Developer interest on funds advanced by the Developer; (4) pay for Bond Anticipation Note interest cost of issuance and redeem the Bond Anticipation Note ; (5) fund 12 months of capitalized interest on the Bonds; and (6) pay administrative cost and issuance expenses associated with the sale and delivery of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS:	<u>Total Amount</u> (a)
<i>Developer Contribution Items</i>	
Sierra Vista Sections 1 & 2 (W/S/D)	\$230,177
Sierra Vista Section 4A (W/S/D)	\$242,145
Sierra Vista Detention Phase I	\$1,379,991
Engineering and Geotechnical for Items No. 1 & 3	\$844,971
SWPPP for Items No. 1 & 3	<u>\$132,538</u>
Total Developer Contribution Items	\$2,829,822
<i>District Items</i>	
Sierra Vista Lift Station including SWPPP Costs	\$729,330
Water & Wastewater Capacity Purchase	\$411,950
Drainage Study and Tract Feasibility Study	\$131,488
Engineering and Geotechnical for Item No. 1	\$150,172
Land Acquisition Costs	
Sierra Vista Detention Pond Phases I & II	\$1,200,122
Sierra Vista Lift Station Site	<u>\$1,960</u>
Total District Items	\$2,625,022
TOTAL CONSTRUCTION COSTS	\$5,454,844
NON-CONSTRUCTION COSTS:	
Legal Fees	\$184,000
Fiscal Advisor	\$133,000
Interest Costs	
Capitalized Interest	\$186,781
BAN Interest	\$79,351
Developer Interest	\$458,954
Bond Discount	\$214,662
Creation Expenses	\$48,742
Operating Expenses	\$61,962
Bond Issuance Expenses	\$35,369
BAN Issuance Expenses	\$100,279
Bond Application Report Cost	\$40,000
Attorney General Fee	\$7,200
TCEQ Bond Issuance Fee	\$18,000
Contingency	<u>\$176,856</u> (b)
TOTAL NON-CONSTRUCTION COSTS	<u>\$1,745,156</u>
 TOTAL BOND ISSUE REQUIREMENT	 <u><u>\$7,200,000</u></u>

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District requested a waiver from the TCEQ of the 30% developer contribution requirement and the TCEQ granted the request for the waiver.

(b) The District will designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the estimated rate as a contingency line item. Such funds may be used by the District for in accordance with TCEQ rules.

THE DISTRICT

Authority

The District is a municipal utility district created by order of the TCEQ dated October 17, 2007. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain road and park powers.

Under certain limited circumstances, the District is authorized to construct, develop, and maintain park and recreational facilities, and to construct roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

In order to obtain the consent of the City of Iowa Colony ("the City") to the creation of the District (within whose extraterritorial jurisdiction the District lies) the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications.

Description

The District contains approximately 531 acres of land. The District is located entirely within Brazoria County, Texas, and entirely within the extraterritorial jurisdiction of the City of Iowa Colony, Texas. The District is located entirely within the Alvin Independent School District. The District is located approximately 20 miles south of the Central Business District of the City of Houston. The District consists of 4 non-contiguous tracts of land. The District is generally bounded on the north by County Road No. 56 and to the east by State Highway 288. According to the District's Engineer, none of the developed land within the District would be subject to flooding during a hypothetical 100-year flood event.

Status of Land Development/Land Uses in the District

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed Acres	349	(a)
Under Development	0	
Remaining Developable Acreage	94	(b)
Undevelopable Acreage	<u>88</u>	(c)
Total Approximate Acres	531	

-
- (a) Represents the developable acres located in Sierra Vista Subdivision, Sections 1, 2, 4a, 4b, 5, 6 and 7, and Sterling Lakes, Section 13. Additionally includes approximately 143 acres of developed commercial reserves.
 - (b) Represents acres that will most likely be developed for commercial uses in the future.
 - (c) Includes street rights-of-way, detention ponds, drainage easements, parks and recreation, open spaces, District plant sites, pipeline easements and drilling sites.

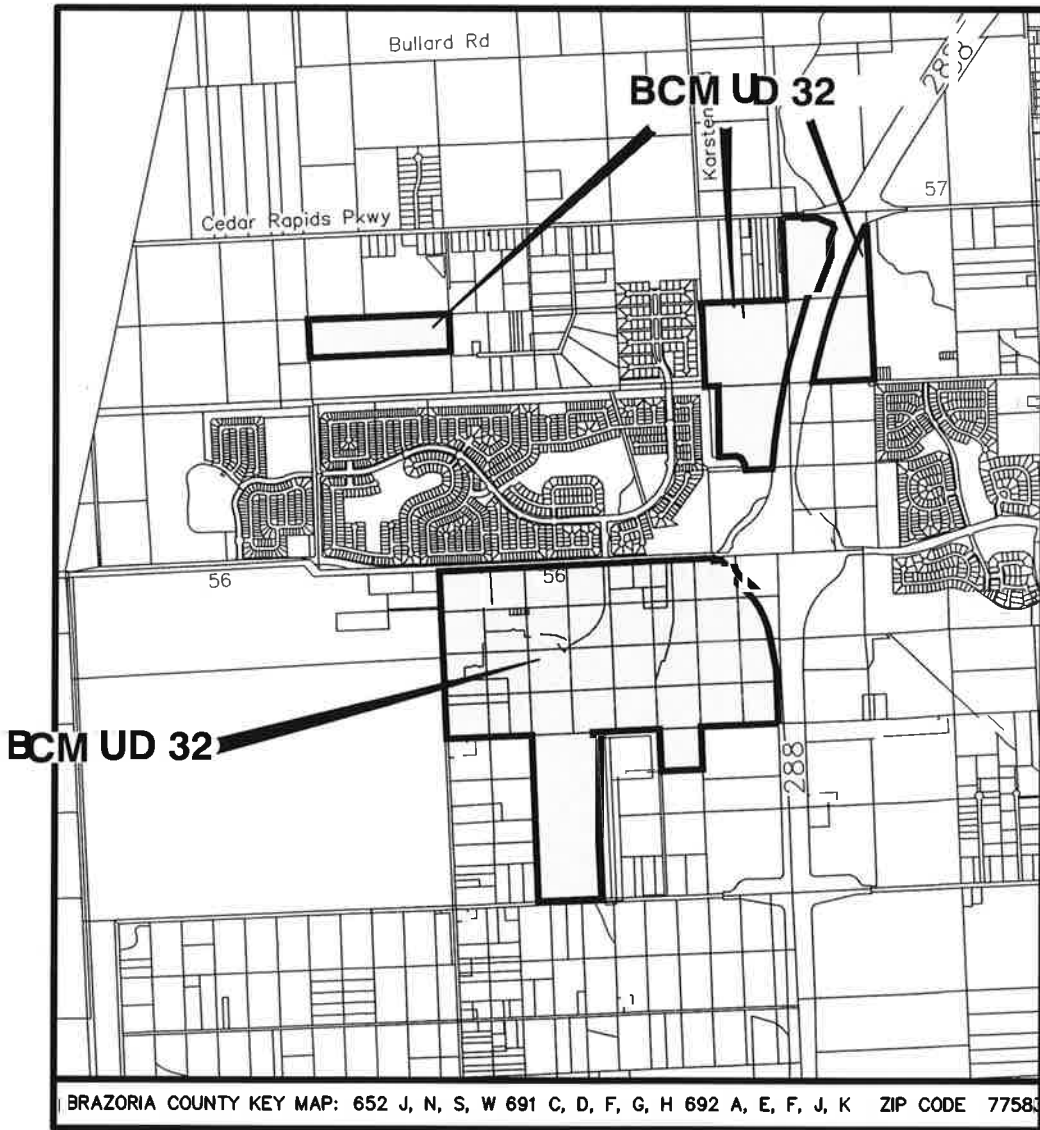
Homebuilding Development

A tabulation of the single family development and potential future commercial development within the District as of June 1, 2020, is approximately as follows:

