OFFICIAL STATEMENT DATED FEBRUARY 25, 2021

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS (HEREIN DEFINED) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" FOR A DISCUSSION ON THE OPINION OF BOND COUNSEL.

The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

S&P Global Ratings (AGM Insured)... "AA"
Moody's Investors Service, Inc. (AGM Insured).................... "A2"
Moody's Investors Service, Inc. (Underlying)...................."Baa1"

$3,370,000

SEDONA LAKES MUNICIPAL UTILITY DISTRICT NO. 1 OF BRAZORIA COUNTY
(A Political Subdivision of the State of Texas located within Brazoria County)
UNLIMITED TAX ROAD BONDS, SERIES 2021

Interest accrues from: March 1, 2021 Due: September 1, as shown on inside cover

The $3,370,000 Sedona Lakes Municipal Utility District No. 1 of Brazoria County Unlimited Tax Road Bonds, Series 2021 (the "Bonds"), are obligations of Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the "District") and are not obligations of the State of Texas; Brazoria County, Texas; the City of Manvel, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Brazoria County, Texas; the City of Manvel, Texas; or any entity other than the District is pledged to the payment of principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing ownership of the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association dba Amegy Bank, Houston, Texas (the "Paying Agent/Registrar"), or any successor Paying Agent/Registrar directly to The Depository Trust Company, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds will accrue from March 1, 2021, and is payable on September 1, 2021, and each March 1 and September 1 thereafter (each an "Interest Payment Date") until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are issuable in principal denominations of $5,000 or any integral multiple thereof in fully registered form only.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP**.

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on inside cover.

The Bonds are the third series of unlimited tax bonds issued by the District out of a total of $80,000,000 principal amount of unlimited tax bonds authorized by voters of the District for the purpose of acquiring or constructing a road system to serve the District. To date, the District has also issued seven series of bonds from a total of $104,000,000 principal amount of unlimited tax bonds authorized by voters of the District for the purpose of constructing or acquiring a waterworks, wastewater and storm drainage system to serve the District, and for the purpose of refunding such bonds. After issuance of the Bonds, $70,820,000 principal amount of unlimited tax bonds for acquiring or constructing a road system to serve the District and $77,227,041 principal amount of unlimited tax bonds for constructing or acquiring a waterworks, wastewater and storm drainage system to serve the District will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

The Bonds, when issued, will constitute valid and binding obligations of the District, 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 Payment."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Allen Boone Humphries Robinson LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about March 25, 2021, in Houston, Texas.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

$705,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 81568E (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 81568E (b)
2021	$ 45,000	2.000%	0.350%	JU8	2025	$110,000	3.000%	0.900%	JY0
2022	105,000	2.000%	0.450%	JV6	2026	115,000	3.000%	1.000%	JZ7
2023	105,000	2.000%	0.600%	JW4	2027 (c)	115,000	2.000%	1.200%	KA0
2024	110,000	2.000%	0.750%	JX2	****	****	****	****	****

$2,665,000 Term Bonds

$240,000 Term Bond due September 1, 2029 (c)(d) Interest Rate 2.000% (Price: $102.863) (a) CUSIP No. 81568E KC6 (b)

$255,000 Term Bond due September 1, 2031 (c)(d) Interest Rate 2.000% (Price: $100.771) (a) CUSIP No. 81568E KE2 (b)

$405,000 Term Bond due September 1, 2034 (c)(d) Interest Rate 2.000% (Price: $98.834) (a) CUSIP No. 81568E KH5 (b)

$435,000 Term Bond due September 1, 2037 (c)(d) Interest Rate 2.000% (Price: $97.253) (a) CUSIP No. 81568E KL6 (b)

$1,330,000 Term Bond due September 1, 2045 (c)(d) Interest Rate 2.250% (Price: $97.238) (a) CUSIP No. 81568E KU6 (b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence LLC on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on September 1, 2027, and thereafter shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – Optional Redemption."

(d) Subject to mandatory redemption as provided under "THE BONDS – Redemption Provisions – Mandatory Redemption."

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 or the Initial Purchaser.

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP for further information.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion that 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 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 the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified under "OFFICIAL STATEMENT – Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX B – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not a part of, this offering document.

TABLE OF CONTENTS

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.612270% of par plus accrued interest to date of delivery, resulting in a net effective interest rate to the District of 2.343911%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has 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 Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser 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 Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") 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 appendix 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At December 31, 2020:

- The policyholders' surplus of AGM was approximately $2,864 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $940 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,112 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE UK and AGE SA were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE".

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's") are each expected to assign the insured rating of "AA" and "A2", respectively to the Bonds based upon the issuance of the Policy by AGM at the time of delivery of the Bonds. Moody's has assigned an underlying credit rating of "Baa1" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the rating of Moody's.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein.

THE BONDS

The District.. Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the "District"), a political subdivision of the State of Texas ("Texas"), is located in Brazoria County, Texas (the "County"). See "THE DISTRICT."

The Bonds .... The District is issuing its $3,370,000 Unlimited Tax Road Bonds, Series 2021 (the "Bonds"). The Bonds are dated March 1, 2021, and mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from March 1, 2021, at the rates per annum set forth on the inside cover page hereof and is payable on September 1, 2021, and on each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS."

Redemption .... Bonds maturing on and after September 1, 2027, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2026, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions."

Source of Payment .... Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of Texas, the County, the City of Manvel, Texas (the "City"), or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."

Payment Record .... The District has never defaulted on the payment of principal or interest on its previously issued bonds. See "SELECTED FINANCIAL INFORMATION - Total Outstanding Bonds."

Authority for Issuance .... The Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas, including Article III, Section 52 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8305, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District; and an election held within the boundaries of the District on November 3, 2009.

Use of Proceeds .... The proceeds of the Bonds will be used to pay for roads, road improvements, and other related costs. Additionally, proceeds from the Bonds will be used to pay developer interest, and certain costs of issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Outstanding Bonds .... The District has previously issued two (2) series of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a road system to serve the District (the "Road System"), of which, as of December 1, 2020, $5,315,000 principal amount remains outstanding (the "Outstanding Road Bonds"). The District has previously issued seven (7) series of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System"), and for the purpose of refunding such bonds, of which, as of December 1, 2020, $23,355,000 principal amount remains outstanding (the "Outstanding Utility Bonds"). The

	Outstanding Road Bonds and the Outstanding Utility Bonds are collectively referred to herein as the "Outstanding Bonds." See "THE BONDS – Outstanding Bonds."
Qualified Tax-Exempt Obligations	The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Bond Insurance	Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE" and "RATINGS."
Ratings	S&P (AGM Insured): "AA." Moody's (AGM Insured): "A2." Moody's (Underlying): "Baa1." See "RATINGS."
General & Bond Counsel	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Disclosure Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer	BGE, Inc., Houston, Texas.

THE DISTRICT

The Issuer	The District was created by order of the Texas Commission on Environmental Quality (the "TCEQ") dated February 22, 2008. The District contains approximately 548.41 acres and is located entirely within the County and entirely within the extraterritorial jurisdiction of the City. See "THE DISTRICT – General."
Location	The District is located in the northern part of the County, approximately twenty (20) miles south of the City of Houston, Texas ("Houston"), and approximately five (5) miles north of the City. The District lies generally north of County Road 58, east of State Highway 288, south of the American Canal, and west of County Road 90. Access to the District from downtown Houston is provided by State Highway 288 (immediately west of the District) to County Roads 101 and 58, which travel easterly into the District.
Developer and Principal Landowner	Landeavor, LLC (the "Developer") is a full-service real estate development company specializing in master-planned residential communities. The Developer is currently developing communities in five states. Additional information about the Developer can be found at www.landeavor.com; provided, however, that neither the District nor the Initial Purchaser (herein defined) have conducted a review of such website to verify the accuracy of information presented therein. The Developer develops land within the District on behalf of WSLD Sedona Lakes VI, LP which is a partnership between the Developer and Walton Street Capital, a private real estate investment company located in Chicago, Illinois. Additional information about Walton Street Capital can be found at www.waltonst.com; provided, however, that neither the District nor the Initial Purchaser have conducted a review of such website to verify the accuracy of information presented therein. Ashton Houston Residential L.L.C., an affiliate of Ashton Woods Homes, owns approximately 132 acres within the District.
Development within the District	To date, land within the District has been developed residentially as the single-family subdivision of Sedona Lakes, Sections 1–10 (aggregating approximately 279.96 acres and 655 total single-family lots). As of October 1, 2020, single-family residential development

within the District consisted of approximately 648 completed homes, no homes under construction, and approximately 7 vacant developed lots. In addition, approximately 16.55 acres have been developed commercially and includes a CVS Pharmacy. The remainder of the land within the District includes approximately 120.73 acres that are undeveloped but developable and approximately 131.17 acres that are undevelopable. See "DEVELOPMENT WITHIN THE DISTRICT."

Homebuilders .... The only homebuilder currently active within the District is Westin Homes. All other homebuilders within the District have completed development. The homes being marketed in the District range in price from the $300,000s to over $500,000 and in size from approximately 2,800 square feet to over 4,300 square feet.

Hurricane Harvey.. The District is located approximately forty (40) miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast and severely impacted numerous localities in the region. According to the District's engineer, Hurricane Harvey caused no flooding of homes in the District nor did Hurricane Harvey cause any damage to the Utility System. See "INVESTMENT CONSIDERATIONS – Potential Impact of Natural Disaster" and "INVESTMENT CONSIDERATIONS – Hurricane Harvey."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING AN INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2020 Assessed Taxable Valuation	$	258,110,510	(a)
Estimated Valuation as of September 1, 2020	$	266,986,090	(b)
Direct Debt:			
The Outstanding Bonds (as of December 1, 2020)	$	28,670,000	
The Bonds	$	3,370,000	
Total	$	32,040,000	
Estimated Overlapping Debt	$	25,773,870	(c)
Total Direct and Estimated Overlapping Debt	$	57,813,870	
Direct Debt Ratio:			
As Percentage of 2020 Assessed Taxable Valuation		12.41	%
As Percentage of Estimated Valuation as of September 1, 2020		12.00	%
Direct and Estimated Overlapping Debt Ratio:			
As Percentage of 2020 Assessed Taxable Valuation		22.40	%
As Percentage of Estimated Valuation as of September 1, 2020		21.65	%
Road System Debt Service Fund Balance (as of January 28, 2021)	$	300,606	(d)
Utility System Debt Service Fund Balance (as of January 28, 2021)	$	988,616	(e)
Road Capital Projects Fund Balance (as of January 28, 2021)	$	24,111	
Utility Capital Projects Fund Balance (as of January 28, 2021)	$	248,302	
Operating Fund Balance (as of January 28, 2021)	$	3,073,663	

(a) Represents the assessed valuation of all taxable property within the District as of January 1, 2020, as provided by the Brazoria County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by Appraisal District for informational purposes only. This amount is an estimate of the assessed valuation of all taxable property within the District as of September 1, 2020, and includes an estimate of assessed valuation resulting from the construction of taxable improvements from January 1, 2020, through September 1, 2020. No taxes will be levied against such amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System, including the Outstanding Utility Bonds.

(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System, including the Outstanding Road Bonds and the Bonds.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2020 Tax Rate		
Debt Service	$0.845	(a)
Maintenance and Operations	$0.405	
Total	$1.250	
Average Annual Debt Service Requirement (2021–2045)	$1,764,516	(b)
Maximum Annual Debt Service Requirement (2035)	$2,254,069	(b)
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2021-2045)		
Based on 2020 Assessed Taxable Valuation at 95% Collections	$0.72	
Based on Estimated Valuation as of September 1, 2020, at 95% Collections	$0.70	
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2035)		
Based on 2020 Assessed Taxable Valuation at 95% Collections	$0.92	
Based on Estimated Valuation as of September 1, 2020, at 95% Collections	$0.89	
Single-Family Homes (No Homes Under Construction) as of October 1, 2020	648	

(a) The District's total tax rate for debt service is composed of a $0.190 tax for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System, including the Outstanding Road Bonds and the Bonds, and a $0.655 tax for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System, including the Outstanding Utility Bonds. The District is authorized to levy separate taxes to pay debt service for bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System and to pay debt service for bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System; both such taxes are unlimited as to rate or amount.

(b) Requirement of debt service on the Outstanding Bonds and the debt service on the Bonds. See "DEBT SERVICE REQUIREMENTS."

