

OFFICIAL STATEMENT DATED APRIL 26, 2021

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

THE DISTRICT WILL DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. See "TAX MATTERS - QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE – Book-Entry-Only

RATINGS: Moody's (Underlying)..... "A3"
S&P (Insured) "AA"
Moody's (Insured) "A2"
See "MUNICIPAL BOND RATINGS" herein

\$4,180,000

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 21
(A Political Subdivision of the State of Texas, located within Brazoria County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2021

Dated: June 8, 2021

Due: September 1, as shown below

The Brazoria County Municipal Utility District No. 21 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds") will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest accrues from June 8, 2021, and is payable on September 1, 2021, and each March 1 and September 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing 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 the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System." The initial paying agent/registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, (the "Paying Agent/Registrar"). The Bonds are being issued to refund all or a portion of the District's outstanding Unlimited Tax Bonds, Series 2010 and Series 2013 (the "Refunded Bonds"). See "PLAN OF FINANCING."



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. ("AGM").

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 106059 (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 106059 (b)
2021	\$130,000	3.000%	0.180%	LZ9	2029 (c)	\$275,000	2.000%	1.300%	MH8
2022	210,000	3.000%	0.200%	MA3	2030 (c)	285,000	2.000%	1.450%	MJ4
2023	220,000	3.000%	0.280%	MB1	2031 (c)	290,000	2.000%	1.580%	MK1
2024	230,000	3.000%	0.440%	MC9	2032 (c)	300,000	2.000%	1.660%	ML9
2025	235,000	3.000%	0.650%	MD7	2033 (c)	310,000	2.000%	1.720%	MM7
2026	240,000	4.000%	0.810%	ME5	2034 (c)	315,000	2.000%	1.820%	MN5
2027	250,000	3.000%	1.000%	MF2	2035 (c)	325,000	2.000%	1.870%	MP0
2028 (c)	270,000	2.000%	1.130%	MG0					

\$295,000 Term Bond due September 1, 2037 (c) (d) Interest Rate 2.000% (Yield: 2.000%) (a) CUSIP No. 106059 MR6 (b)

- (a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Underwriter (hereinafter defined), and may subsequently be changed.
- (b) CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2028, 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, 2027, or on any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Redemption Provisions." The yield on Bonds maturing on and after September 1, 2028 is calculated to the lower of yield to redemption or maturity.
- (d) In addition to being subject to optional redemption, as described above, the Term Bond is also subject to mandatory redemption by lot or other customary random selection method on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Brazoria County Municipal Utility District No. 21 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Brazoria County, the City of Pearland, the City of Alvin, or any entity other than the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued, subject to approval by the Attorney General of the State of Texas and by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the listed below (the "Underwriter") by Norton Rose Fulbright US LLP, as Underwriter's Counsel. The Bonds are expected to be available for delivery on June 8, 2021.

SAMCO Capital
RAYMOND JAMES

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not 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, resolutions, contracts, audited financial statements, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, upon payment of duplication costs.

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

The statements contained in this Official Statement, and in other information provided by the District, that are not purely historical, are forward-looking statements, including regarding the District's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such 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 "MUNICIPAL BOND INSURANCE" and "APPENDIX C - Specimen Municipal Bond Insurance Policy".

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, OR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

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POLICY

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brazoria County Municipal Utility District No. 21 (the “District”) of its Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to the Constitution and laws of the State of Texas, particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, Chapter 1207, Texas Government Code, as amended, a bond election held on August 11, 2001 approving the issuance of the Bonds, and pursuant to a resolution and a pricing certificate executed by a pricing officer as designated in the resolution (collectively, the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), a political subdivision of the State of Texas.

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Underwriter listed on the cover page of this Official Statement has agreed, subject to certain conditions, to purchase the Bonds from the District for \$4,344,285.03 (an amount equal to the par amount of the Bonds, plus a net premium in the amount of \$191,455.05, less an Underwriter’s discount of \$27,170.02).

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter prior to 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 Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the cover page. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME-TO-TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS 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 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 Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should 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.