<u>Section</u>	<u>Acreage</u>	<u>Total Lots</u>	<u>Completed</u>	<u>Under Construction</u>	<u>Vacant Developed Lots</u>
Sierra Vista, Section 1 (a)	12	35	29	1	5
Sierra Vista, Section 2 (b)	67	176	157	8	11
Sierra Vista, Section 4a (c)	23	107	44	8	55
Sierra Vista, Section 4b (d)	30	126	0	2	124
Sierra Vista, Section 5 (e)	16	59	10	0	49
Sierra Vista, Section 6 (f)	26	35	0	10	25
Sierra Vista, Section 7 (g)	4	13	4	0	9
Sterling Lakes, Section 13 (h)	28	<u>146</u>	<u>61</u>	<u>15</u>	<u>70</u>
Commercial Reserves (i)	<u>237</u>				
TOTAL	443	697	305	44	348

-
- (a) Homes in Sierra Vista, Section 1 are being constructed by Anglia Homes, Castle Rock Homes, D.R. Horton and Westin Homes and being price marketed \$211,990 - \$298,024.
 - (b) Homes in Sierra Vista, Section 2 are being constructed by Anglia Homes, Castle Rock Homes, D.R. Horton and Westin Homes and being price marketed \$211,990 - \$298,024.
 - (c) Homes in Sierra Vista, Section 4a are being constructed by Meritage Homes and being price marketed \$231,990 - \$241,990.
 - (d) Homes in Sierra Vista, Section 4b are being constructed by Anglia Homes and Castle Rock Homes and being price marketed \$211,990 - \$298,024.
 - (e) Homes in Sierra Vista, Section 5 are being constructed by History Maker Homes and being price marketed \$260,000 - \$290,000.
 - (f) Homes in Sierra Vista, Section 6 are being constructed by Castle Rock Homes and Colina Homes and being price marketed \$240,000 - \$270,000.
 - (g) Homes in Sierra Vista, Section 7 are being constructed and used for model homes.
 - (h) Homes in Sterling Lakes, Section 13 are being constructed by Censeo Homes, Gehan Homes and Colina Homes and being price marketed \$192,990 - \$241,990.
 - (i) Represents 143 acres of developed land and 94 acres of land that will most likely be developed for commercial use.

LOCATION MAP



LOCATION MAP
1" = 3000'

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Civil Engineers • Surveyors • Water Resources Engineers • Water & Wastewater Engineers
Construction Managers • Environmental Scientists • Landscape Architects • Planners

ATTACHMENT 4
Brazoria County M.U.D. No. 32 BOND APPLICATION NO. 1
LOCATION MAP



Image # 04
Date 10.22.19

Sterling Lakes

727.520.8181
www.aerophoto.com



THE DISTRICT'S DEVELOPER

Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

The Developer

The Developer in the District is Land Tejas Sterling Lakes South, LLC, a special purpose entity created by Land Tejas Companies, Ltd. solely for the purpose of developing land located within the District. The General Partner and sole member of the Developer is Mr. Al P. Brende who is also the President of Land Tejas Company, Ltd.

The development financing has been provided by TREZ Capital (2015) Corporation, A British Columbia Corporation. The development loan documents include a Loan Agreement, Note, Deed of Trust, and a limited personal guarantee agreement provided by Mr. Al Brende. The development loan is secured by the land in the District owned by the Developer, lot sale revenues, and future District receivables to be paid by the District to the Developer from future bond anticipation note issues and future bond issues. The development loan is a fixed rate loan with a maturity date of August 10, 2021. According to representatives of the Developer, as of June 1, 2020, the development loan had an outstanding balance of \$21,982,153. According to the Developer, the development loan is presently current and has never been in default.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system (the "System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Brazoria County, the City of Iowa Colony, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System.

Water Supply

The District currently obtains water plant capacity from water supply facilities owned and operated by MUD 31. The District recently completed paying for 100% of the capacity of a water plant expansion to such water supply facilities. Such expansion was paid for from the proceeds of the District's Capital Recovery Fees charged by the District for each lot purchased by the homebuilders in the District. The MUD 31 water supply facilities are capable of serving 3,266 equivalent single family connections ("ESFCs"). The District currently leases water supply capacity from MUD 31 pursuant to the terms of a Joint Facilities Cost Sharing Agreement. The District currently owns water supply capacity capable of serving 1,500 ESFCs.

Wastewater Treatment

The District's existing wastewater treatment plant capacity is capable of serving 3,475 ESFCs; the District is currently serving approximately 354 ESFCs. The capacity owned by the District represents a portion of the 900,000 gallons per day capacity that is presently owned by MUD 31 or leased by MUD 31 from AUC Group, LP.

Storm Drainage Facilities

Land within the District naturally drains northwest to southeast through a series of agricultural ditches to the West Fork of Chocolate Bayou and then to Chocolate Bayou. Both ditches are maintained by Brazoria County Drainage District No. 5. The District has constructed underground storm sewers which discharge into a series of detention ponds providing storm water detention to offset increased rainfall runoff associated with development of land in the District. Additionally, a drainage channel along the northern boundary of the development provides outfall drainage.

No homes were located within the District at that time of Hurricane Harvey. The District did not receive any damage to its facilities in the District during Hurricane Harvey. See “RISK FACTORS – Hurricane Harvey.”

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection, and storm drainage facilities have been constructed to serve 697 lots in the District.