$3,370,000
SEDONA LAKES MUNICIPAL UTILITY DISTRICT NO. 1 OF BRAZORIA COUNTY
(A Political Subdivision of the State of Texas Located in Brazoria County)
UNLIMITED TAX ROAD BONDS, SERIES 2021

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the "District") of its $3,370,000 Unlimited Tax Road Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Bond Order"), Chapter 8305 of the Texas Special District Local Laws Code, and an election held in the District on November 3, 2009.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

The Bonds bear interest from March 1, 2021, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, as set forth on the inside cover of this Official Statement. Interest on the Bonds will be paid on September 1, 2021, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in the denomination of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner ("Registered Owner") and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds.

Paying Agent/Registrar

The initial paying agent/registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are being issued in fully registered form in integral multiples of $5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each Interest Payment Date by the Paying Agent/Registrar to the Registered Owners at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and its book-entry transfer system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Initial Purchaser (herein defined) believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to any DTC Participants (herein defined), (2) DTC

Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (herein defined), 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 District or the Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 Bonds 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, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the Book-Entry-Only System through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Use of Certain Terms in Other Sections of this Official Statement

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

Redemption Provisions

Optional Redemption

The Bonds maturing on and after September 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2026, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any 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 of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2029, 2031, 2034, 2037 and 2046 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption ("Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

$240,000 Term Bond due September 1, 2029

Mandatory Redemption Date	Principal Amount
September 1, 2028	$120,000
September 1, 2029 (maturity)	120,000

$255,000 Term Bond due September 1, 2031

Mandatory Redemption Date	Principal Amount
September 1, 2030	$125,000
September 1, 2031 (maturity)	130,000

$405,000 Term Bond due September 1, 2034

Mandatory Redemption Date	Principal Amount
September 1, 2032	$130,000
September 1, 2033	135,000
September 1, 2034 (maturity)	140,000

$435,000 Term Bond due September 1, 2037

Mandatory Redemption Date	Principal Amount
September 1, 2035	$140,000
September 1, 2036	145,000
September 1, 2037 (maturity)	150,000

$1,330,000 Term Bond due September 1, 2045

Mandatory Redemption Date	Principal Amount
September 1, 2038	$150,000
September 1, 2039	155,000
September 1, 2040	160,000
September 1, 2041	165,000
September 1, 2042	170,000
September 1, 2043	175,000
September 1, 2044	175,000
September 1, 2045 (maturity)	180,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Order. The principal amount of the Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction this sentence.

Registration, Transfer and Exchange

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

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as paying agent for the Bonds.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied, and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Brazoria County, Texas (the "County"), the City of Manvel, Texas (the "City"), or any entity other than the District.

Payment Record

The Bonds represent the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system serving the District. To date, the District has also issued seven series of bonds for the purpose of owning, operating, repairing, improving, or extending the water, sanitary sewer, and drainage facilities serving the District. The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

Authority for Issuance

The District's voters have authorized $80,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a road system to serve the District (the "Road System") and $120,000,000 principal amount of unlimited tax bonds for refunding such purposes. The District's voters have also authorized $104,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System") and $156,000,000 principal amount of unlimited tax bonds for refunding such purposes. The District's voters have also authorized $9,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining park and recreational improvements to serve the District (the "Park System).

The Bonds are issued pursuant to Chapter 8305 of the Texas Special District Local Laws Code; the Bond Order; an election held on November 3, 2009; and Article III, Section 52 of the Texas Constitution.

Outstanding Bonds

The District has previously issued two (2) series of bonds for the Road System of which, as of December 1, 2020, $5,315,000 principal amount remains outstanding (the "Outstanding Road Bonds"). The District has previously issued seven (7) series of bonds for the Utility System, and for the purpose of refunding such bonds, of which, as of December 1, 2020, $23,355,000 principal amount remains outstanding (the "Outstanding Utility Bonds"). The Outstanding Road Bonds and the Outstanding Utility Bonds are sometimes hereinafter referred to collectively as the "Outstanding Bonds."

Issuance of Additional Debt

The District may issue additional bonds. The District's voters have authorized a total of $80,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining the Road System, $120,000,000 principal amount of unlimited tax bonds for refunding such purposes, $104,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining the Utility System, $156,000,000 principal amount of unlimited tax bonds for refunding such purposes, and $9,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities in the District. The Bonds are the third series of bonds issued for the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $70,820,000 for the Road System; $77,227,041 for the Utility System; $9,000,000 for parks and recreational facilities; and $270,280,000 principal amount for refunding purposes.

Following the issuance of the Bonds, the District will owe the Developer (hereinafter defined) a total of approximately $13,590,000 for the Developer's expenditures used to construct the Road System and the Utility System serving the developed land within the District.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility and road facilities, and to finance the extension of the Utility System and Road System to serve the remaining undeveloped land and roads within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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 Order. Except for mandamus, the Bond Order does 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, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it 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 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.

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 districts, 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 districts, 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.

Defeasance

The Bond Order 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 Texas 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, premium, if any, 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 non-callable obligations of the United States of America, (b) non-callable 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) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the 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 which 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 which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

SOURCES AND USES OF FUNDS

Proceeds from the sale of the Bonds will be used by the District: (i) to reimburse the Developer (herein defined) for road construction costs set out below and (ii) to pay the non-construction costs below. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued. The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the below-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes. Totals may not sum due to rounding.

Construction Costs	
A. Road Improvements Serving Sedona Lakes, Jug Handle	$ 2,149,324
B. Road Improvements Serving Sedona Lakes, Section 5	191,709
C. Road Improvements Serving Sedona Lakes, Section 6	302,845
D. Land Acquisition Costs (Section 5)	271,166
Total Construction Costs	$ 2,915,044
Non-Construction Costs	
A. Legal Fees	$ 99,250
B. Fiscal Agent Fees	67,400
C. Developer Interest	145,413
D. Bond Discount	80,467
E. Attorney General Fee	3,370
F. Bond Issuance Expense	38,423
G. Contingency (a)	20,633
Total Non-Construction Costs	$ 454,956
Total Bond Issue Requirement	**$ 3,370,000**

(a) Represents the sum difference between the estimated and actual costs of discount on the Bonds and capitalized interest on the Bonds.

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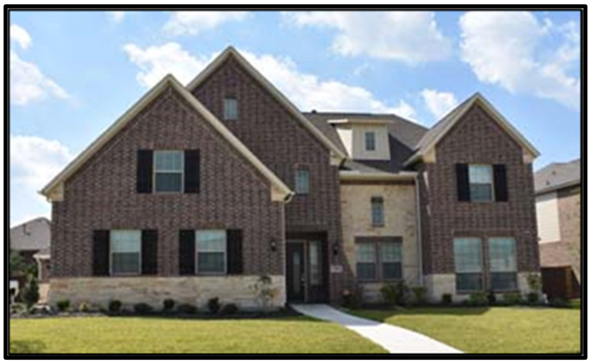
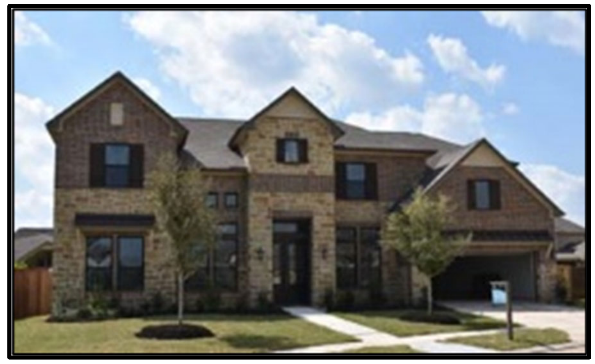
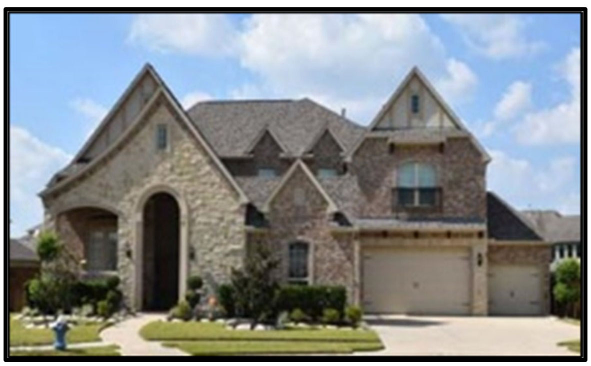
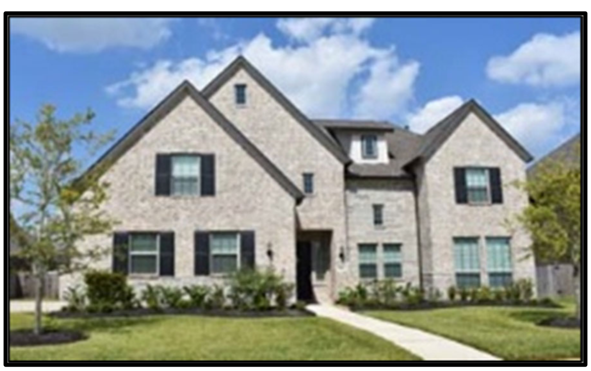
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

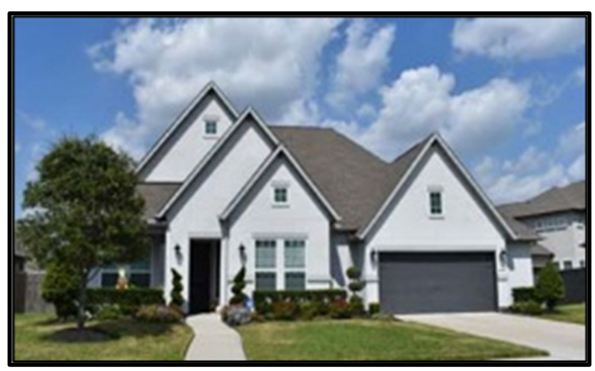
(October 2020)





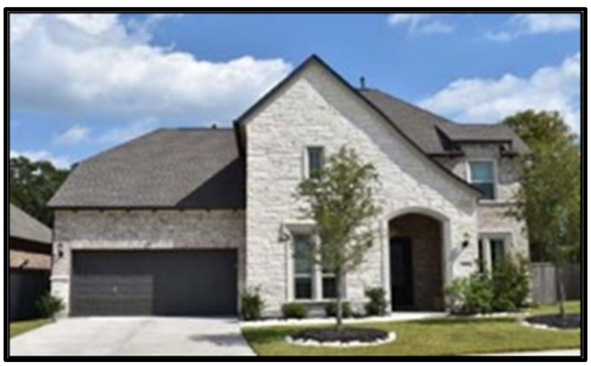


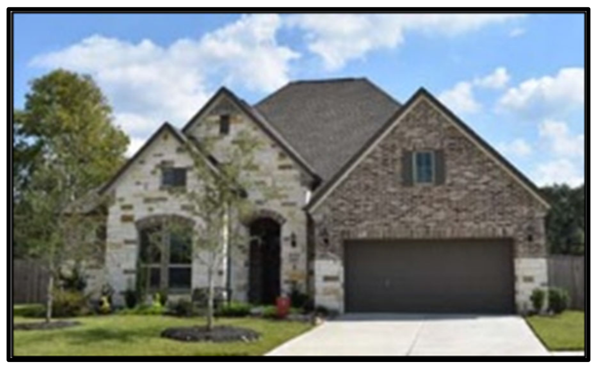


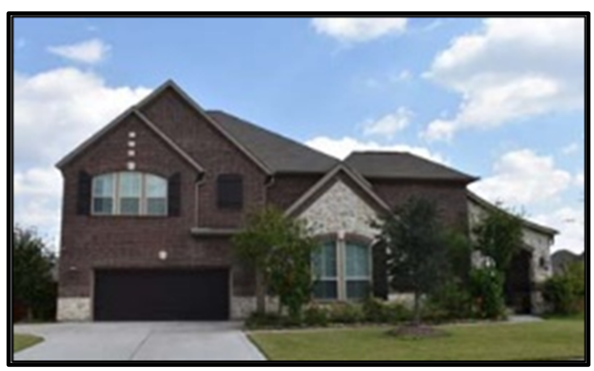


PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(October 2020)







THE DISTRICT

General

The District is a political subdivision of Texas, operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 8305 of the Texas Special District Local Laws Code. The District is vested with all the rights, privileges, authority, and functions conferred by the laws of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. 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, among other things. The District is also empowered pursuant to Article III, Section 52 of the Texas Constitution to finance certain road improvements as long as it meets the County and City criteria. The District may also provide solid waste collection and disposal service and operate, maintain, and construct recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

Location

The District is located in the northern part of the County, approximately twenty (20) miles south of the City of Houston, Texas (“Houston”), and five (5) miles north of the City. The District lies generally north of County Road 58, east of State Highway 288, south of the American Canal, and west of County Road 90. The District is located wholly within the extraterritorial jurisdiction of the City. Access to the District from Houston is provided by State Highway 288 (immediately west of the District) to County Roads 101 and 58, which travel easterly into the District.