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.....	Brazoria County Municipal Utility District No. 21 (the “District”) is a political subdivision of the State of Texas, located approximately 20 miles south of the central business district of Houston, Texas and approximately 0.25 miles east of the county line between Brazoria County and Fort Bend County. The District lies entirely within the extraterritorial jurisdiction of the City of Pearland, except for small tracts that are within the full purpose jurisdiction of the Cities of Pearland and Alvin, Texas. The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission, now the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), effective June 18, 2001. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended and other statutes of Texas applicable to municipal utility districts. The District consists of approximately 625 acres. See “THE DISTRICT.”
The Issue.....	\$4,180,000 Brazoria County Municipal Utility District No. 21 Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”) are issued pursuant to a resolution of the District’s Board of Directors (the “Bond Resolution”). In the Bond Resolution, the District’s Board of Directors delegated pricing of the Bonds to a pricing officer, who will approve a pricing certificate which contains final pricing information for the Bonds. The Bonds are serial bonds in the aggregate principal amount of \$4,180,000, maturing annually on September 1 in varying amounts in the years 2021 through 2035, both inclusive, and as term bonds maturing on September 1, 2037. Interest on the Bonds is payable on each September 1 and March 1 beginning September 1, 2021. Bonds maturing on or after September 1, 2028, are subject to redemption prior to their scheduled maturities at the option of the District on September 1, 2027, and on any date thereafter. The Bonds are offered in fully registered form in integral multiples of \$5,000 principal amount. See “THE BONDS.”
Infectious Disease Outbreak (COVID-19)	<p>The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS - Infectious Disease Outbreak (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.</p> <p>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.</p> <p>Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The Bonds are secured by an annual unlimited ad valorem tax levied by the District. A reduction in property values in the District may require an increase in the ad valorem tax rate required to pay debt service on the Bonds.</p> <p>While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District’s operations and financial condition or its ratings. See “MUNICIPAL BOND RATINGS.” The financial and operating data contained herein are the latest available, but are in some instances 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.</p>
Book-Entry-Only	The Bonds are initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, which

	will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See “THE BONDS - Book-Entry-Only System.”
Tax-Exemption	In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative tax on individuals. See “TAX MATTERS - Qualified Tax-Exempt Obligations.”
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount. The Bonds are obligations of the District, and are not obligations of the State of Texas, Brazoria County, the City of Pearland, the City of Alvin or any entity other than the District. See “THE BONDS - Source of Payment.”
Authorized but Unissued Bonds	After sale of the Bonds, a total of \$30,999,233.10 principal amount of unlimited tax refunding bonds will remain authorized but unissued. See “THE BONDS - Issuance of Additional Debt.”
Use of Proceeds	Proceeds from the sale of the Bonds, together with certain other legally available funds, will be used to currently refund an aggregate principal amount of \$4,145,000 of all or a portion of the District’s outstanding Unlimited Tax Bonds, Series 2010 and Series 2013 as indicated in “APPENDIX B” hereto (the “Refunded Bonds”), and to pay the costs of issuance of the Bonds. See “SOURCES AND USES OF FUNDS” and “APPENDIX B - Schedule of Refunded Bonds.”
Municipal Bond Ratings and Insurance.....	The District has applied to Moody’s Investors Service (“Moody’s”) for an underlying rating and Moody’s has assigned an underlying rating of “A3” on the Bonds. Additionally, S&P Global Ratings Services, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), and Moody’s have assigned their municipal bond ratings of “AA” and “A2,” respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. (“AGM”). The ratings reflect the view of S&P and Moody’s and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P and/or Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. The purchase of such insurance and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, will be at the expense of the District. See “MUNICIPAL BOND RATINGS” AND “MUNICIPAL BOND INSURANCE.”
Qualified Tax-Exempt Obligations	The District will designate the Bonds as “qualified tax-exempt obligations” within the meaning of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations.”
Status of Development..	The District is one of two municipal utility districts that make up the approximately 1,250 acre master-planned community known as Lakes of Savannah. The original acreage of the District was 590.17 acres, and grew to almost 625 acres through three annexations; 43.95 of those acres are undevelopable and include thoroughfares, drainage easements, parks and recreational facilities, and water and wastewater facilities. All acres available for residential development have been built out, and there remains only 13.18 acres intended for commercial use that have been developed with water, sanitary sewer and drainage facilities. As of February 13, 2021, there were 1638 connections, the majority being occupied single-family residences. See “DEVELOPMENT WITHIN THE DISTRICT - Status of Development” and “- Future Development.”
Payment Record.....	The Bonds are the fourth installment of refunding bonds issued by the District. The District has never defaulted in the payment of principal or interest on any outstanding Bonds. See “TAX DATA - Total Outstanding Bonds.”
Legal Opinion.....	Allen Boone Humphries Robinson LLP, Houston, Texas. See “LEGAL MATTERS.”