100-Year Flood Plain

The District currently has approximately 78 acres within the 100- year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map Numbers 48039C0105H, 48039C0110H, 48039C0115H, and 48039C0120H dated June 15, 1989, Harris County, Texas, and Incorporated Areas, dated June 9, 2014. None of the residential subdivisions sections in the District currently lies within the 100-year flood plain.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

REVENUES	Ended June 30 (a)	
	2019	2018
Property taxes	\$166,164	\$5,869
Water service	\$31,239	\$2,387
Sewer service	\$32,894	\$4,063
Penalty and interest	\$1,342	\$83
Tap connection and inspection fees (b)	\$782,355	\$307,675
Investment income	\$13,320	\$1
Other income	\$8,790	\$1,510
TOTAL REVENUES	\$1,036,104	\$321,588
EXPENDITURES		
<i>Service operations:</i>		
Purchased services	\$56,451	\$13,352
Professional fees	\$196,154	\$254,650
Contracted services	\$66,012	\$18,440
Utilities	\$744	\$0
Repairs and maintenance	\$44,301	\$3,231
Other expenditures	\$39,562	\$20,740
Tap connections	\$95,006	\$33,912
Capital Outlay	\$401,047	\$0
TOTAL EXPENDITURES	\$899,277	\$344,325
EXCESS REVENUES (EXPENDITURES) (c)	\$136,827	(\$22,737)

(a) Per data provided in the District's audited financial statements. See "APPENDIX A" for the District's audited financial statements for the fiscal year ended June 30, 2019.

(b) A portion of the tap connection fee includes the cost of installing and maintaining the tap. Additionally, the tap connection fee includes funds that are dedicated to the payment of water and wastewater treatment capacity necessary to serve the lot; such portion will be used for capital costs and is segregated from general operating revenues.

(c) As of June 1, 2020, the District's General Fund had an unaudited cash and investment balance of approximately \$726,000. For the fiscal year ended June 30, 2020, the District's General Fund is currently projecting revenues of approximately \$1,435,000 and expenditures of approximately \$890,000. For the fiscal year ending June 30, 2021 the District is budgeting General Fund revenues of \$1,516,998 and General Fund operating expenditures of \$1,164,623. Additionally, the budget includes capital expenditures of approximately \$600,000.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. None of the directors reside in the District; each of the directors owns a parcel of land in the District subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Mary Tysor	President	2022
Pei H. Apple	Vice President	2024
Matthew Morrison	Secretary	2024
Sally Korfin	Assistant Secretary	2022
Rebecca Marcucci	Assistant Vice President	2024

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract and represents approximately 175 other utility districts.

Bookkeeper – The District's Bookkeeper is McLennan & Associates, LP, which acts as bookkeeper for approximately 200 other utility districts.

Auditor – The financial statements of the District as of June 30, 2019 and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's June 30, 2019, audited financial statements.

Utility System Operator – The System's operator is Si Environmental, LLC (the "Operator") who serves as the Operator for approximately 35 other special districts.

Engineer – The consulting engineer for the District is Manhard Consulting, LTD (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., ("GMS") serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds if and when such bonds are delivered.

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Norton Rose Fulbright US LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District are invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral, evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of long-term securities or derivative products in the District portfolio.

DISTRICT DEBT

5/15/2020 Estimated Taxable Value	\$109,042,810	(a)
1/1/2020 Preliminary Taxable Value	\$90,819,585	(b)
2019 Certified Taxable Value	\$40,147,211	(c)
Direct Debt (d)		
The Bonds	<u>\$7,200,000</u>	(d)
Total Direct Debt	\$7,200,000	
Estimated Overlapping Debt	\$3,788,775	
Direct and Estimated Overlapping Debt	\$10,988,775	
Percentage of Direct Debt to:		
5/15/2020 Estimated Taxable Value	6.60%	
1/1/2020 Preliminary Taxable Value	7.93%	
2019 Certified Taxable Value	17.93%	
Percentage of Direct and Estimated Overlapping Debt to:		
5/15/2020 Estimated Taxable Value	10.08%	
1/1/2020 Preliminary Taxable Value	12.10%	
2019 Certified Taxable Value	27.37%	
2019 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.00	
Maintenance Tax	<u>\$1.35</u>	
Total 2019 Tax Rate	\$1.35	
Cash and Temporary Investment Balances		
General Fund (as of June 1, 2020)	\$726,000	
Debt Service Fund (as of August 20, 2020)	\$186,781	(e)

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- (a) The Estimated Taxable Value as of 5/15/2020 was prepared by BCAD and provided to the District. Such values are not binding on BCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA."
- (b) The Preliminary Taxable Value as of 1/1/2020 was prepared by BCAD and provided to the District. Such values are not binding on BCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA."
- (c) Reflects the 2019 Certified Taxable Value according to data supplied by BCAD. See "DISTRICT TAX DATA - Analysis of Tax Base."
- (d) The District currently has two outstanding road bond anticipation notes; the total principal amount of the road bond anticipation notes is \$6,000,000. The District is currently planning to issue approximately \$7,230,000 unlimited tax road bonds in September 2020 to pay the interest on and refund the principal of all of the outstanding road bond anticipation notes.
- (e) The cash and investment balance in the Debt Service Fund includes 12 months of capitalized interest to be funded with the proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA - Tax Adequacy of Tax Revenue."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which has not been reported. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping %</u>	<u>Overlapping Debt Amount</u>
Brazoria County	\$60,855,000	0.13%	\$78,542
Alvin Independent School District	\$796,295,000	0.44%	\$3,542,129
Alvin Community College District	\$28,565,000	0.36%	\$101,966
Brazoria County Drainage District No. 5	\$0	3.34%	\$0
Port Freeport	\$825,000	8.02%	\$66,139
Total Estimated Overlapping Debt			\$3,788,775
The District (a)			<u>\$7,200,000</u>
Total Direct and Estimated Overlapping Debt			\$10,988,775

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2017 through 2019. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate (a)</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections (b)</u>	<u>Year Ended September 30</u>
2019	\$40,147,211	\$1.35	\$541,987	98%	2020
2018	\$12,477,060	\$1.35	\$168,440	99%	2019
2017	\$434,751	\$1.35	\$5,869	100%	2018

(a) See "Tax Rate Distribution" herein.

(b) Represents tax collections as of May 31, 2020.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed valuation at an election held on May 5, 2018. See "Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2017 through 2019.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$0.00	\$0.00	\$0.00
Maintenance/Operations	<u>\$1.35</u>	<u>\$1.35</u>	<u>\$1.35</u>
Total	\$1.35	\$1.35	\$1.35

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

The list of principal taxpayers for 2019 and the other information provided by this table were provided by BCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of BCAD.

Property Owner	Property Description	Property Value	% of Total
Castlerock Communities LP	Home Builder	\$6,227,790	15.51%
Meritage Homes of Texas LP	Home Builder	\$3,124,540	7.78%
Alamein Investments	Vacant Lots	\$2,522,050	6.28%
Anglia Homes LP	Home Builder	\$2,247,810	5.60%
Land Tejas Sterling Lakes South LLC (a)	Vacant Lots	\$2,193,030	5.46%
Westin Homes & Properties LP	Home Builder	\$1,550,840	3.86%
288 Project Ltd.	Pharmacy	\$1,330,210	3.31%
Sierra Vista Ventures LLC	Commercial Land	\$1,274,600	3.17%
DR Horton Texas Ltd.	Home Builder	\$976,740	2.43%
Sierra Vista Corner LLC	Commercial Land	\$811,520	2.02%
TOTAL TOP 10 VALUE		\$22,259,130	55.44%

(a) See "THE DISTRICT'S DEVELOPER."