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four (4) year terms, with elections held in May in each even-numbered year. All of the directors own property in the District.

Name	Position	Term Expires May
Jim Forrest	President	2022
John Remark	Vice President	2024
Lambert D. Austin	Secretary	2022
Hilton Hitt	Assistant Secretary	2024
Ezra Sillas	Assistant Secretary	2024

- Consultants -

Tax Assessor/Collector: Land and improvements in the District are appraised by the Brazoria County Appraisal District (the “Appraisal District”). The tax assessor/collector for the District is Utility Tax Service, LLC, Houston, Texas (the “Tax Assessor/Collector”).

Bookkeeper: The District contracts with L&S District Services, LLC, Houston, Texas, as bookkeeper for the District (the “Bookkeeper”).

Engineer: The District’s consulting engineer is BGE, Inc., Houston, Texas (the “Engineer”).

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audit is filed with the TCEQ. A copy of the District’s audit prepared by McGrath & Co., PLLC, Houston, Texas (the “Auditor”), for the fiscal year ended October 31, 2019, is included as “APPENDIX A.”

Financial Advisor: Robert W. Baird & Co. Incorporated, Houston, Texas, is engaged as financial advisor to the District ("the "Financial Advisor") in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Bond & General Counsel: The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, also serves as the District's general counsel.

Disclosure Counsel: The District has selected Allen Boone Humphries Robinson LLP, Houston, Texas, as Disclosure Counsel. The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE DEVELOPER AND PRINCIPAL LANDOWNER

The 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 the District, designing the subdivision, designing the utilities and streets to be constructed 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 (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties.

In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district.

A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Description of the Developer and Principal Landowner

Landeavor, LLC (the "Developer") is a full-service real estate development company specializing in master planned residential communities. The Developer is currently developing communities in five (5) states. Additional information about the Developer can be found at www.landeavor.com; provided, however, that neither the District nor the Initial Purchaser have conducted a review of such website to verify the accuracy of information presented therein. The Developer develops land within the District on behalf of WSLD Sedona Lakes VI, LP, which is a partnership between the Developer and Walton Street Capital, a private real estate investment company located in Chicago, Illinois. Additional information about Walton Street Capital can be found at www.waltonst.com; provided, however, that neither the District nor the Initial Purchaser have conducted a review of such website to verify the accuracy of information presented therein.

Ashton Houston Residential LLC, an affiliate of Ashton Woods Homes, owns approximately 132 acres within the District.

Lot-Sales Contracts

The Developer has entered into lot-sales contracts with each of J. Patrick Homes, Emerald Homes, Trendmaker Homes, Coventry Homes, Westin Homes, Highland Homes, Darling Homes, and Lennar Homes. As of October 1, 2020, J. Patrick Homes has purchased all 163 of its contracted lots, Emerald Homes has purchased all 23 of its contracted lots, Trendmaker Homes has purchased all 34 of its contracted lots, Coventry Homes has purchased all 108 of its contracted lots, Westin Homes has purchased all 97 of its contracted lots, Highland Homes has purchased all 126 of its contracted lots, Darling Homes has purchased all 49 of its contracted lots, and Lennar Homes has purchased all 50 of its contracted lots.

DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

To date, land within the District has been developed residentially as the single-family subdivision of Sedona Lakes, Sections 1–10 (aggregating approximately 279.96 acres and 655 total single-family lots). As of October 1, 2020, single-family residential development within the District consisted of approximately 648 completed homes, no homes under construction, and approximately 7 vacant developed lots. In addition, approximately 16.55 acres have been developed commercially and includes a CVS Pharmacy. The remainder of the land within the District includes approximately 120.73 acres that are undeveloped but developable and approximately 131.17 acres that are undevelopable.

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the debt service requirements of Outstanding Bonds and the Bonds.

Calendar	Outstanding	Plus: The Bonds			Total
Year	Debt Service	Principal	Interest	Debt Service	Debt Service
2021	$1,932,735	$45,000	$36,488	$81,488	$2,014,223
2022	1,947,779	105,000	72,075	177,075	2,124,854
2023	1,954,914	105,000	69,975	174,975	2,129,889
2024	1,972,081	110,000	67,875	177,875	2,149,956
2025	1,976,631	110,000	65,675	175,675	2,152,306
2026	1,991,856	115,000	62,375	177,375	2,169,231
2027	2,005,234	115,000	58,925	173,925	2,179,159
2028	2,011,596	120,000	56,625	176,625	2,188,221
2029	2,016,046	120,000	54,225	174,225	2,190,271
2030	2,033,336	125,000	51,825	176,825	2,210,161
2031	2,028,649	130,000	49,325	179,325	2,207,974
2032	2,057,224	130,000	46,725	176,725	2,233,949
2033	2,052,744	135,000	44,125	179,125	2,231,869
2034	2,060,538	140,000	41,425	181,425	2,241,963
2035	2,075,444	140,000	38,625	178,625	2,254,069
2036	1,857,606	145,000	35,825	180,825	2,038,431
2037	1,577,413	150,000	32,925	182,925	1,760,338
2038	1,578,883	150,000	29,925	179,925	1,758,808
2039	1,578,458	155,000	26,550	181,550	1,760,008
2040	1,314,508	160,000	23,063	183,063	1,497,570
2041	805,463	165,000	19,463	184,463	989,925
2042	454,875	170,000	15,750	185,750	640,625
2043	286,513	175,000	11,925	186,925	473,438
2044	148,625	175,000	7,988	182,988	331,613
2045		180,000	4,050	184,050	184,050
Total	$39,719,148	$3,370,000	$1,023,750	$4,393,750	$44,112,898

Average Annual Debt Service Requirement (2021–2045) $1,764,516

Maximum Annual Debt Service Requirement (2035) $2,254,069

DISTRICT FINANCIAL DATA

Assessed Value

2020 Assessed Taxable Valuation	$ 258,110,510	(a)
Estimated Valuation as of September 1, 2020	$ 266,986,090	(b)
Direct Debt:		
The Outstanding Bonds (as of December 1, 2020)	$ 28,670,000	
The Bonds	$ 3,370,000	
Total	$ 32,040,000	
Estimated Overlapping Debt	$ 25,773,870	(c)
Total Direct and Estimated Overlapping Debt	$ 57,813,870	(c)
Direct Debt Ratio:		
As Percentage of 2020 Assessed Taxable Valuation	12.41	%
As Percentage of Estimated Valuation as of September 1, 2020	12.00	%
Direct and Estimated Overlapping Debt Ratio:		
As Percentage of 2020 Assessed Taxable Valuation	22.40	%
As Percentage of Estimated Valuation as of September 1, 2020	21.65	%
Road System Debt Service Fund Balance (as of January 28, 2021)	$ 300,606	(d)
Utility System Debt Service Fund Balance (as of January 28, 2021)	$ 988,617	(e)
Road Capital Projects Fund Balance (as of January 28, 2021)	$ 24,111	
Utility Capital Projects Fund Balance (as of January 28, 2021)	$ 248,302	
Operating Fund Balance (as of January 28, 2021)	$ 3,073,663	

(a) Represents the assessed valuation of all taxable property within the District as of January 1, 2020, as provided by the Brazoria County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by Appraisal District for informational purposes only. This amount is an estimate of the assessed valuation of all taxable property within the District as of September 1, 2020, and includes an estimate of assessed valuation resulting from the construction of taxable improvements from January 1, 2020, through September 1, 2020. No taxes will be levied against such amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System, including the Outstanding Utility Bonds.

(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System, including the Outstanding Road Bonds and the Bonds.

Unlimited Tax Bonds Authorized but Unissued

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
05/10/08	Utility System	$ 104,000,000	$ 26,772,959	$ 77,227,041
05/10/08	Parks and Recreation	9,000,000	-	9,000,000
05/10/08	Refunding (Utility System)	156,000,000	5,720,000	150,280,000
05/10/08	Refunding (Road System)	120,000,000	-	120,000,000
11/03/09	Road System	80,000,000	9,180,000 (a)	70,820,000

(a) Includes the Bonds.

Investment Authority and Investment Practices of the District

The District has adopted an Investment Policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service.

Estimated Overlapping Debt Statement

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 several sources, including information contained in the "Texas Municipal Report," published by the Municipal Advisory Council of Texas. Except for the amount 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 since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. 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 of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures. Totals may not sum due to rounding.

	Outstanding Debt	Overlapping	
Taxing Jurisdiction	November 30, 2020	Percent	Amount
Brazoria County	$ 139,678,313	0.74%	$ 1,034,768
Alvin Community College District	28,625,000	2.01	576,247
Alvin Independent School District	906,860,000	2.45	22,248,186
Pearland Independent School District	433,230,000	0.15	653,253
Total Estimated Overlapping Debt			$ 25,773,870
Direct Debt (a)			$ 32,040,000
Total Direct and Estimated Overlapping Debt (a)			$ 57,813,870

(a) Includes the Bonds.

Debt Ratios

	2020 Certified Taxable Assessed Valuation	Estimated Valuation as of September 1, 2020
Direct Debt (a)	12.41%	12.00%
Total Direct & Estimated Overlapping Debt (a)	22.40%	21.65%

(a) Includes the Bonds.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed $1.250 per $100 of assessed valuation for operation and maintenance purposes and $0.100 for recreational facilities maintenance. For the 2020 tax year, the District levied a total tax rate of $1.250 per $100 of assessed valuation, composed of the following: a tax rate of $0.405 per $100 of assessed valuation for maintenance and operations purposes; a tax rate of $0.190 per $100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System; and a tax rate of $0.655 per $100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System. The District is authorized to levy separate taxes to pay debt service for bonds issued for the Road System and to pay debt service for bonds issued for the Utility System; both such taxes are unlimited as to rate or amount.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Road Facilities:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.250 per $100 of Assessed Valuation.
Recreational Facilities:	$0.100 per $100 of Assessed Valuation.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2020 tax year, the District levied a tax rate of $0.190 per $100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System and a tax of $0.655 per $100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System. Such taxes are in addition to taxes that the District is authorized to levy for maintenance and operation purposes.

Maintenance and Operation Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On May 10, 2008, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed $1.250 per $100 of assessed valuation and a recreational facilities maintenance tax not to exceed $0.100 per $100 of assessed valuation. For the 2020 tax year, the District levied a tax rate of $0.405 per $100 of assessed valuation for maintenance and operations purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

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.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2014–2020 tax years:

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections as of 10/31/20
2014	94,196,099	1.250	1,177,451	99.76 %	2015	100.00%
2015	134,883,269	1.250	1,686,041	99.49 %	2016	100.00%
2016	179,801,185	1.250	2,247,515	99.71 %	2017	100.00%
2017	202,094,018	1.250	2,526,175	99.87 %	2018	100.00%
2018	228,651,038	1.250	2,858,138	99.89 %	2019	100.00%
2019	244,307,556	1.250	3,053,844	99.76 %	2020	99.78%
2020 (b)	258,110,510	1.250	3,226,381	2.45 %	2021	2.45%

(a) Includes a tax for maintenance and operation purposes. See "– Tax Rate Distribution" below.
(b) In process of collections.

Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2016-2020 tax years.

	2020	2019	2018	2017	2016
Road System Debt Service	0.1900	0.1500	0.1500	0.1700	0.1000
Utility System Debt Service	0.6550	0.6000	0.6550	0.6300	0.7200
Maintenance & Operation	0.4050	0.5000	0.4450	0.4500	0.4300
Total	1.2500	1.2500	1.2500	1.2500	1.2500

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2016–2020 tax years by type of property.