Underwriter's Counsel.. Norton Rose Fulbright US LLP, Houston, Texas.

Engineer..... LJA Engineering, Inc., Houston, Texas.

Financial Advisor RBC Capital Markets, LLC, Houston, Texas.

THE BONDS INVOLVE CERTAIN INVESTMENT CONSIDERATIONS, AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION

2020 Certified Taxable Assessed Valuation	\$364,570,225 (a)
Estimated Taxable Assessed Valuation at March 1, 2021	\$386,948,140 (b)
Direct Debt Outstanding (including the Bonds, excluding Refunded Bonds)	\$27,970,000
Estimated Overlapping Debt	<u>29,614,528</u>
Total	\$57,584,528
Direct Debt Ratios:	
as a percentage of 2020 Certified Taxable Assessed Valuation	7.67%
as a percentage of Estimated Taxable Assessed Valuation at March 1, 2021	7.23%
Direct and Overlapping Ratios:	
as a percentage of 2020 Certified Taxable Assessed Valuation	15.80%
as a percentage of Estimated Taxable Assessed Valuation at March 1, 2021	14.88%
General Fund Balance (as of April 19, 2021)	6,113,345
Debt Service Fund (as of April 19, 2021)	4,774,195 (c)
2020 Tax Rate	
Maintenance & Operations	\$0.32734
Debt Service Tax Rate	<u>\$0.75000</u>
Total	\$1.07734
Average Annual Debt Service Requirements (2021/2040) ("Average Annual Requirement")	\$1,802,005
Maximum Annual Debt Service Requirements (2028) ("Maximum Annual Requirement")	\$2,711,675
Tax rate required to pay Average Annual Requirement based upon:	
2020 Certified Taxable Assessed Valuation at 95% collections	\$0.53
March 1, 2021 Estimated Taxable Assessed Valuation at 95% collections	\$0.50
Tax rate required to pay Maximum Annual Requirement based upon:	
2020 Certified Taxable Assessed Valuation at 95% collections	\$0.79
March 1, 2021 Estimated Taxable Assessed Valuation at 95% collections	\$0.74
Estimated District Population	5,611 (d)
Ratio of Direct and Estimated Overlapping Debt per Capita	\$10,264

(a) As certified by the Brazoria County Appraisal District ("BCAD"). See "TAXING PROCEDURES."

(b) Provided by BCAD for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of March 1, 2021, and includes an estimate of value resulting from the construction of taxable improvements from January 1, 2020 through February 28, 2021. No taxes will be levied against this amount.

(c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the District's debt service fund.

(d) Based upon 3.5 residents per occupied single-family residential connection.

OFFICIAL STATEMENT

relating to

\$4,180,000

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 21 UNLIMITED TAX REFUNDING BONDS SERIES 2021

INTRODUCTION

The Official Statement provides certain information in connection with the issuance of the Brazoria County Municipal Utility District No. 21 Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to the Constitution and laws of the State of Texas, particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, Chapter 1207, Texas Government Code, as amended, an election held within the District, and pursuant to a resolution (the “Bond Resolution”), adopted by the Board of Directors (the “Board”) of the District, a political subdivision of the State of Texas located within Brazoria County, Texas.

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

PLAN OF FINANCING

Purpose

The proceeds from the sale of the Bonds, together with certain other legally available funds, will be used to currently refund a portion of the District’s outstanding bonds (the “Refunded Bonds”) and to pay costs of issuance of the Bonds. The schedule of Refunded Bonds is shown in “APPENDIX B – Schedule of Refunded Bonds.” By refunding the Refunded Bonds, the District will achieve a net present value savings in the District’s annual debt service expense.

Remaining Outstanding Bonds

The following table lists the original principal amount of the bonds issued by the District, the current principal balance of such bonds, the Refunded Bonds and the outstanding remaining bonds of the District (the “Remaining Outstanding Bonds.”)

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Currently Outstanding</u>	<u>Refunded Bonds</u>	<u>Remaining Outstanding Bonds</u>
2010	\$2,410,000	\$1,835,000	\$1,835,000	-
2013	3,000,000	2,410,000	2,310,000	\$100,000
2013 (a)	8,015,000	5,105,000	-	5,105,000
2014	8,290,000	7,040,000	-	7,040,000
2015 (a)	4,710,000	3,300,000	-	3,300,000
2016 (a)	5,715,000	4,685,000	-	4,685,000
2016A	3,955,000	3,560,000	-	3,560,000
2021 (a) (b)	4,180,000	-	-	4,180,000
Total	<u>\$40,275,000</u>	<u>\$27,935,000</u>	<u>\$4,145,000</u>	<u>\$27,970,000</u>

(a) Refunding Bonds.