Analysis of Tax Base

Based on information provided to the District by BCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2017 through 2019.

Year	Land	Improvements	Personal Property	Gross Valuations	Exemptions	Taxable Valuations
5/15/2020						\$109,042,810 (a)
2019	\$25,697,200	\$16,471,638	\$70,170	\$42,239,008	\$2,091,797	\$40,147,211
2018	\$12,487,670	\$9,130	\$0	\$12,496,800	\$19,740	\$12,477,060
2017	\$432,348	\$9,130	\$0	\$441,478	\$6,727	\$434,751

(a) The 5/15/2020 Estimated Taxable Value was prepared by BCAD and provided to the District. Such value is not binding on BCAD and provided for informational purposes only. The District is authorized by law to levy taxes only against certified values.

Estimated Overlapping Taxes

The following table sets forth all 2019 taxes levied by overlapping taxing jurisdictions for substantially all of the completed homes and homes under construction that are located within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2019 Tax Rate</u>
Brazoria County	\$0.365233
Road & Bridge Fund	\$0.050000
Alvin Independent School District	\$1.397700
Alvin Community College	\$0.185862
Brazoria County Drainage District No. 5 - Iowa Colony Drainage	\$0.151131
Brazoria County Emergency Service District No. 3	\$0.100000
Port Freeport	<u>\$0.040100</u>
Overlapping Taxes	\$2.290026
The District	<u>\$1.35000</u>
Total Direct & Overlapping Taxes	\$3.640026

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District’s Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 1/15/2020 Estimated Taxable Valuation and the 2019 Certified Taxable Valuation. The calculations utilize a tax rate adequate to service the District’s total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2048).....	\$440,937
Requires a \$0.43 debt service tax rate on the 5/15/2020 Estimated Taxable Value at 95% collections.....	\$445,440
Requires a \$1.16 debt service tax rate on the 2019 Certified Taxable Value at 95% collections	\$442,422

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See “RISK FACTORS – Future Debt.” The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption “THE BONDS - Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See “DISTRICT TAX DATA – Maintenance Tax.”

Tax Code and County-Wide Appraisal District

Title1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by BCAD. BCAD have the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Brazoria County Appraisal Review Board (the “Appraisal Review Board”). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products

owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions : A "Freeport Exemption" applies to goods, wares, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law.

Tax Abatement

Either Brazoria County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City, Brazoria County, or the District at the option and discretion of each entity, may enter into tax abatement agreements with property owners within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement agreements, which each entity will follow in granting tax abatement agreements to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by BCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the

Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

The Property Tax Code requires BCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in BCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by BCAD or whether reappraisals will be conducted on a zone- or county-wide basis. The District, however, at its expense, has the right to obtain from BCAD a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as BCAD chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. 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 District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. 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 for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units. Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts. Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts. Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District 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 of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "DISTRICT TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District 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 cost of suit and sale, 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 six (6) months for commercial property and two (2) years for residential and all other types of property 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. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under

receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS – Tax Collections."

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by the City of Iowa Colony

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Strategic Partnership Agreement

The District entered into a strategic partnership agreement, dated July 18, 2016 (SP A), with the City to provide the terms and conditions under which municipal service will be provided and funded by the parties, and under which the District will continue to exist for an extended period of time if the land within the District were to be annexed for full or limited purposes by the City. The terms of the SPA provide that the City may annex the District for limited purposes to collect the City's one percent sales and use taxes, and that the City may annex the District for full purposes 15 years from the date of the SPA, or when the District has constructed and financed 90 percent of its paving, water, wastewater and drainage infrastructure, whichever comes first. Thereafter, the District will continue as a "limited district" for the purpose of servicing its debt, operating its system, and other purposes described in the SPA. The District with thereafter be subject to the City's ad valorem taxation, as well as the ad valorem taxes of the District; provided that the City agrees to consider the impact of the City tax rate on the District's ability to finance its infrastructure debt, and will enter into an agreement to be negotiated at such time that will provide for a payment to the District by the City in consideration thereof.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds will be dated and will bear interest from August 1, 2020, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2021, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month

immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Optional Redemption

The Bonds maturing on and after April 1, 2027, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2026, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Mandatory Redemption:

The Bonds maturing April 1 in the years 2044, and 2049 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

\$1,650,000 Term Bonds, due April 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2040	\$300,000
April 1, 2041	\$325,000
April 1, 2042	\$325,000
April 1, 2043	\$350,000
April 1, 2044 (maturity)	\$350,000

\$2,000,000 Term Bonds, due April 1, 2049

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2045	\$375,000
April 1, 2046	\$375,000
April 1, 2047	\$400,000
April 1, 2048	\$425,000
April 1, 2049 (maturity)	\$425,000

Notice of Redemption; Partial Redemption:

While the Bonds are in book-entry-only form, pursuant to the Bond Resolution, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of

collections, Registrar fees, and Appraisal District' fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Brazoria County, the City, or any entity other than the District.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current tax law such discharge may be accomplished either: (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of and all interest to accrue on the Bonds to maturity or redemption, or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) 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 District 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, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision or a state that have been refunded and that, on the date the governing body of the District 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 and that mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner that would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Funds

In the Bond Resolution, the Debt Service Fund is created and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Resolution, shall be deposited as collected in such fund.

Accrued interest on the Bonds and 12 months of capitalized interest, funded with proceeds of the Bonds, shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction and land acquisition costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution in accordance with TCEQ rules.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrars and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrars, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

- “(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of authorities, public agencies, and bodies politic.
- (b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

Issuance of Additional Debt

The District’s voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$188,988,000	For certain water, sanitary sewer, and storm water facilities and for refunding
\$70,059,000	For certain road facilities and for refunding
\$20,695,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have \$181,788,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, \$70,059,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and \$20,695,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds, as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except new money bonds) to be issued by the District must also be approved by the TCEQ.

The District currently has two outstanding road bond anticipation notes; the total principal amount of the road bond anticipation notes is \$6,000,000. The District is currently planning to issue approximately \$7,230,000 unlimited tax road bonds in September 2020 to pay the interest on and refund the principal of all of the outstanding road bond anticipation notes.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the fire plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. 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 Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Securities 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 Securities 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 securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Securities 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 District or the Paying Agent/Registrar, on 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District 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 Securities at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, securities are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District; and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT and CONSOLIDATION," "THE BONDS," "LEGAL MATTERS - Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and " – Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained

herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with issuance of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and a requirement that the District file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor, and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law and based upon the assumptions hereinafter stated: (a) the difference between: (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that: (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale, or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale, or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale, or other disposition of such Bonds and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership and redemption, sale, or other disposition of such Bonds.

NOT Qualified Tax-Exempt Obligations

The Bonds are NOT designated the Bonds as "qualified tax-exempt obligations" for financial institutions.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer

of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, engineering, and other related reports set forth in the Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Financial Advisor

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District 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.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

Engineer - The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description," and "THE DISTRICT - Status of Land Development/Land Uses in the District" has been provided by Manhard Consulting, LTD and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector - The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by BCAD and by Assessments of the Southwest, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor - The financial statements of the District as of June 30, 2019, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's June 30, 2019, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audited financial statements are required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriters.