Type of Property	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation
Land	$ 53,432,600	$ 54,575,530	$ 53,073,940	$ 50,795,060	$ 55,328,310
Improvements	214,782,829	197,859,229	182,063,639	155,568,759	127,463,999
Personal Property	5,862,640	5,640,970	4,249,800	3,781,980	1,848,590
Exemptions	(15,931,559)	(13,768,173)	(10,736,341)	(8,051,781)	(4,839,714)
Total	$ 258,110,510	$ 244,307,556	$ 228,651,038	$ 202,094,018	$ 179,801,185

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2020:

Taxpayer	Type of Property	Assessed Valuation 2020 Tax Roll
Eagledale Manvel LLC & Masters 96th Manvel LLC	Land and Improvements	$ 2,929,600
Confidential	Land and Improvements	2,399,340
Ashton Houston Residential LLC (a)	Land	1,823,680
A-L-L 141 Sedona Lakes LP	Land and Improvements	1,659,900
WSLD Sedona Lakes VI LP (a)	Land	1,563,400
Lone Star Scholastics and Childcare Inc.	Land and Improvements	1,433,810
Fondren Real Estate LLC	Land and Improvements	1,429,000
Lucky Jupiter Inc.	Land and Improvements	1,133,550
CVS Pharmacy Inc.	Personal Property	1,082,930
Homeowner	Land and Improvements	929,900
Total		$ 16,385,110
Percentage of the 2020 Assessed Valuation		6.35 %

(a) See "THE DEVELOPER AND PRINCIPAL LANDOWNER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2020 Assessed Taxable Valuation ($258,110,510) or the Estimated Valuation as of September 1, 2020 ($266,986,090). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement of the Outstanding Bonds and Bonds (2021–2045)	$1,764,516
Debt Service Tax of $0.72 on 2020 Assessed Taxable Valuation	$1,765,476
Debt Service Tax of $0.70 on Estimate of Valuation as of September 1, 2020	$1,775,457
Maximum Annual Debt Service Requirement of Outstanding Bonds and Bonds (2035)	$2,254,069
Debt Service Tax of $0.92 on 2020 Assessed Taxable Valuation	$2,255,886
Debt Service Tax of $0.89 on Estimate of Valuation as of September 1, 2020	$2,257,367

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Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions.

In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes. Set forth below is a compilation of all 2020 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	Alvin ISD 2020 Tax Rate	Pearland ISD 2020 Tax Rate
The District	$1.250000	$1.250000
Alvin Independent School District	1.397700	—
Pearland Independent School District	—	1.318500
Alvin Community College District	0.183443	0.183443
Brazoria County Emergency Service District No. 3	0.100000	0.100000
Brazoria County	0.392017	0.392017
Brazoria County Conservation and Reclamation District No. 3	0.145880	0.145880
Estimated Total Tax Rate	$3.469040	$3.389840

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to 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 its voters. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within the County, including the District. Such appraisal values are subject to review and change by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include:

property owned by 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. The District may be required to offer such exemptions if a majority of voters approve sane at an election, which the District would be required to call upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. Property owned by a disabled veteran or a veteran who died while on active duty has been granted a statutory exemption up to $3,000 of assessed value. Partially exempt to between to between $5,000 and $12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or spouse or certain children. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Also exempt, if approved by the Board or through a process of petition and referendum by the District's voters, are residential homesteads of person sixty-five (65) years or older and of certain disabled persons to the extent of $3,000 of appraised value or more. The Tax Assessor/Collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at some or no cost to the veteran. 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 is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body 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 District has never adopted a general homestead exemption. In addition, the District has exempted $10,000 of the appraised value of residential homesteads of persons 65 years of age or older and certain disabled persons for the 2020 tax year.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, 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 which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less 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" may apply for the 2012 and subsequent tax years to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has not taken action to allow taxation of goods-in-transit. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, 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 one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the Appraisal District as least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal District 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 the Appraisal District 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 the Appraisal District chooses formally to include such values on its appraisal roll.

On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast, severely impacting the entire region and resulting in a disaster declaration by the Governor of Texas (the "Governor"). See "INVESTMENT CONSIDERATIONS – Recent Extreme Weather Events and Potential Impact of Natural Disasters." The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applied its tax rate to the reappraised market value of the property. The District did not request a reappraisal due to Hurricane Harvey.

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least fifteen percent (15%) damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year 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 of 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 BCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property 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. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based on valuation of property within the District as of the preceding January 1.

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%)

to defray collection costs if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Under certain circumstances, property owners located within a natural disaster area affected by a disaster may pay property taxes in four (4) equal installments following the disaster. Further, a person 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 his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead.

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 (as to those provisions discussed herein) 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 municipal utility districts differently based on the current operation and maintenance tax rate or on the percentage of projected 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, 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 in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

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 in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Property 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or President, 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

The District

The District has made a determination of its status as a Developing District for the 2020 tax year. 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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. See "TAX DATA – Estimated Overlapping Taxes." A tax lien on real property takes priority over the claims 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 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. 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 amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS – General" and "INVESTMENT CONSIDERATIONS – Tax Collections Limitations."

THE ROAD SYSTEM

The roads within the District vary in width in accordance with standards adopted by Brazoria County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

THE UTILITY SYSTEM

General

The water, wastewater and drainage facilities, the purchase, acquisition and construction of which have been financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

Description of the Utility System

- Water Supply and Distribution -

Water supply is provided by ground water from a water plant located within to the District. The water plant, which was constructed by a private entity and subsequently purchased and expanded by the Developer and conveyed to the District, serves the District. The District's water supply is capable of serving 1,500 ESFCs, which is sufficient to serve development in the District.

The District currently operates a 150 gallon per minute ("gpm") groundwater well ("Water Well No. 1"), a 400 gpm groundwater well ("Water Well No. 2"), and a 1000 gpm groundwater well ("Water Well No. 3"). Water Well No. 3 provides a capacity of 1,667 connections, which will provide sufficient capacity for the District's ultimate build-out according to the current land plan. Water Well No. 1 and Water Well No. 2 will be used for backup and emergency situations. The water plant also includes one 165,000 gallon ground storage tank, one 265,000 gallon storage tank, two 15,000 gallon hydro-pneumatic tanks, and four 750 gpm booster pumps.

- Wastewater Treatment and Conveyance System -

The District receives wastewater treatment capacity from a 300,000 gpd wastewater treatment plant located within the District. The wastewater treatment plant was constructed in two phases pursuant to a lease-purchase agreement between the District and AUC Group, L.P. The District purchased the original 150,000 gpd (Phase 1) plant from proceeds of a prior bond issue and is now making monthly lease payments on the additional 150,000 gpd Phase II facility. Based on design criteria of 315 gpd per ESFC, the existing 300,000 gpd plant will be sufficient to serve 952 ESFCs, which is sufficient to serve development in the District.

- Drainage -

Natural drainage patterns in the District slope toward Mustang Bayou, which generally travels from northwest to east through the middle of the District. Rainfall runoff drains overland to Mustang Bayou, which then flows southeasterly into Chocolate Bay.

Storm-water runoff flows from curb and gutter streets into a system of underground storm sewers which outfall at various points into detention ponds. The detention ponds eventually outfall to Mustang Bayou.

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Historical Operations of the Utility System

The following is a summary of the District's operating fund for the last five years. The figures for the fiscal years ended October 31, 2016, through October 31, 2019, were obtained from the District's annual financial statements, reference to which is hereby made. See "APPENDIX A." The figures for the period ending October 30, 2020, are from the draft audit and are subject to change. The District is required by statute to have an independent certified public accountant audit the District's financial statements annually, such audited financial statements are filed with the TCEQ.

Revenues	10/30/20 (a)	10/31/19	10/31/18	10/31/17	10/31/16
Water service	$ 331,693	$ 314,637	$ 303,690	$ 274,620	$ 232,103
Sewer service	437,710	411,164	388,244	349,183	294,488
Property taxes	1,220,517	1,015,501	912,062	772,551	671,706
Penalties and interest	6,144	14,018	12,509	11,295	10,632
Tap connection and inspection	104,060	55,533	62,099	98,612	181,372
Miscellaneous	31,748	4,991	11,563	8,738	8,198
Investment earnings	17,185	28,232	12,648	5,670	3,855
Total Revenues	$ 2,149,057	$ 1,844,076	$ 1,702,815	$ 1,520,669	$ 1,402,354
Expenditures					
Professional fees	$ 145,260	$ 204,948	$ 285,512	$ 201,338	$ 164,693
Contracted services	322,896	269,577	264,634	263,322	260,890
Repairs and maintenance	387,295	375,194	400,299	680,119	353,436
Utilities	60,419	58,255	58,576	57,058	51,353
Regional Water Authority fees	–	–	3,000	982	2,379
Administrative	30,896	34,114	40,531	31,381	21,261
Other	14,339	6,722	2,488	5,437	3,466
Lease	78,720	78,720	78,720	78,720	39,360
Capital outlay	21,932	583,519	–	68,648	409,412
Total Expenditures	$ 1,061,757	$ 1,611,049	$ 1,133,760	$ 1,387,005	$ 1,306,250
Revenues over expenditures	$ 1,807,300	$ 233,027	$ 569,055	$ 133,664	$ 96,104

(a) From draft audit, subject to change.

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of Texas, the County, the City, or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS – Source of Payment.") The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing industry in the Houston metropolitan area. New single-family construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 20 miles south from the central business district of Houston. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "DEVELOPMENT WITHIN THE DISTRICT."

Principal Landowners' Obligations to the District: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers in 2020 owned property located in the District, the aggregate assessed valuation of which comprised approximately 6.35% of the 2020 assessed valuation of the District. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meets its debt service requirements.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developer in the sale of land, leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Developers Under No Obligation to the District: The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on their ability to pay taxes. See "THE DEVELOPER AND PRINCIPAL LANDOWNER," and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. As noted throughout this Official Statement, the 2020 assessed valuation of the District is $258,110,510 and the estimate of assessed valuation as of September 1, 2020, is $266,986,090.

After issuance of the Bonds, the maximum annual debt service requirement of the Outstanding Bonds and the Bonds (2035) will be $2,254,069, and the average annual debt service requirement of the Outstanding Bonds and the Bonds (2021–2045) will be $1,764,516. Based on the 2020 assessed valuation and no use of funds on hand, a tax rate of $0.92 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of the Outstanding Bonds and the Bonds (2035) and a tax rate of $0.72 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of the Outstanding Bonds and the Bonds (2021–2045). Based on the estimate of assessed valuation as of September 1, 2020, and no use of funds on hand, a tax rate of $0.89 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of the Outstanding Bonds and the Bonds (2035) and a tax rate of $0.70 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of the Outstanding Bonds and the Bonds (2021–2045). See "TAX DATA – Tax Rate Calculations."

Tax Collection and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Limitation to Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (herein defined) have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds 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. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901–946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such 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 involving 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. 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 a Registered Owner 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 owner's claim against a district. A district cannot be placed into bankruptcy involuntarily.

Environmental Regulation

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;
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility 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 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 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, 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, 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 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 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.

On August 23, 2019, the EPA published final notice reclassifying the HGB Area from "moderate" to "serious" under the 2008 Ozone Standard, effective September 23, 2019. While the HGB Area is now designated as a "serious" nonattainment area, with an attainment deadline of July 20, 2021, implementation requirements of all reasonably available control technologies ("RACT") have been met and there are no new deadlines for RACT implementation for levels of nitrogen oxides and volatile organic compounds. If the EPA ultimately determines that the HGB Area continues to fail to meet air quality standards 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. 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) waste water 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 Environmental Protection Agency'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 renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 16, 2019, with an effective date of January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. 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 and implement 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 renewed MS4 Permit.

In 2015, the EPA and the United States Army Corps of Engineers ("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 expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas.

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, and this repeal officially became final on December 23, 2019. However, the repeal may 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 those 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; (k) waste treatment systems; and (l) all other waters or features not included in the definition of "waters of the United States." The NWPR became effective 60 days after the date of its publication in the Federal Register on June 22, 2020, and is the subject of further litigation.

Due to ongoing rulemaking activity, as well as 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.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the Clean Water Act 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 USACE if operations of the District require that wetlands be filled, dredged, or otherwise altered.

Potential Impact of Natural Disaster

The District is located approximately forty (40) miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rates. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from weather-related events.