(b) The Bonds.

Escrow Agreement

The Refunded Bonds, and interest due thereon, will be paid on their scheduled interest payment dates and the dates chosen for redemption from funds to be deposited with The Bank of New York Mellon Trust, N.A., Dallas, Texas, as escrow agent (the “Escrow Agent”) pursuant to the escrow agreement (the “Escrow Agreement”) to be effective on the date of delivery of the Bonds (expected on or about June 8, 2021). The Bond Resolution provides that proceeds from the sale of the Bonds, plus certain other legally available funds, will be deposited by the District with the Escrow Agent in an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, which include direct noncallable obligations of the United States and/or noncallable obligations of an agency or instrumentality of the United States rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and guaranteed by the full faith and credit of the United States of America (the “Escrowed Obligations”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

At the time of delivery of the Bonds to the Underwriter, Public Finance Partners LLC will verify mathematical calculations to the effect that the cash and Escrowed Securities deposited with the Escrow Agent are sufficient to pay the principal of and interest on the Refunded Bonds on the appropriate redemption dates. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

By the deposit of the cash and Escrowed Obligations with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolution authorizing the issuance of the Refunded Bonds. In the opinion of Allen Boone Humphries Robinson LLP (“Bond Counsel”), as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

SOURCES AND USES OF FUNDS

The proceeds derived from the sale of the Bonds, together with certain other legally available funds, will be applied approximately as follows:

Sources of Funds:	
Par Amount of Bonds.....	\$4,180,000.00
Net Original Issue Premium.....	<u>191,455.05</u>
Total Sources of Funds.....	\$4,371,455.05
Uses of Funds:	
Escrow Deposit	\$2,348,354.00
Cash Deposit	1,859,269.21
Underwriter’s Discount	27,170.02
Costs of Issuance and Insurance Premium	<u>136,661.82</u>
Total Uses of Funds.....	\$4,371,455.05

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated June 8, 2021, and will mature on the dates and in the amounts shown under “PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. Interest on the Bonds is payable on each September 1 and March 1 (“Interest Payment Date”), beginning September 1, 2021. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid through The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, (the “Paying Agent/Registrar”). Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new registrar shall act in the same capacity as the previous registrar. Any new registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States or of any State, and authorized under such laws to perform the duties of paying agent and registrar for the Bonds.

Book-Entry-Only System

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of the Bonds (“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 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the Record Date (hereinafter defined). 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).

Redemption proceeds, principal, and interest payments, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or 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 nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, Maturity Amounts, 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 Issuer 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor depository is not obtained, the Bonds are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered. Discontinuation of the Book-Entry-Only-System by the District may require Participant approval under DTC operational arrangements.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriter believe to be reliable, but the Issuer, the Financial Advisor and the Underwriter take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the District will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to the District, or the persons for which they act as nominees.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Resolution and summarized under "THE BONDS - Transfer, Exchange and Registration". Discontinuance by the District of the DTC System of book-entry-only transfers may require the consent of DTC Participants under DTC Operational Arrangements.

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 Book-Entry-Only 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-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Underwriter.

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, 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 Resolution, 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 City of Pearland, Texas, the City of Alvin, Texas, or any entity other than the District.

Authority for Issuance

Voters have authorized issuance of \$50,000,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities, \$32,500,000 principal amount of unlimited tax refunding bonds, \$4,500,000 principal amount of unlimited tax bonds for parks and recreational facilities, and \$1,000,000 principal amount of unlimited tax bonds for fire improvements. The Bonds constitute the fourth issuance of unlimited tax refunding bonds. After sale of the Bonds, a total of \$30,999,233.10 principal amount of unlimited tax refunding bonds will remain authorized but unissued, in addition to the \$4,500,000 principal amount of unlimited tax park bonds, \$9,150,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities, and \$1,000,000 principal amount of unlimited tax bonds for fire improvements. See "Issuance of Additional Debt."

Funds

In the Bond Resolution, the District confirms the debt service fund. The proceeds from all taxes levied, assessed and collected for and on account of the Bonds shall be deposited, as collected, in the district's debt service fund and used only for the purpose of paying principal of and interest on the Bonds.