MISCELLANEOUS

All estimates, statements, and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statement in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 32 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED June 30, 2019

Brazoria County Municipal Utility District No. 32

Brazoria County, Texas

Independent Auditor's Report and Financial Statements

June 30, 2019



Brazoria County Municipal Utility District No. 32
June 30, 2019

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Independent Auditor's Report

Board of Directors
Brazoria County Municipal Utility District No. 32
Brazoria County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 32 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
November 12, 2019

Brazoria County Municipal Utility District No. 32

Management's Discussion and Analysis

June 30, 2019

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Brazoria County Municipal Utility District No. 32
Management's Discussion and Analysis (Continued)
June 30, 2019

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Brazoria County Municipal Utility District No. 32
Management's Discussion and Analysis (Continued)
June 30, 2019

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2019	2018
Current and other assets	\$ 1,050,630	\$ 283,804
Capital assets	14,810,589	5,677,418
Total assets	\$ 15,861,219	\$ 5,961,222
Long-term liabilities	\$ 16,863,970	\$ 7,626,940
Other liabilities	1,155,642	488,572
Total liabilities	18,019,612	8,115,512
Net position:		
Net investment in capital assets	(1,999,356)	(1,949,522)
Restricted	523	-
Unrestricted	(159,560)	(204,768)
Total net position	\$ (2,158,393)	\$ (2,154,290)

The total net position of the District decreased by \$4,103. The decrease in net position is related to depreciation expense on capital assets. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2019	2018
Revenues:		
Property taxes	\$ 168,441	\$ 5,869
Charges for services	64,133	6,450
Other revenues	806,333	309,269
Total revenues	1,038,907	321,588

Brazoria County Municipal Utility District No. 32
Management's Discussion and Analysis (Continued)
June 30, 2019

Summary of Changes in Net Position (Continued)

	2019	2018
Expenses:		
Services	\$ 597,234	\$ 344,325
Capital contribution	-	1,731,000
Depreciation	351,880	116,112
Debt service	93,896	-
Total expenses	<u>1,043,010</u>	<u>2,191,437</u>
Change in net position	(4,103)	(1,869,849)
Net position, beginning of year	<u>(2,154,290)</u>	<u>(284,441)</u>
Net position, end of year	<u><u>\$ (2,158,393)</u></u>	<u><u>\$ (2,154,290)</u></u>

Financial Analysis of the District's Fund

The District's combined fund balances as of the end of the fiscal year ended June 30, 2019, were \$(13,393), an increase of \$191,375 from the prior year.

The general fund's fund balance increased by \$136,827 primarily due to property taxes, services, and tap connection and inspection fee revenues exceeding service operations and capital outlay expenditures.

The capital projects fund's fund balance increased by \$54,548 due to proceeds received from a road bond anticipation note in excess of capital outlay expenditures.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to tap connection and inspection fees revenues and professional fees expenditures being greater than anticipated and tap connections expenditures being less than anticipated. In addition, property taxes revenues received and capital outlay expenditures incurred were not budgeted. The fund balance as of June 30, 2019, was expected to be \$(436,678) and the actual end-of-year fund balance was \$(67,941).

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows.

Brazoria County Municipal Utility District No. 32
Management's Discussion and Analysis (Continued)
June 30, 2019

Capital Assets (Net of Accumulated Depreciation)

	2019	2018
Land and land improvements	\$ 3,888,667	\$ 1,883,858
Construction in progress	401,047	-
Water facilities	1,023,624	485,984
Wastewater facilities	2,685,838	969,795
Drainage facilities	3,566,628	1,338,086
Road and paving facilities	3,244,785	999,695
Total capital assets	\$ 14,810,589	\$ 5,677,418

During the current year, additions to capital assets were as follows:

Construction in progress related to wastewater treatment plant expansion and water plant No. 1 expansion, Phase IV	\$ 401,047
Sierra Vista detention improvements, Phase 2, and Sterling Lakes detention basin, Section 13	2,004,809
Sierra Vista Boulevard, Phases 1 and 2, and Meridiana Parkway, Phase 4, paving facilities	2,418,756
Sierra Vista lift station	822,220
Sierra Vista force main extension	249,545
Water, sanitary sewer and drainage facilities to serve Sierra Vista Blvd., Phase 2, Sierra Vista, Sections 4A and 4B and Meridiana Parkway, Phase 4	3,588,674
Total additions to capital assets	\$ 9,485,051

Developers within the District have constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. At June 30, 2019, a liability for developer-constructed capital assets of \$12,681,560 is recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows.

Brazoria County Municipal Utility District No. 32
Management's Discussion and Analysis (Continued)
June 30, 2019

Long-term debt payable, beginning of year	\$ 7,626,940
Increases in long-term debt	12,337,131
Decreases in long-term debt	<u>(3,100,101)</u>
 Long-term debt payable, end of year	 <u><u>\$ 16,863,970</u></u>

At June 30, 2019, the District had \$188,988,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$20,695,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing and improving recreational facilities; and \$70,059,000 of unlimited tax bonds authorized, but unissued, for the purpose of purchasing, constructing and maintaining roads.

During the current year, the District issued its Series 2018 road bond anticipation note in the amount of \$4,080,000. The note is dated November 2, 2018, bears interest at a rate of 3.50 percent and matures on November 1, 2019, unless called for early redemption. The note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds and, therefore, has been excluded from the current portion of long-term liabilities.

Other Relevant Factors

Relationship to the City of Iowa Colony

Under existing Texas law, since the District lies partially within the corporate boundaries and partially within the extraterritorial jurisdiction of the City of Iowa Colony (the City), the District must conform to the City ordinance consenting to the inclusion of land within the District.

Strategic Partnership Agreement

Effective July 18, 2016, the District entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments and the services provided by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 15 years, or until the population of the City and the extraterritorial jurisdiction of the City exceeds 5,000 and requests annexation. During the current year, the District did not receive any revenues related to this Agreement.

Brazoria County Municipal Utility District No. 32
Management's Discussion and Analysis (Continued)
June 30, 2019

Contingencies

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$16,162,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Economic Dependency

The District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developers' ability to pay property taxes.