Hurricane Harvey

On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast and severely impacted numerous localities in the region. According to the Engineer, Hurricane Harvey caused no flooding of homes in the District nor did Hurricane Harvey cause any damage to the Utility System. The Gulf Coast region where the District is located is subject to occasional destructive weather events, and there is no assurance that the District will not suffer damages from such destructive weather events in the future. See “INVESTMENT CONSIDERATIONS – Potential Impact of Natural Disaster.”

Changes in Tax Legislation

Certain tax legislation, 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.

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flood

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.

Riverine (or Fluvial) Flood

Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

National Weather Service Atlas 14 Rainfall Study

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Approximately 52 acres within the District are located within the permanent floodplain.

Marketability

The District has no understanding with the Initial Purchaser 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 for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

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.

Infectious Disease Outbreak – 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 Governor of Texas (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 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 the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. Due to a recent spike in COVID-19 cases, recent executive orders modified the phased reopening of businesses in Texas, subject to further restrictions in the Governor's discretion. For example, Executive Order GA-28, which was issued on June 26, 2020, and remains in effect until modified, amended, rescinded or superseded by the Governor, established occupancy limits to 50 percent for most businesses in Texas, limited bars and similar establishments to drive-through, pickup or delivery options, and made most outdoor gatherings of more than 100 people subject to approval by local authorities, subject to exceptions outlined in the order. Businesses otherwise subject to a 50 percent occupancy limit and located in a county meeting certain Department of State Health Services criteria are eligible to operate at up to 75 percent of occupancy. In separate orders, the Governor imposed a moratorium on elective surgeries in numerous Texas counties including Harris, Travis, Bexar and Dallas Counties. The Governor retains the authority to impose additional restrictions on activities. Under Executive Order GA-28, for the remainder of the 2019-2020 school year, public schools may resume operations in the summer under protocols outlined in guidance from the TEA. Due to a rise in COVID-19 cases in Texas, Executive Order GA-29 now requires the use of face covering in public spaces. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed 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 metropolitan 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.

The District continues to monitor the spread of COVID-19 and the potential impact of COVID-19 on the District. 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, financial condition, or ratings. See "RATINGS." 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 indicative of the economic impact of the Pandemic on the District's financial condition.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order 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."

Future Debt

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $70,820,000 for the purpose of purchasing, constructing, operating, and maintaining the Road System; $77,227,041 for the purpose of purchasing, constructing, operating, and maintaining the Utility System; $270,280,000 for refunding purposes; and $9,000,000 for the purpose of purchasing, constructing, operating, and maintaining the Park System (see "THE BONDS – Issuance of Additional Debt"); and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations, as described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the issuance of the Bonds, the District will owe the Developer approximately $13,590,000 for reimbursable expenditures advanced for the purpose of purchasing, constructing, operating, and maintaining the Utility System and the Road System.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, 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.

Annexation by and Strategic Partnership with the City

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or any other city's extraterritorial jurisdiction and within two (2) miles of the corporate limits of the City. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

Effective July 27, 2009, the District and the City entered into a Strategic Partnership Agreement ("SPA" or the "Agreement") under which the City may annex certain commercial areas of the District for limited purposes of applying City planning, zoning, health and safety ordinances in the area annexed for limited purposes. The City may impose its one percent (1%) sales tax in the areas annexed for limited purposes. In addition, the City has agreed that it will not annex the District for full purposes (a traditional annexation) until ninety (90) percent of the District's water, wastewater, and drainage facilities have been constructed or the Developer has been reimbursed by the District to the maximum extent permitted by the rules of the TCEQ or the City assumes the obligation to reimburse the Developer.

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by difficulties in collecting 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 enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the 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."

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the insurer (the "Bond Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE" and "RATINGS."

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District or the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" and "RATINGS" for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System"), "SOURCES AND USES OF FUNDS," "THE DISTRICT – General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information is an accurate summary of matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the 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 this Official Statement. 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.

The legal fees paid to Bond Counsel for services rendered in connection with the 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.

No-Litigation Certificate

The District will furnish to the initial purchaser of the Bonds (the "Initial Purchaser") a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their actual knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser 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, receipt of, and payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale.

TAX MATTERS

In the opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

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

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

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

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

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is entitled to be excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public. Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Qualified Tax-Exempt Obligations

The District has designated the Bonds as "qualified tax-exempt obligations" under Section 265(b)(3)(B) of the Code (and represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2021 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2021.

Pursuant to Section 265 of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank-qualified" investments. Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Under the covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the EMMA annually.

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT FINANCIAL DATA" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A."

The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

The District's fiscal year end is currently October 31. Accordingly, it must provide updated information by April 30 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 specified 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 IRS 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, if material; (7) modifications to rights of Beneficial Owners, 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, or 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect bondholders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which an official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision 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.”

Availability of Information

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

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 or the Developer, 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 Initial Purchaser 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

During the last five (5) years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth herein under the following captions:

> "THE DISTRICT"; "THE UTILITY SYSTEM"; "THE DEVELOPER AND PRINCIPAL LANDOWNER"; "DEVELOPMENT WITHIN THE DISTRICT; "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement"; "TAX DATA”; "INVESTMENT CONSIDERATIONS – Annexation by and Strategic Partnership with the City"; "THE BONDS”; "CONTINUING DISCLOSURE"; "TAXING PROCEDURES"; "LEGAL MATTERS" and "TAX MATTERS."

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

> *The Engineer:* The information contained in the Official Statement relating to engineering matters and to the description of the Utility System and Road System and, in particular, that information included in "THE DISTRICT," "THE UTILITY SYSTEM," and “THE ROAD SYSTEM” has been provided by the Engineer, and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.
>
> *Tax Assessor/Collector and Appraisal District:* The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information included in "TAX DATA" has been provided by the Tax Assessor/Collector and Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

Certification as to Official Statement

The District, acting by and through the Board in its official capacity, in reliance upon the experts listed above, 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 light of the circumstances under which they were made, not misleading. The information, description 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 or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser, provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than ninety (90) days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Sedona Lakes Municipal Utility District No. 1 of Brazoria County, as of the date shown on the cover of this Official Statement.

/s/ Jim Forrest
President, Board of Directors
Sedona Lakes Municipal Utility District No. 1 of
Brazoria County

ATTEST:

/s/ Lambert Austin
Secretary, Board of Directors
Sedona Lakes Municipal Utility District No. 1 of
Brazoria County

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

SEDONA LAKES MUNICIPAL UTILITY DISTRICT NO. 1

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

October 31, 2019

Table of Contents

McGRATH & CO., PLLC
Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Brazoria County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Sedona Lakes Municipal Utility District No. 1 of Brazoria County, as of and for the year ended October 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free of 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 principles 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 to provide a basis for our audit opinions.

Mark W. McGrath, CPA mark@mcgrath-co.com
Colette M. Garcia, CPA colette@mcgrath-co.com
Tayo Ilori, CPA, CFE tayo@mcgrath-co.com
Crystal V. Horn, CPA crystal@mcgrath-co.com

Opinion

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 Sedona Lakes Municipal Utility District No. 1 of Brazoria County, as of October 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity 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 information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

McGrath & Co, PLLC

Houston, Texas
February 27, 2020

Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended October 31, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at October 31, 2019, was negative $14,038,541. This amount is negative primarily because certain road facilities constructed by the District are conveyed to other governments. A comparative summary of the District's overall financial position, as of October 31, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	$ 6,862,657	$ 5,312,167
Capital assets	22,445,112	22,271,315
Total assets	29,307,769	27,583,482
Total deferred outflows of resources	50,951	
Current liabilities	1,257,677	1,146,185
Long-term liabilities	39,077,702	38,466,848
Total liabilities	40,335,379	39,613,033
Total deferred inflows of resources	3,061,882	2,872,069
Net position		
Net investment in capital assets	(5,291,346)	(5,435,796)
Restricted	990,451	804,231
Unrestricted	(9,737,646)	(10,270,055)
Total net position	$ (14,038,541)	$ (14,901,620)

The total net position of the District increased during the current fiscal year by $863,079. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2019	2018
Revenues		
Property taxes, penalties and interest	$ 2,885,313	$ 2,553,063
Water and sewer service	725,801	691,934
Other	117,442	102,577
Total revenues	3,728,556	3,347,574
Expenses		
Current service operations	1,073,303	1,167,556
Debt interest and fees	935,506	929,799
Developer interest	99,077	177,607
Debt issuance costs	278,227	226,194
Depreciation	479,364	471,252
Total expenses	2,865,477	2,972,408
Change in net position before other item	863,079	375,166
Other item		
Transfers to other governments		(333,618)
Change in net position	863,079	41,548
Net position, beginning of year	(14,901,620)	(14,943,168)
Net position, end of year	$ (14,038,541)	$ (14,901,620)

Financial Analysis of the District's Funds

The District's combined fund balances, as of October 31, 2019, were $3,564,982, which consists of $2,105,808 in the General Fund, $1,138,400 in the Debt Service Fund, and $320,774 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of October 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 3,562,015	$ 3,117,337
Total liabilities	$ 229,646	$ 222,081
Total deferred inflows	1,226,561	1,022,475
Total fund balance	2,105,808	1,872,781
Total liabilities, deferred inflows and fund balance	$ 3,562,015	$ 3,117,337

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	$ 1,844,076	$ 1,702,815
Total expenditures	(1,611,049)	(1,133,760)
Revenues over expenditures	233,027	569,055
Other changes in fund balance		21,915
Net change in fund balance	$ 233,027	$ 590,970

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2018 levy was recognized as revenues in the 2019 fiscal year, while the 2017 levy was recognized in the 2018 fiscal year (to the extent that these amounts were collected). While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of October 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 2,979,868	$ 2,802,929
Total deferred inflows	$ 1,841,468	$ 1,849,645
Total fund balance	1,138,400	953,284
Total deferred inflows and fund balance	$ 2,979,868	$ 2,802,929

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	$ 1,878,384	$ 1,651,688
Total expenditures	(1,862,650)	(1,685,464)
Revenues over/(under) expenditures	15,734	(33,776)
Other changes in fund balance	169,382	
Net change in fund balance	$ 185,116	$ (33,776)

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the current year, the District issued $2,470,000 in refunding bonds to refund $2,500,000 of its outstanding Series 2011 bonds. This refunding will save the District $442,671 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of October 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 320,774	$ 24,849
Total liabilities	$ -	$ 632,948
Total fund balance	320,774	(608,099)
Total liabilities and fund balance	$ 320,774	$ 24,849

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	$ -	$ 998
Total expenditures	(1,430,327)	(3,356,306)
Revenues under expenditures	(1,430,327)	(3,355,308)
Other changes in fund balance	2,359,200	2,598,085
Net change in fund balance	$ 928,873	$ (757,223)

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Bonds in the current year and the issuance of its Series 2017 Unlimited Tax Road Bonds in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $308,090 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at October 31, 2019 and 2018 are summarized as follows:

	2019	2018
Capital assets not being depreciated		
Land and improvements	$ 5,495,603	$ 5,495,603
Construction in progress	47,317	
	5,542,920	5,495,603
Capital assets being depreciated		
Infrastructure	18,014,333	17,408,489
Other facilities	1,957,488	1,957,488
	19,971,821	19,365,977
Less accumulated depreciation		
Infrastructure	(2,397,430)	(1,995,733)
Other facilities	(672,199)	(594,532)
	(3,069,629)	(2,590,265)
Depreciable capital assets, net	16,902,192	16,775,712
Capital assets, net	$ 22,445,112	$ 22,271,315

Capital asset additions in the current year included the repair of the District's outfall structure. The District's construction in progress is for the construction of the emergency waterline interconnect with Brazoria County Municipal Utility District No. 25.

Brazoria County and the City of Manvel assume responsibility for certain road facilities constructed within the boundaries of the District. Consequently, these projects are not recorded as capital assets on the District's financial statements but are recorded as transfers to other governments upon completion of construction.

Long-Term Debt and Related Liabilities

As of October 31, 2019, the District owes $13,277,176 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At October 31, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2011	$ 105,000	$ 2,705,000
2012	3,590,000	3,730,000
2014	3,420,000	3,520,000
2015	4,370,000	4,505,000
2015 Road	3,005,000	3,100,000
2017	5,030,000	5,170,000
2017 Road	2,475,000	2,540,000
2019	2,265,000	
2019 Refunding	2,470,000	
	$ 26,730,000	$ 25,270,000

During the year, the District issued $2,265,000 in unlimited tax bonds for water, sanitary sewer and drainage systems and $2,470,000 in unlimited tax refunding bonds. At October 31, 2019, the District had $79,927,041 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $9,000,000 for parks and recreational facilities; $74,190,000 for road improvements and $273,530,000 for refunding purposes.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2019 Actual	2020 Budget
Total revenues	$ 1,844,076	$ 1,900,900
Total expenditures	(1,611,049)	(2,001,853)
Revenues over/(under) expenditures	233,027	(100,953)
Beginning fund balance	1,872,781	2,105,808
Ending fund balance	$ 2,105,808	$ 2,004,855

Property Taxes

The District's property tax base increased approximately $15,195,000 for the 2019 tax year from $229,755,531 to $244,950,506. This increase was primarily due to new construction in the District and increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of $0.50 per $100 of assessed value, a road debt service tax rate of $0.15 per $100 of assessed value, and a water, sewer, and drainage debt service tax rate of $0.60 per $100 of assessed value, for a total combined tax rate of $1.25 per $100. Tax rates for the 2018 tax year were $0.445 per $100 for maintenance and operations, a road debt service tax rate of $0.15 per $100 of assessed value, and $0.655 per $100 for water, sewer, and drainage debt service, for a combined total of $1.25 per $100 of assessed value.

Basic Financial Statements

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Statement of Net Position and Governmental Funds Balance Sheet
October 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 857,571	$ 393,362	$ 321,049	$1,571,982	$ -	$ 1,571,982
Investments	1,335,000	745,000		2,080,000		2,080,000
Taxes receivable	1,222,954	1,836,057		3,059,011		3,059,011
Customer service receivables	83,097			83,097		83,097
Internal balances	3,883	(3,608)	(275)			
Prepaid items	13,120			13,120		13,120
Accrued interest receivable	12,629	8,959		21,588		21,588
Other receivables	33,761	98		33,859		33,859
Capital assets not being depreciated					5,542,920	5,542,920
Capital assets, net					16,902,192	16,902,192
Total Assets	$3,562,015	$2,979,868	$ 320,774	$6,862,657	22,445,112	29,307,769
Deferred Outflows of Resources						
Deferred difference on refunding					50,951	50,951
Liabilities						
Accounts payable	$ 104,856	$ -	$ -	$ 104,856		104,856
Retainage payable	49,887			49,887		49,887
Other payables	703			703		703
Customer deposits	72,200			72,200		72,200
Builder deposits	2,000			2,000		2,000
Accrued interest payable					153,031	153,031
Due to developer					13,277,176	13,277,176
Long-term debt						
Due within one year					875,000	875,000
Due after one year					25,800,526	25,800,526
Total Liabilities	229,646			229,646	40,105,733	40,335,379
Deferred Inflows of Resources						
Deferred property taxes	1,226,561	1,841,468		3,068,029	(6,147)	3,061,882
Fund Balances/Net Position						
Fund Balances						
Nonspendable	13,120			13,120	(13,120)	
Restricted		1,138,400	320,774	1,459,174	(1,459,174)	
Unassigned	2,092,688			2,092,688	(2,092,688)	
Total Fund Balances	2,105,808	1,138,400	320,774	3,564,982	(3,564,982)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$3,562,015	$2,979,868	$ 320,774	$6,862,657		
Net Position						
Net investment in capital assets					(5,291,346)	(5,291,346)
Restricted for debt service					990,451	990,451
Unrestricted					(9,737,646)	(9,737,646)
Total Net Position					$(14,038,541)	$(14,038,541)

See notes to basic financial statements.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended October 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 314,637	$ -	$ -	$ 314,637	$ -	$ 314,637
Sewer service	411,164			411,164		411,164
Property taxes	1,015,501	1,836,494		2,851,995	5,030	2,857,025
Penalties and interest	14,018	13,204		27,222	1,066	28,288
Tap connection and inspection	55,533			55,533		55,533
Miscellaneous	4,991			4,991		4,991
Investment earnings	28,232	28,686		56,918		56,918
Total Revenues	1,844,076	1,878,384		3,722,460	6,096	3,728,556
Expenditures/Expenses						
Current service operations						
Professional fees	204,948		13,433	218,381		218,381
Contracted services	269,577	28,466		298,043		298,043
Repairs and maintenance	375,194			375,194		375,194
Utilities	58,255			58,255		58,255
Administrative	34,114	3,874		37,988		37,988
Other	6,722			6,722		6,722
Lease	78,720			78,720		78,720
Capital outlay	583,519		1,162,777	1,746,296	(1,746,296)	
Debt service						
Principal		775,000		775,000	(775,000)	
Interest and fees		932,123		932,123	3,383	935,506
Developer interest			99,077	99,077		99,077
Debt issuance costs		123,187	155,040	278,227		278,227
Depreciation					479,364	479,364
Total Expenditures/Expenses	1,611,049	1,862,650	1,430,327	4,904,026	(2,038,549)	2,865,477
Revenues Over/(Under) Expenditures	233,027	15,734	(1,430,327)	(1,181,566)	1,181,566	
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			2,265,000	2,265,000	(2,265,000)	
Proceeds from sale of refunding bonds		2,470,000		2,470,000	(2,470,000)	
Bond premium		188,236	94,200	282,436	(282,436)	
Payment to refunded bond escrow agent		(2,488,854)		(2,488,854)	2,488,854	
Net Change in Fund Balances	233,027	185,116	928,873	1,347,016	(1,347,016)	
Change in Net Position					863,079	863,079
Fund Balance/Net Position						
Beginning of the year	1,872,781	953,284	(608,099)	2,217,966	(17,119,586)	(14,901,620)
End of the year	$2,105,808	$1,138,400	$ 320,774	$3,564,982	$(17,603,523)	$(14,038,541)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created, and established pursuant to an order of the Texas Commission on Environmental Quality dated February 22, 2008, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on March 5, 2008 and the first bonds were sold on June 28, 2011.

The District's primary activities include construction, maintenance, and operation of water, sewer, and drainage facilities and the construction of roads. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll, or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage, and road facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments, and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At October 31, 2019, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	20-45 years
Other facilities	20-30 years

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2019 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense. Deferred inflows of financial resources at the government-wide level consist of the 2019 property tax levy, which was levied to finance the 2020 fiscal year.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of Manvel and Brazoria County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		$ 3,564,982
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		50,951
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 25,514,741	
Less accumulated depreciation	(3,069,629)	
Change due to capital assets		22,445,112
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(26,675,526)	
Interest payable on bonds	(153,031)	
Change due to long-term debt		(26,828,557)
Amounts due to the District's developer for prefunded construction are recorded as a liability in the *Statement of Net Position*.		(13,277,176)
The unavailable portion of property taxes receivable and collections of the 2019 property tax levy are reported as deferred inflows in the fund financial statements. In the government wide statements, however, deferred inflows consist of the entire 2019 property tax levy.		
Fund level deferred property taxes	3,068,029	
Government wide level deferred property taxes	(3,061,882)	
		6,147
Total net position - governmental activities		$ (14,038,541)

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds		$ 1,347,016
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		6,096
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 1,746,296	
Depreciation expense	(479,364)	
		1,266,932
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Issuance of long term debt	(4,735,000)	
Bond premium	(282,436)	
Payment to refunded bond escrow agent	2,488,854	
Principal payments	775,000	
Interest expense accrual	(3,383)	
		(1,756,965)
Change in net position of governmental activities		$ 863,079

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of October 31, 2019, the District's investments consist of the following:

Type	Fund	Carrying Value
Certificates of deposit	General	$ 1,335,000
	Debt Service	745,000
Total		$ 2,080,000

The District's investments in certificates of deposit are reported at cost.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at October 31, 2019, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 3,608	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	275	Bond application fees and capital outlay paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended October 31, 2019, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 5,495,603	$ -	$ 5,495,603
Construction in progress		47,317	47,317
	5,495,603	47,317	5,542,920
Capital assets being depreciated			
Infrastructure	17,408,489	605,844	18,014,333
Other facilities	1,957,488		1,957,488
	19,365,977	605,844	19,971,821
Less accumulated depreciation			
Infrastructure	(1,995,733)	(401,697)	(2,397,430)
Other facilities	(594,532)	(77,667)	(672,199)
	(2,590,265)	(479,364)	(3,069,629)
Depreciable capital assets, net	16,775,712	126,480	16,902,192
Capital assets, net	$ 22,271,315	$ 173,797	$ 22,445,112

Depreciation expense for the current year was $479,364.

Note 6 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in amounts due to developer during the year are as follows:

Due to developer, beginning of year	$ 14,370,311
Developer reimbursements	(1,162,777)
Developer funded construction and adjustments	69,642
Due to developer, end of year	$ 13,277,176

In addition, the District's developer has requested reimbursement of approximately $6 million for projects completed in previous years that are not included in the amount reported as due to developer. Reimbursement of these amounts is a contingent liability of the District pending approval of the projects by the Board of Directors, approval of a bond application by TCEQ and verification of costs by the District's independent auditor.

Note 7 – Long–Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 26,730,000
Unamortized discounts	(323,840)
Unamortized premium	269,366
	$ 26,675,526
Due within one year	$ 875,000

Note 7 – Long–Term Debt (continued)

The District's bonds payable at October 31, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2011	$ 105,000	$ 3,200,000	4.00% - 5.40%	September 1, 2013/2035	March 1, September 1	September 1, 2019
2012	3,590,000	4,335,000	2.00% - 3.875%	September 1, 2014/2036	March 1, September 1	September 1, 2020
2014	3,420,000	3,790,000	2.50% - 4.50%	September 1, 2016/2039	March 1, September 1	September 1, 2022
2015	4,370,000	4,920,000	2.00% - 4.00%	September 1, 2016/2040	March 1, September 1	September 1, 2023
2015 Road	3,005,000	3,190,000	2.00% - 4.00%	September 1, 2018/2040	March 1, September 1	September 1, 2023
2017	5,030,000	5,480,000	2.00% - 3.75%	September 1, 2017/2041	March 1, September 1	September 1, 2025
2017 Road	2,475,000	2,620,000	2.00% - 3.50%	September 1, 2018/2042	March 1, September 1	September 1, 2025
2019	2,265,000	2,265,000	3.00% - 4.00%	September 1, 2020/2043	March 1, September 1	September 1, 2025
2019 Refunding	2,470,000	2,470,000	3.00% - 4.00%	September 1, 2020/2035	March 1, September 1	September 1, 2025
	$ 26,730,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At October 31, 2019, the District had authorized but unissued bonds in the amount of $79,927,041 for water, sewer and drainage facilities; $9,000,000 for park and recreational facilities; $74,190,000 for road improvements and $273,530,000 for refunding purposes.

Note 7 – Long–Term Debt (continued)

On June 20, 2019, the District issued its $2,470,000 Series 2019 Unlimited Tax Refunding Bonds at a net effective interest rate of 3.240270% to refund $2,500,000 of outstanding Series 2011 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately $442,671 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $339,231. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments through September 1, 2019, the redemption date of the bonds. As of October 31, 2019, the bonds have all been redeemed and are no longer outstanding.