Since inception, the developers have advanced \$102,410 to the District for operations. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Brazoria County Municipal Utility District No. 32
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2019

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 105,009	\$ 4,222	\$ 109,231	\$ -	\$ 109,231
Short-term investments	657,679	50,441	708,120	-	708,120
Property taxes receivables	2,277	-	2,277	-	2,277
Service accounts receivable	17,012	-	17,012	-	17,012
Interfund receivable	115	-	115	(115)	-
Due from others	205,929	-	205,929	-	205,929
Operating reserve	8,061	-	8,061	-	8,061
Capital assets (net of accumulated depreciation):					
Land and land improvements	-	-	-	3,888,667	3,888,667
Construction in progress	-	-	-	401,047	401,047
Infrastructure	-	-	-	7,276,090	7,276,090
Paving facilities	-	-	-	3,244,785	3,244,785
Total assets	<u>\$ 996,082</u>	<u>\$ 54,663</u>	<u>\$ 1,050,745</u>	<u>\$ 14,810,474</u>	<u>\$ 15,861,219</u>

Brazoria County Municipal Utility District No. 32
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
June 30, 2019

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities					
Accounts payable	\$ 766,981	\$ -	\$ 766,981	\$ -	\$ 766,981
Accrued interest payable	-	-	-	93,896	93,896
Retainage payable	91,790	-	91,790	-	91,790
Customer deposits	22,025	-	22,025	-	22,025
Unearned tap connection fees	180,950	-	180,950	-	180,950
Interfund payable	-	115	115	(115)	-
Long-term liabilities, due after one year	-	-	-	16,863,970	16,863,970
Total liabilities	1,061,746	115	1,061,861	16,957,751	18,019,612
Deferred Inflows of Resources					
Deferred property tax revenues	2,277	0	2,277	(2,277)	0
Fund Balances/Net Position					
Fund balances:					
Restricted, water, sewer and drainage	-	54,548	54,548	(54,548)	-
Assigned, operating reserve	8,061	-	8,061	(8,061)	-
Unassigned fund balances	(76,002)	-	(76,002)	76,002	-
Total fund balances	(67,941)	54,548	(13,393)	13,393	0
Total liabilities, deferred inflows of resources and fund balances	\$ 996,082	\$ 54,663	\$ 1,050,745		
Net position:					
Net investment in capital assets				(1,999,356)	(1,999,356)
Restricted for capital projects				523	523
Unrestricted				(159,560)	(159,560)
Total net position				\$ (2,158,393)	\$ (2,158,393)

Brazoria County Municipal Utility District No. 32
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 166,164	\$ -	\$ 166,164	\$ 2,277	\$ 168,441
Water service	31,239	-	31,239	-	31,239
Sewer service	32,894	-	32,894	-	32,894
Penalty and interest	1,342	-	1,342	-	1,342
Tap connection and inspection fees	782,355	-	782,355	-	782,355
Investment income	13,320	526	13,846	-	13,846
Other income	8,790	-	8,790	-	8,790
	<u>1,036,104</u>	<u>526</u>	<u>1,036,630</u>	<u>2,277</u>	<u>1,038,907</u>
Expenditures/Expenses					
Service operations:					
Purchased services	56,451	-	56,451	-	56,451
Professional fees	196,154	-	196,154	94,076	290,230
Contracted services	66,012	-	66,012	4,925	70,937
Utilities	744	-	744	-	744
Repairs and maintenance	44,301	-	44,301	-	44,301
Other expenditures	39,562	3	39,565	-	39,565
Tap connections	95,006	-	95,006	-	95,006
Capital outlay	401,047	4,025,975	4,427,022	(4,427,022)	-
Depreciation	-	-	-	351,880	351,880
Debt service, interest	-	-	-	93,896	93,896
	<u>899,277</u>	<u>4,025,978</u>	<u>4,925,255</u>	<u>(3,882,245)</u>	<u>1,043,010</u>
Excess (Deficiency) of Revenues Over Expenditures	136,827	(4,025,452)	(3,888,625)	3,884,522	
Other Financing Sources					
Bond anticipation note issued	-	4,080,000	4,080,000	(4,080,000)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	136,827	54,548	191,375	(191,375)	
Change in Net Position				(4,103)	(4,103)
Fund Balances (Deficit)/Net Position					
Beginning of year	(204,768)	-	(204,768)	-	(2,154,290)
End of year	<u>\$ (67,941)</u>	<u>\$ 54,548</u>	<u>\$ (13,393)</u>	<u>\$ 0</u>	<u>\$ (2,158,393)</u>

Brazoria County Municipal Utility District No. 32

Notes to Financial Statements

June 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Brazoria County Municipal Utility District No. 32 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective October 17, 2007, in accordance with Article XVI, Section 59, of the Texas Constitution and the Texas Water Code. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate water, sewer and drainage facilities and to provide such facilities to the landowners of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Brazoria County Municipal Utility District No. 32
Notes to Financial Statements
June 30, 2019

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlay.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Brazoria County Municipal Utility District No. 32
Notes to Financial Statements
June 30, 2019

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Brazoria County Municipal Utility District No. 32
Notes to Financial Statements
June 30, 2019

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis.

Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

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

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Brazoria County Municipal Utility District No. 32
Notes to Financial Statements
June 30, 2019

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2019, include collections during the current period or within 60 days of year-end related to the 2018 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2019, the 2018 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Road and paving facilities	10-40

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Brazoria County Municipal Utility District No. 32
Notes to Financial Statements
June 30, 2019

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

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

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 14,810,589
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	2,277
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(93,896)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(16,863,970)
Adjustment to fund balances to arrive at net position.	\$ (2,145,000)

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because of the following items.

Brazoria County Municipal Utility District No. 32
Notes to Financial Statements
June 30, 2019

Change in fund balances.	\$	191,375
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current year.		3,976,141
Governmental funds report proceeds from the sale of bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(4,080,000)
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 governmental funds.		(93,896)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.		2,277
Change in net position of governmental activities.	\$	<u><u>(4,103)</u></u>

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain 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.

At June 30, 2019, none of the District's bank balances were exposed to custodial credit risk.

Brazoria County Municipal Utility District No. 32

Notes to Financial Statements

June 30, 2019

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, 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, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their 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, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At June 30, 2019, the District had the following investments and maturities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 708,120	\$ 708,120	\$ 0	\$ 0	\$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at June 30, 2019, as follows.

Brazoria County Municipal Utility District No. 32
Notes to Financial Statements
June 30, 2019

Carrying value:		
Deposits	\$	109,231
Investments		708,120
Total	\$	817,351

Investment Income

Investment income of \$13,846 for the year ended June 30, 2019, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of June 30, 2019:

- Pooled investments of \$708,120 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and land improvements	\$ 1,883,858	\$ 2,004,809	\$ 3,888,667
Construction in progress	-	401,047	401,047
Total capital assets, non-depreciable	1,883,858	2,405,856	4,289,714
Capital assets, depreciable:			
Water production and distribution facilities	497,029	561,155	1,058,184
Wastewater collection and treatment facilities	991,836	1,788,991	2,780,827
Drainage facilities	1,368,497	2,310,293	3,678,790
Road and paving facilities	1,052,310	2,418,756	3,471,066
Total capital assets, depreciable	3,909,672	7,079,195	10,988,867
Less accumulated depreciation:			
Water production and distribution facilities	(11,045)	(23,515)	(34,560)
Wastewater collection and treatment facilities	(22,041)	(72,948)	(94,989)
Drainage facilities	(30,411)	(81,751)	(112,162)
Road and paving facilities	(52,615)	(173,666)	(226,281)
Total accumulated depreciation	(116,112)	(351,880)	(467,992)
Total governmental activities, net	\$ 5,677,418	\$ 9,133,171	\$ 14,810,589