On June 20, 2019, the District issued its $2,265,000 Series 2019 Unlimited Tax Bonds at a net effective interest rate of 3.300924%. Proceeds of the bonds were used to reimburse developers for the construction of infrastructure within the District plus interest at the net effective interest rate of the bonds and costs related to the construction of Water Plant No. 1

The change in the District's long term debt during the year is as follows:

Bonds payable, beginning of year	$ 25,270,000
Bonds issued	4,735,000
Bonds retired	(775,000)
Bonds refunded	(2,500,000)
Bonds payable, end of year	$ 26,730,000

Note 7 – Long–Term Debt (continued)

As of October 31, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	$ 875,000	$ 918,188	$ 1,793,188
2021	915,000	894,980	1,809,980
2022	955,000	871,755	1,826,755
2023	990,000	846,090	1,836,090
2024	1,030,000	818,808	1,848,808
2025	1,065,000	788,733	1,853,733
2026	1,120,000	754,098	1,874,098
2027	1,165,000	717,205	1,882,205
2028	1,215,000	678,068	1,893,068
2029	1,260,000	636,642	1,896,642
2030	1,320,000	592,692	1,912,692
2031	1,365,000	546,604	1,911,604
2032	1,435,000	498,460	1,933,460
2033	1,485,000	447,199	1,932,199
2034	1,545,000	392,631	1,937,631
2035	1,620,000	335,381	1,955,381
2036	1,460,000	274,769	1,734,769
2037	1,210,000	221,539	1,431,539
2038	1,255,000	175,889	1,430,889
2039	1,305,000	128,463	1,433,463
2040	1,090,000	77,513	1,167,513
2041	620,000	36,588	656,588
2042	295,000	14,375	309,375
2043	135,000	4,387	139,387
	$ 26,730,000	$ 11,671,051	$ 38,401,051

Note 8 – Property Taxes

On May 10, 2008, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.25 per $100 of assessed value and recreational facilities maintenance limited to $0.10 per $100 of assessed value. On November 3, 2009, the District voted to authorize road bonds and a tax rate with no limitation. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Note 8 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Brazoria County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of $1.25 per $100 of assessed value, of which $0.445 was allocated to maintenance and operations, $0.15 was allocated to road debt service tax rate, and $0.66 was allocated to water, sewer, and drainage debt service. The resulting tax levy was $2,871,944 on the adjusted taxable value of $229,755,531.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2019 levy collections in the amount of $9,019 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2019 tax levy of $3,061,882 is reported as deferred inflows. These amounts will be recognized as revenue in 2020.

Total property taxes receivable, at October 31, 2019, consisted of the following:

Current year taxes receivable	$ 3,052,863
Prior years taxes receivable	5,082
	3,057,945
Penalty and interest receivable	1,066
Total property taxes receivable	$ 3,059,011

Note 9 – Lease Agreement

On September 2, 2015, the District entered into an operating lease agreement for an interim wastewater treatment plant expansion of existing plant. This lease is for a 60-month term effective May 2016, unless otherwise terminated. The District has the option to extend the lease on a month to month basis following expiration of the term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment.

Monthly payments for the lease are $6,560. During the year, the District paid $78,720 in lease expenses. Standard lease terms require the District to prepay the last month's lease payment upon inception of the lease. Additionally, the district prepaid November's lease payments for the subsequent fiscal year. All such amounts are recorded as a prepaid item on the financial statements.

Note 9 – Lease Agreement (continued)

Future minimum lease payments under the term lease as of October 31, 2019 is as follows:

Year	Amount
2020	$ 78,720
2021	32,800
	$ 111,520

Note 10 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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Required Supplementary Information

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended October 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	$ 300,000	$ 314,637	$ 14,637
Sewer service	383,875	411,164	27,289
Property taxes	983,500	1,015,501	32,001
Penalties and interest	10,000	14,018	4,018
Tap connection and inspection	49,634	55,533	5,899
Miscellaneous	7,280	4,991	(2,289)
Investment earnings	5,000	28,232	23,232
Total Revenues	1,739,289	1,844,076	104,787
Expenditures			
Current service operations			
Professional fees	189,500	204,948	(15,448)
Contracted services	241,242	269,577	(28,335)
Repairs and maintenance	461,730	375,194	86,536
Utilities	57,900	58,255	(355)
Regional Water Authority fees	3,000		3,000
Administrative	40,400	34,114	6,286
Other	4,750	6,722	(1,972)
Lease	78,720	78,720	
Capital outlay	737,110	583,519	153,591
Total Expenditures	1,814,352	1,611,049	203,303
Revenues Over/(Under) Expenditures	(75,063)	233,027	308,090
Fund Balance			
Beginning of the year	1,872,781	1,872,781	
End of the year	$ 1,797,718	$ 2,105,808	$ 308,090

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-1. Services and Rates
October 31, 2019

1. Services provided by the District During the Fiscal Year:

[X] Retail Water	[X] Wholesale Water	[X] Solid Waste / Garbage	[X] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[X] Parks / Recreation	[ ] Fire Protection	[X] Roads	[ ] Security

[ ] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

[ ] Other (Specify): ____________________

2. Retail Service Providers
(You may omit this information if your district does not provide retail services)

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 32.00	10,000	N	$ 2.90	10,001	to	20,000
				$ 3.50	20,001	to	25,000
				$ 4.40	25,001	to	no limit
Wastewater:	$ 32.00	10,000	N	$ 1.50	10,001	to	20,000
				$ 1.75	20,001	to	25,000
				$ 2.00	25,001	to	no limit

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 32.00 Wastewater $ 32.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	467	465	x 1.0	465
1"	174	174	x 2.5	435
1.5"	1	1	x 5.0	5
2"	11	10	x 8.0	80
3"	2	2	x 15.0	30
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	655	652		1,015
Total Wastewater	639	636	x 1.0	636

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
   (You may omit this information if your district does not provide water)

Gallons pumped into system:	100,850,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	87,714,000	86.97%

4. Standby Fees (authorized only under TWC Section 49.231):
   (You may omit this information if your district does not levy standby fees)

   Does the District have Debt Service standby fees? Yes [ ] No [X]

   If yes, Date of the most recent commission Order: ______

   Does the District have Operation and Maintenance standby fees? Yes [ ] No [X]

   If yes, Date of the most recent commission Order: ______

5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted):

   Is the District located entirely within one county? Yes [X] No [ ]

   County(ies) in which the District is located: Brazoria County

   Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

   City(ies) in which the District is located: ______

   Is the District located within a city's extra territorial jurisdiction (ETJ)?

   Entirely [X] Partly [ ] Not at all [ ]

   ETJs in which the District is located: City of Manvel

   Are Board members appointed by an office outside the district? Yes [ ] No [X]

   If Yes, by whom? ______

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-2 General Fund Expenditures
For the Year Ended October 31, 2019

Professional fees		
Legal	$	117,581
Audit		10,000
Engineering		77,367
		204,948
Contracted services		
Bookkeeping		12,872
Operator		66,806
Garbage collection		136,382
Tap connection and inspection		36,501
Sludge removal		17,016
		269,577
Repairs and maintenance		375,194
Utilities		58,255
Administrative		
Directors fees		10,500
Insurance		15,208
Other		8,406
		34,114
Other		6,722
Lease		78,720
Capital outlay		583,519
Total expenditures	$	1,611,049

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-3. Investments
October 31, 2019

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Certificate of deposit	2.00%	02/21/20	$ 200,000	$ 778
Certificate of deposit	2.30%	12/21/19	245,000	2,038
Certificate of deposit	2.20%	11/18/19	245,000	2,609
Certificate of deposit	1.58%	04/20/20	245,000	138
Certificate of deposit	2.60%	02/21/20	400,000	7,066
			1,335,000	12,629
Debt Service				
Certificate of deposit	1.45%	04/20/20	245,000	127
Certificate of deposit	2.60%	02/21/20	500,000	8,832
			745,000	8,959
Total - All Funds			$ 2,080,000	$ 21,588

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-4. Taxes Levied and Receivable
October 31, 2019

	Maintenance Taxes	Road Debt Service Taxes	W-S-D Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 972,679	$ 327,870	$ 1,431,695	$ 2,732,244
Adjustments	(5,209)	(1,770)	(7,642)	(14,621)
Adjusted Receivable	967,470	326,100	1,424,053	2,717,623
2019 Original Tax Levy	1,190,462	357,139	1,428,555	2,976,156
Adjustments	34,291	10,287	41,148	85,726
Adjusted Tax Levy	1,224,753	367,426	1,469,703	3,061,882
Total to be accounted for	2,192,223	693,526	2,893,756	5,779,505
Tax collections				
2019	3,608	1,082	4,329	9,019
Prior years	965,661	325,490	1,421,390	2,712,541
Total Collections	969,269	326,572	1,425,719	2,721,560
Taxes Receivable, End of Year	$ 1,222,954	$ 366,954	$ 1,468,037	$ 3,057,945
Taxes Receivable, By Years				
2019	$ 1,221,145	$ 366,344	$ 1,465,374	$ 3,052,863
2018	1,809	610	2,663	5,082
Taxes Receivable, End of Year	$ 1,222,954	$ 366,954	$ 1,468,037	$ 3,057,945

	2019	2018	2017	2016
Property Valuations				
Land	$ 54,598,810	$ 53,073,940	$ 50,795,060	$ 55,328,310
Improvements	198,020,161	182,063,639	155,622,031	127,896,854
Personal Property	5,619,620	4,249,800	3,781,980	1,848,590
Exemptions	(13,288,085)	(9,631,848)	(8,018,688)	(5,272,569)
Total Property Valuations	$ 244,950,506	$ 229,755,531	$ 202,180,383	$ 179,801,185
Tax Rates per $100 Valuation				
Maintenance tax rates	$ 0.50	$ 0.445	$ 0.45	$ 0.43
Road debt service tax rates	0.15	0.150	0.17	0.10
W-S-D debt service tax rates	0.60	0.655	0.63	0.72
Total Tax Rates per $100 Valuation	$ 1.25	$ 1.250	$ 1.25	$ 1.25
Adjusted Tax Levy	$ 3,061,882	$ 2,871,944	$ 2,527,255	$ 2,247,515
Percentage of Taxes Collected to Taxes Levied **	0.29%	99.82%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.25 on May 10, 2008

* Maximum Recreational Facilities Maintenance Tax Rate Approved by Voters: $0.10 on May 10, 2008

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

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2011--by Years
October 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 105,000	$ 4,673	$ 109,673

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2012--by Years
October 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 145,000	$ 124,199	$ 269,199
2021	150,000	120,429	270,429
2022	160,000	116,229	276,229
2023	165,000	111,589	276,589
2024	175,000	106,639	281,639
2025	180,000	101,214	281,214
2026	190,000	95,454	285,454
2027	200,000	89,184	289,184
2028	205,000	82,384	287,384
2029	215,000	75,208	290,208
2030	225,000	67,469	292,469
2031	235,000	59,368	294,368
2032	245,000	50,850	295,850
2033	255,000	41,968	296,968
2034	270,000	32,406	302,406
2035	280,000	22,280	302,280
2036	295,000	11,431	306,431
	$ 3,590,000	$ 1,308,301	$ 4,898,301

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
October 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 105,000	$ 139,035	$ 244,035
2021	110,000	136,095	246,095
2022	115,000	132,795	247,795
2023	120,000	129,345	249,345
2024	125,000	125,625	250,625
2025	130,000	121,500	251,500
2026	140,000	116,950	256,950
2027	145,000	111,840	256,840
2028	155,000	106,403	261,403
2029	160,000	100,203	260,203
2030	170,000	93,643	263,643
2031	175,000	86,630	261,630
2032	185,000	79,280	264,280
2033	195,000	71,325	266,325
2034	205,000	62,550	267,550
2035	215,000	53,325	268,325
2036	225,000	43,650	268,650
2037	235,000	33,525	268,525
2038	250,000	22,950	272,950
2039	260,000	11,700	271,700
	$ 3,420,000	$ 1,778,368	$ 5,198,368

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
October 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 140,000	$ 136,056	$ 276,056
2021	145,000	133,256	278,256
2022	150,000	130,356	280,356
2023	155,000	127,356	282,356
2024	165,000	123,869	288,869
2025	170,000	119,744	289,744
2026	175,000	115,069	290,069
2027	180,000	110,256	290,256
2028	190,000	104,856	294,856
2029	195,000	99,156	294,156
2030	205,000	93,306	298,306
2031	210,000	87,156	297,156
2032	220,000	80,856	300,856
2033	225,000	73,981	298,981
2034	235,000	66,950	301,950
2035	245,000	59,313	304,313
2036	255,000	51,350	306,350
2037	265,000	43,064	308,064
2038	270,000	33,126	303,126
2039	280,000	23,000	303,000
2040	295,000	11,800	306,800
	$ 4,370,000	$ 1,823,876	$ 6,193,876

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2015 Road--by Years
October 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 95,000	$ 98,556	$ 193,556
2021	100,000	96,656	196,656
2022	105,000	94,656	199,656
2023	110,000	92,031	202,031
2024	110,000	89,281	199,281
2025	115,000	86,531	201,531
2026	120,000	83,081	203,081
2027	125,000	79,481	204,481
2028	130,000	75,731	205,731
2029	135,000	71,831	206,831
2030	140,000	67,444	207,444
2031	145,000	62,894	207,894
2032	150,000	58,181	208,181
2033	155,000	53,306	208,306
2034	160,000	48,075	208,075
2035	170,000	42,675	212,675
2036	175,000	36,725	211,725
2037	180,000	30,600	210,600
2038	190,000	23,400	213,400
2039	195,000	15,800	210,800
2040	200,000	8,000	208,000
	$ 3,005,000	$ 1,314,935	$ 4,319,935

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
October 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 145,000	$ 164,800	$ 309,800
2021	155,000	161,175	316,175
2022	160,000	157,300	317,300
2023	165,000	153,300	318,300
2024	170,000	149,175	319,175
2025	180,000	144,075	324,075
2026	185,000	138,675	323,675
2027	195,000	133,125	328,125
2028	200,000	127,275	327,275
2029	210,000	121,275	331,275
2030	220,000	114,713	334,713
2031	225,000	107,838	332,838
2032	235,000	100,525	335,525
2033	245,000	92,888	337,888
2034	255,000	84,313	339,313
2035	265,000	75,388	340,388
2036	275,000	66,113	341,113
2037	285,000	56,488	341,488
2038	295,000	46,513	341,513
2039	310,000	36,188	346,188
2040	320,000	24,563	344,563
2041	335,000	12,563	347,563
	$ 5,030,000	$ 2,268,263	$ 7,298,263

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2017 Road--by Years
October 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 70,000	$ 77,356	$ 147,356
2021	70,000	75,956	145,956
2022	75,000	74,556	149,556
2023	75,000	72,306	147,306
2024	80,000	70,056	150,056
2025	80,000	67,656	147,656
2026	85,000	65,256	150,256
2027	90,000	62,706	152,706
2028	95,000	60,006	155,006
2029	95,000	57,156	152,156
2030	100,000	54,306	154,306
2031	105,000	51,306	156,306
2032	110,000	48,156	158,156
2033	115,000	44,719	159,719
2034	115,000	41,125	156,125
2035	120,000	37,388	157,388
2036	125,000	33,488	158,488
2037	130,000	29,425	159,425
2038	135,000	25,200	160,200
2039	140,000	20,813	160,813
2040	150,000	16,088	166,088
2041	155,000	11,025	166,025
2042	160,000	5,600	165,600
	$ 2,475,000	$ 1,101,649	$ 3,576,649

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
October 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 60,000	$ 79,963	$ 139,963
2021	65,000	78,163	143,163
2022	65,000	76,213	141,213
2023	65,000	74,263	139,263
2024	70,000	72,313	142,313
2025	70,000	70,213	140,213
2026	75,000	67,413	142,413
2027	75,000	64,413	139,413
2028	80,000	61,413	141,413
2029	85,000	58,213	143,213
2030	85,000	54,812	139,812
2031	90,000	51,412	141,412
2032	95,000	47,812	142,812
2033	95,000	44,012	139,012
2034	100,000	40,212	140,212
2035	105,000	36,212	141,212
2036	110,000	32,012	142,012
2037	115,000	28,437	143,437
2038	115,000	24,700	139,700
2039	120,000	20,962	140,962
2040	125,000	17,062	142,062
2041	130,000	13,000	143,000
2042	135,000	8,775	143,775
2043	135,000	4,387	139,387
	$ 2,265,000	$ 1,126,387	$ 3,391,387

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding--by Years
October 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 10,000	$ 93,550	$ 103,550
2021	120,000	93,250	213,250
2022	125,000	89,650	214,650
2023	135,000	85,900	220,900
2024	135,000	81,850	216,850
2025	140,000	77,800	217,800
2026	150,000	72,200	222,200
2027	155,000	66,200	221,200
2028	160,000	60,000	220,000
2029	165,000	53,600	218,600
2030	175,000	47,000	222,000
2031	180,000	40,000	220,000
2032	195,000	32,800	227,800
2033	200,000	25,000	225,000
2034	205,000	17,000	222,000
2035	220,000	8,800	228,800
	$ 2,470,000	$ 944,600	$ 3,414,600

See accompanying auditors' report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
October 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 875,000	$ 918,188	$ 1,793,188
2021	915,000	894,980	1,809,980
2022	955,000	871,755	1,826,755
2023	990,000	846,090	1,836,090
2024	1,030,000	818,808	1,848,808
2025	1,065,000	788,733	1,853,733
2026	1,120,000	754,098	1,874,098
2027	1,165,000	717,205	1,882,205
2028	1,215,000	678,068	1,893,068
2029	1,260,000	636,642	1,896,642
2030	1,320,000	592,692	1,912,692
2031	1,365,000	546,604	1,911,604
2032	1,435,000	498,460	1,933,460
2033	1,485,000	447,199	1,932,199
2034	1,545,000	392,631	1,937,631
2035	1,620,000	335,381	1,955,381
2036	1,460,000	274,769	1,734,769
2037	1,210,000	221,539	1,431,539
2038	1,255,000	175,889	1,430,889
2039	1,305,000	128,463	1,433,463
2040	1,090,000	77,513	1,167,513
2041	620,000	36,588	656,588
2042	295,000	14,375	309,375
2043	135,000	4,387	139,387
	$ 26,730,000	$ 11,671,051	$ 38,401,051

See accompanying auditors' report.

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Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-6. Change in Long-Term Bonded Debt
October 31, 2019

	Bond Issue			
	Series 2011	Series 2012	Series 2014	Series 2015
Interest rate	4.00% - 5.40%	2.00% - 3.875%	2.50% - 4.50%	2.00% - 4.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/13 - 9/1/35	9/1/14 - 9/1/36	9/1/16 - 9/1/39	9/1/16 - 9/1/40
Beginning bonds outstanding	$ 2,705,000	$ 3,730,000	$ 3,520,000	$ 4,505,000
Bonds issued				
Bonds refunded	(2,500,000)			
Bonds retired	(100,000)	(140,000)	(100,000)	(135,000)
Ending bonds outstanding	$ 105,000	$ 3,590,000	$ 3,420,000	$ 4,370,000
Interest paid during fiscal year	$ 139,360	$ 127,559	$ 141,535	$ 138,756

Paying agent's name and city	
Series 2011 and 2012	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014, 2015, 2015 Road and 2017	Amegy Bank, N.A., Houston, TX
Series 2017 Road, 2019,2019 Refunding	ZB, National Association dba Amegy Bank, Houston, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	Refunding Bonds
Amount Authorized by Voters	$ 104,000,000	$ 9,000,000	$ 80,000,000	$ 276,000,000
Amount Issued	(24,072,959)		(5,810,000)	(2,470,000)
Remaining To Be Issued	$ 79,927,041	$ 9,000,000	$ 74,190,000	$ 273,530,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balances as of October 31, 2019:	$ 1,138,362
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,600,044

See accompanying auditors' report.

Bond Issue					
Series 2015 Road	Series 2017	Series 2017 Road	Series 2019	Series 2019 Refunding	Totals
2.00% - 4.00%	2.00% - 3.75%	2.00% - 3.50%	3.00% - 4.00%	3.00% - 4.00%	
3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	
9/1/18 - 9/1/40	9/1/17 - 9/1/41	9/1/18 - 9/1/42	9/1/20 - 9/1/43	9/1/20 - 9/1/35	
$ 3,100,000	$ 5,170,000	$ 2,540,000	$ -	$ -	$ 25,270,000
			2,265,000	2,470,000	4,735,000
					(2,500,000)
(95,000)	(140,000)	(65,000)			(775,000)
$ 3,005,000	$ 5,030,000	$ 2,475,000	$ 2,265,000	$ 2,470,000	$ 26,730,000
$ 100,456	$ 168,300	$ 78,656	$ 15,770	$ 18,450	$ 928,842

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Water service	$ 314,637	$ 303,690	$ 274,620	$ 232,103	$ 194,570
Sewer service	411,164	388,244	349,183	294,488	210,006
Property taxes	1,015,501	912,062	772,551	671,706	406,822
Penalties and interest	14,018	12,509	11,295	10,632	6,535
Tap connection and inspection	55,533	62,099	98,612	181,372	99,673
Miscellaneous	4,991	11,563	8,738	8,198	8,523
Investment earnings	28,232	12,648	5,670	3,855	2,261
Total Revenues	1,844,076	1,702,815	1,520,669	1,402,354	928,390
Expenditures					
Current service operations					
Professional fees	204,948	285,512	201,338	164,693	130,808
Contracted services	269,577	264,634	263,322	260,890	169,043
Repairs and maintenance	375,194	400,299	680,119	353,436	221,666
Utilities	58,255	58,576	57,058	51,353	46,695
Regional Water Authority fees		3,000	982	2,379	1,885
Administrative	34,114	40,531	31,381	21,261	17,832
Other	6,722	2,488	5,437	3,466	2,058
Lease	78,720	78,720	78,720	39,360	
Capital outlay	583,519		68,648	409,412	29,512
Total Expenditures	1,611,049	1,133,760	1,387,005	1,306,250	619,499
Revenues Over Expenditures	$ 233,027	$ 569,055	$ 133,664	$ 96,104	$ 308,891
Total Active Retail Water Connections	652	610	584	505	419
Total Active Retail Wastewater Connections	636	597	570	493	408

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2019	2018	2017	2016	2015
17%	17%	18%	17%	21%
22%	23%	23%	21%	23%
55%	54%	51%	48%	44%
1%	1%	1%	1%	1%
3%	4%	6%	13%	11%
*	1%	1%	1%	1%
2%	1%	*	*	*
100%	100%	100%	100%	100%
11%	17%	13%	12%	14%
15%	16%	17%	19%	18%
20%	24%	45%	25%	24%
3%	3%	4%	4%	5%
	*	*	*	*
2%	2%	2%	2%	2%
*	*	*	*	*
4%	5%	5%	3%	
32%		5%	29%	3%
87%	67%	91%	94%	66%
13%	33%	9%	6%	34%

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	$ 1,836,494	$ 1,621,292	$ 1,472,558	$ 1,008,117	$ 775,037
Penalties and interest	13,204	15,127	13,110	26,961	17,116
Investment earnings	28,686	15,269	5,471	3,551	2,385
Total Revenues	1,878,384	1,651,688	1,491,139	1,038,629	794,538
Expenditures					
Tax collection services	32,340	33,391	30,496	30,785	23,442
Debt service					
Principal	775,000	760,000	605,000	450,000	195,000
Interest and fees	932,123	892,073	752,036	623,608	455,273
Debt issuance costs	123,187				
Total Expenditures	1,862,650	1,685,464	1,387,532	1,104,393	673,715
Revenues Over/(Under) Expenditures	$ 15,734	$ (33,776)	$ 103,607	$ (65,764)	$ 120,823

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2019	2018	2017	2016	2015
97%	98%	99%	97%	98%
1%	1%	1%	3%	2%
2%	1%	*	*	*
100%	100%	100%	100%	100%
2%	2%	2%	3%	3%
41%	46%	41%	43%	25%
50%	54%	50%	60%	57%
7%				
93%	102%	93%	106%	85%
7%	-2%	7%	-6%	15%

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended October 31, 2019

Complete District Mailing Address:	1980 Post Oak Boulevard, Suite 1380, Houston, TX 77056
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 31, 2018
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names:	Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Jim Forrest	5/18 - 5/22	$ 2,550	$ 1,232	President
John Remark	5/16 - 5/20	2,700	1,150	Vice President
Hilton Hitt	5/16 - 5/20	1,800	254	Assistant Secretary
Andrea Steel	5/16 - 5/20	1,800	35	Assistant Secretary
Lambert Austin	5/18 - 5/22	1,650	230	Secretary
Consultants		Amounts Paid		
Sanford Kuhl Hagan Kugle Parker Kahn LLP	2008			Attorney
General legal fees		$ 104,239		
Bond counsel		100,042		
Municipal District Services	2011	295,614		Operator
L & S District Services	2016	14,072		Bookkeeper
Utility Tax Service, LLC	2009	8,489		Tax Collector
Brazoria County Appraisal District	Legislation	17,904		Property Valuation
Sanford Kuhl Hagan Kugle Parker Kahn LLP	2010	1,523		Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	2011	164,241		Engineer
McGrath & Co., PLLC	2010	15,000		Auditor
Robert W. Baird	2015	71,848		Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
See accompanying auditors' report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY® MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100