Brazoria County Municipal Utility District No. 32
Notes to Financial Statements
June 30, 2019

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bond anticipation note	\$ -	\$ 4,080,000	\$ -	\$ 4,080,000	\$ -
Developer advances	102,410	-	-	102,410	-
Due to developers	7,524,530	8,257,131	3,100,101	12,681,560	-
Total governmental activities long-term liabilities	<u>\$ 7,626,940</u>	<u>\$ 12,337,131</u>	<u>\$ 3,100,101</u>	<u>\$ 16,863,970</u>	<u>\$ 0</u>

Bonds voted:

Water, sewer and drainage facilities	\$ 188,988,000
Recreational facilities	20,695,000
Road and paving facilities	70,059,000

Bond sold:

Water, sewer and drainage facilities	-
Recreational facilities	-
Road and paving facilities	-

Bond Anticipation Note

During the current year, the District issued its Series 2018 road bond anticipation note in the amount of \$4,080,000. The note is dated November 2, 2018, bears interest at a rate of 3.50 percent and matures on November 1, 2019, unless called for early redemption. The note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds and, therefore has been excluded from the current portion of long-term liabilities. Subsequent to year-end, the District refinanced the note at a rate of 3.50 percent and matures on November 30, 2020.

Due to Developers

Developers of the District have constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$12,681,560. These amounts have been recorded in the financial statements as long-term liabilities.

Brazoria County Municipal Utility District No. 32
Notes to Financial Statements
June 30, 2019

Developer Advances

The developers have advanced \$102,410 to the District for operations. The District has agreed to pay these amounts, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Maintenance Taxes

At an election held May 5, 2018, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended June 30, 2019, the District levied an ad valorem maintenance tax at the rate of \$1.3500 per \$100 of assessed valuation, which resulted in a tax levy of \$168,441 on the taxable valuation of \$12,477,060 for the 2018 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 5, 2018, voters authorized a road and paving maintenance tax not to exceed \$0.25 per \$100 valuation on all property within the District subject to taxation. During the year ended June 30, 2019, the District did not levy an ad valorem road and paving maintenance tax for the 2018 tax year. The road and paving maintenance tax will be used by the general fund to pay expenditures for maintenance of certain roads within the District.

Note 6: Joint Facilities/Cost Sharing Agreement

The District and Brazoria County Municipal Utility District No. 31 (District No. 31) entered into a Joint Facilities/Cost Sharing Agreement (Joint Agreement) on October 27, 2016, for the financing and operation of joint water supply and sewage treatment plant facilities to serve the areas within both districts. Operation and maintenance costs will be allocated to each district on a monthly basis based on the actual costs of operating and maintaining the facilities. Fixed expenditures will be billed based on the pro rata share of each district in each of the facilities and variable expenditures will be billed based on the total number of active equivalent single family connections (ESFCs) of each district as a percentage of the total ESFCs of both districts served by the facilities. During the current year the District incurred \$36,971 for purchased sewer service, \$5,296 for purchased water service and \$14,184 for capital lease payments in relation to the Joint Agreement.

Note 7: Strategic Partnership Agreement

Effective July 18, 2016, the District entered into a Strategic Partnership Agreement (the Agreement) with the City of Iowa Colony (the City) whereby the City may annex any commercial portion of the District from time to time for the purpose of levy and collection of the City's sales and use taxes. The District would continue to exercise all the powers of a municipal utility district in the area of limited purpose annexation as provided by law. The City will keep all of the sales and use taxes

Brazoria County Municipal Utility District No. 32

Notes to Financial Statements

June 30, 2019

collected under the Agreement. As of this date, no area has been so annexed. In addition, the Agreement provides for the provision of fire, police, garbage and building regulation within the District. The City agrees that it will not annex the District for full purposes until the population of the City and the District combined reaches 5,000.

Note 8: 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 for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 9: Economic Dependency

The District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developers' ability to pay property taxes.

Note 10: Contingencies

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$16,162,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11: Capital Contribution Agreement

On May 21, 2018, the District entered into a Capital Contribution Agreement with the City and Land Tejas Sterling Lakes South, L.L.C. (the developer), for the purpose of the County Road 64 improvements. The developer will deposit the sum of \$1,731,000 with the City for the sole purpose of the improvements related to the northern half of the segment of County Road 64 and an administrative fee of \$17,310, in accordance with the Development Agreement dated February 15, 2016, between the developer and the City. During the current year, the District reimbursed the developer for the payment and administrative fee from the issuance of the road bond anticipation note, subject to the terms of a reimbursement agreement between the District and the developer.

Note 12: Deficit Fund Balance

At June 30, 2019, the District's general fund had a deficit fund balance of \$67,941. The District anticipates that growth within the District will generate revenues sufficient to pay costs of operating the District.

Required Supplementary Information

Brazoria County Municipal Utility District No. 32
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2019

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ -	\$ 166,164	\$ 166,164
Water service	-	31,239	31,239
Sewer service	-	32,894	32,894
Penalty and interest	-	1,342	1,342
Tap connection and inspection fees	592,450	782,355	189,905
Investment income	6,000	13,320	7,320
Other income	3,120	8,790	5,670
	<hr/>	<hr/>	<hr/>
Total revenues	601,570	1,036,104	434,534
Expenditures			
Service operations:			
Purchased services	102,516	56,451	46,065
Professional fees	89,200	196,154	(106,954)
Contracted services	31,291	66,012	(34,721)
Utilities	-	744	(744)
Repairs and maintenance	18,000	44,301	(26,301)
Other expenditures	33,898	39,562	(5,664)
Tap connections	558,575	95,006	463,569
Capital outlay	-	401,047	(401,047)
	<hr/>	<hr/>	<hr/>
Total expenditures	833,480	899,277	(65,797)
Excess (Deficiency) of Revenues Over Expenditures	(231,910)	136,827	368,737
Fund Balance (Deficit), Beginning of Year	<hr/> (204,768)	<hr/> (204,768)	<hr/> -
Fund Balance (Deficit), End of Year	<hr/> <u>\$ (436,678)</u>	<hr/> <u>\$ (67,941)</u>	<hr/> <u>\$ 368,737</u>

Brazoria County Municipal Utility District No. 32
Notes to Required Supplementary Information
June 30, 2019

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2019.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Brazoria County Municipal Utility District No. 32
Other Schedules Included Within This Report
June 30, 2019

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-24
- Schedule of Services and Rates
- Schedule of General Fund Expenditures
- Schedule of Temporary Investments
- Analysis of Taxes Levied and Receivable
- Schedule of Long-term Debt Service Requirements by Years – Not Applicable
- Changes in Long-term Bonded Debt – Not Applicable
- Comparative Schedule of Revenues and Expenditures – General Fund – Two Years
- Board Members, Key Personnel and Consultants

Brazoria County Municipal Utility District No. 32

Schedule of Services and Rates

Year Ended June 30, 2019

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 17.25	5,000	N	\$ 2.70	5,001 to 10,000
				\$ 3.00	10,001 to 20,000
				\$ 3.15	20,001 to 50,000
				\$ 3.30	50,001 to 75,000
				\$ 3.60	75,001 to No Limit
Wastewater:	\$ 34.32	5,000	N	\$ 2.25	5,001 to No Limit
Regional water fee:	\$ 0	0	N		

Does the District employ winter averaging for wastewater usage?

Yes No

Total charges per 10,000 gallons usage (including fees):

Water \$ 30.75 Wastewater \$ 45.57

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	136	136	x1.0	136
1"	74	74	x2.5	185
1 1/2"	1	1	x5.0	5
2"	8	8	x8.0	64
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	219	219		390
Total wastewater	207	207	x1.0	207

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	10,655
Gallons billed to customers:	10,655
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Brazoria County Municipal Utility District No. 32
Schedule of General Fund Expenditures
Year Ended June 30, 2019

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 10,700	
Legal	128,364	
Engineering	57,090	
Financial advisor	<u>-</u>	196,154
Purchased Services for Resale		
Bulk water and wastewater service purchases		56,451
Regional Water Fee		-
Contracted Services		
Bookkeeping	17,213	
General manager	-	
Appraisal district	-	
Tax collector	5,400	
Security	-	
Other contracted services	<u>41,049</u>	63,662
Utilities		744
Repairs and Maintenance		44,301
Administrative Expenditures		
Directors' fees	6,750	
Office supplies	5,183	
Insurance	8,542	
Other administrative expenditures	<u>19,087</u>	39,562
Capital Outlay		
Capitalized assets	401,047	
Expenditures not capitalized	<u>-</u>	401,047
Tap Connection Expenditures		95,006
Solid Waste Disposal		2,350
Lease Payments		-
Parks and Recreation		-
Other Expenditures		<u>-</u>
Total expenditures		<u><u>\$ 899,277</u></u>

Brazoria County Municipal Utility District No. 32
Schedule of Temporary Investments
June 30, 2019

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	2.48%	Demand	\$ 369,116	\$ -
Texas CLASS	2.48%	Demand	<u>288,563</u>	<u>-</u>
			<u>657,679</u>	<u>0</u>
Capital Projects Fund				
Texas CLASS	2.48%	Demand	<u>50,441</u>	<u>0</u>
Totals			<u><u>\$ 708,120</u></u>	<u><u>\$ 0</u></u>

Brazoria County Municipal Utility District No. 32
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2019

	Maintenance Taxes
Receivable, Beginning of Year	\$ -
2018 Original Tax Levy	168,441
Total to be accounted for	168,441
Current year tax collections	(166,164)
Receivable, end of year	\$ 2,277

Receivable, by Year	
2018	\$ 2,277

	2018	2017
Property Valuations		
Land	\$ 13,041,010	\$ 1,894,639
Improvements	9,130	9,130
Exemptions	(573,080)	(1,469,018)
Total property valuations	\$ 12,477,060	\$ 434,751

Tax Rates per \$100 Valuation		
Maintenance tax rates*	\$ 1.3500	\$ 1.3500

Tax Levy	\$ 168,441	\$ 5,869
-----------------	------------	----------

Percent of Taxes Collected to Taxes Levied**	98%	100%
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*Maximum tax rate approved by voters: \$1.50 on May 5, 2018

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Brazoria County Municipal Utility District No. 32
Comparative Schedule of Revenues and Expenditures – General Fund
Two Years Ended June 30,

	Amounts		Percent of Fund Total Revenues	
	2019	2018	2019	2018
General Fund				
Revenues				
Property taxes	\$ 166,164	\$ 5,869	16.0 %	1.8 %
Water service	31,239	2,387	3.0	0.7
Sewer service	32,894	4,063	3.2	1.3
Penalty and interest	1,342	83	0.1	0.0
Tap connection and inspection fees	782,355	307,675	75.5	95.7
Investment income	13,320	1	1.3	0.0
Other income	8,790	1,510	0.9	0.5
Total revenues	<u>1,036,104</u>	<u>321,588</u>	<u>100.0</u>	<u>100.0</u>
Expenditures				
Service operations:				
Purchased services	56,451	13,352	5.4	4.2
Professional fees	196,154	254,650	18.9	79.5
Contracted services	66,012	18,440	6.4	5.5
Utilities	744	-	0.1	-
Repairs and maintenance	44,301	3,231	4.3	1.0
Other expenditures	39,562	20,740	3.8	6.4
Tap connections	95,006	33,912	9.2	10.5
Capital outlay	401,047	-	38.7	-
Total expenditures	<u>899,277</u>	<u>344,325</u>	<u>86.8</u>	<u>107.1</u>
Excess (Deficiency) of Revenues Over Expenditures	136,827	(22,737)	<u>13.2 %</u>	<u>(7.1) %</u>
Other Financing Sources				
Developer advances received	-	19,506		
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	136,827	(3,231)		
Fund Balance (Deficit), Beginning of Year	<u>(204,768)</u>	<u>(201,537)</u>		
Fund Balance (Deficit), End of Year	<u>\$ (67,941)</u>	<u>\$ (204,768)</u>		
Total Active Retail Water Connections	<u>219</u>	<u>67</u>		
Total Active Retail Wastewater Connections	<u>207</u>	<u>65</u>		

Brazoria County Municipal Utility District No. 32
Board Members, Key Personnel and Consultants
Year Ended June 30, 2019

Complete District mailing address:	Brazoria County Municipal Utility District No. 32 Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	August 27, 2019
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Mary Tysor	Elected 05/18- 05/22	\$ 1,500	\$ 77	President
Pei Apple	Appointed 05/16- 05/20	900	135	Vice President
Daniel Dexter	Appointed 10/16- 05/20	1,500	75	Secretary
Rebecca Marcucci	Appointed 01/17- 05/20	1,650	125	Assistant Vice President
Sally Korfin	Elected 05/18- 05/22	1,200	125	Assistant Secretary

*Fees are the amounts actually paid to a director during the District's fiscal year.

Brazoria County Municipal Utility District No. 32
Board Members, Key Personnel and Consultants (Continued)
Year Ended June 30, 2019

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	03/03/08	\$ 169,164	General Counsel
Assessments of the Southwest, Inc.	04/01/17	6,100	Tax Assessor/ Collector
BKD, LLP	05/14/18	17,500	Auditor
Brazoria County Appraisal District	Legislative Action	1,072	Appraiser
The GMS Group, L.L.C.	03/24/17	40,800	Financial Advisor
Jones & Carter, Inc.	06/30/17	79,560	Engineer
Manhard Consulting, LTD.	10/27/16	62,881	Engineer
McLennan & Associates, LP	05/21/08	21,178	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	09/22/17	0	Delinquent Tax Attorney
Si Environmental, LLC	03/24/17	188,652	Operator
Investment Officer			
Jorge Diaz	02/24/17	N/A	Bookkeeper

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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