No Arbitrage

The District will certify as of the date of delivery of the Bonds that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Moreover, the District will covenant that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including without limitation, calculating the yield on the Bonds as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2027, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be determined by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures, while the Bonds are in book-entry only form). If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000.

Mandatory Redemption: The Bonds due on September 1 in the year 2037 (the “Term Bonds”) are also subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

Term Bonds Due September 1, 2037	
Mandatory Sinking Fund Redemption Date (September 1)	Principal Amount
September 1, 2036	\$145,000
September 1, 2037 (maturity)	150,000

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 Bond 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 Bond or portions of the Term Bond 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 any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to 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 under this sentence.

Notice of any redemption identifying the Bonds to be redeemed in whole or from time-to-time in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or from time-to-time in part at the address shown on the register.

Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or from time-to-time in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Transfer, Exchange and Registration

So long as any Bonds remain outstanding, the Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the payment office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond in proper form for transfer, the Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented. The Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The District or the Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

Replacement of Bonds

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

Issuance of Additional Debt

The District has \$9,150,000 principal amount of unlimited tax bonds authorized but unissued for water, sewer and drainage facilities. The District will have \$30,999,233.10 in unlimited tax refunding bonds authorized but unissued after the issuance of the Bonds.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

Before issuing any additional bonds for water, sewer, and drainage facilities, the District would have to obtain approval of the Commission for the issuance of such bonds and the projects to be financed thereby. In addition to the above-mentioned bonds, the District has the right to issue such additional tax bonds or combination tax and revenue bonds as may be hereafter approved by the voters of the District.

The District also has the right to issue revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such contracts, provided the provisions of the contract are approved by the voters of the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purposes. Before the District can issue such bonds, the District must obtain (a) approval of the issuance of bonds by the Commission; and (b) approval of the bonds by the Attorney General. The District has adopted a fire plan, received Commission approval of the plan, and called an election for such purposes, which was approved by the District's voters. See "STRATEGIC PARTNERSHIP AGREEMENT AND FIRE SERVICES."

The District is authorized by statute to develop parks and recreational facilities, including issuing bonds payable from taxes for such purpose. Before the District can issue recreational facilities bonds payable from taxes, the following are required: (a) consent to the issuance of bonds for parks and recreational facilities by the City of Pearland; (b) approval of the park project and bonds by the Commission; and (c) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, under current Texas law, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District at the time of issuance. The District prepared a park plan and on February 5, 2005, and held an election which authorized the issuance of \$4,500,000 principal amount of unlimited tax bonds to finance parks and recreational facilities, none of which has yet been issued. The issuance of additional bonds could dilute the investment security for the Bonds.

Remedies in Event of Default

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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution 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. Based on recent Texas court decisions, such provisions of the Texas Water Code do not waive immunity for suits for money damages. Even if a judgment against the District for money damages could be 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 State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to the Texas Bond Procedures Act, Chapter 1201, Texas Government Code, as amended, and Section 49.186 Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than “A” or its equivalent to be legal investments for such entity’s funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current 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 and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision 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.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Brazoria County, the City of Pearland, the City of Alvin or any other entity. The Bonds, equally and ratably with future bonds, are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See “THE BONDS - Source of Payment.” The investment quality of the Bonds depends on the ability of the District to collect from the property owners all taxes levied against their property or, in the event of foreclosure, the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The

District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. See “Registered Owners’ Remedies” and “Tax Collections.”

Factors Affecting Taxable Values and Tax Payments

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 declared the Pandemic a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “Disaster Declarations”).

Since the Disaster Declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property values within the District. See “Factors Affecting Taxable Values and Tax Payments” herein. 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 is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition or its ratings. See “MUNICIPAL BOND RATINGS.” The financial and operating data contained herein is the latest available but is largely of date end for the periods prior to the economic impact of the Pandemic and the measures instituted to control the Pandemic. Accordingly, the data is not indicative of the economic impact of the Pandemic on the District’s financial condition. For more information regarding the District’s current fund balances, see “TAX DATA - Cash and Investment Balances (Unaudited at April 19, 2021)”.

Potential Effects of Oil Price Fluctuations on the Houston Area: The recent volatility in oil prices in the U.S. and globally, which at times have led to the lowest 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 Greater Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their collateral impact to other industries could result in declines in the demand for residential and commercial property in the Greater Houston area and could reduce or negatively affect property values or homebuilding activity within the boundaries of the District. As previously stated, the Bonds are secured by the proceeds of an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to make such payments as well as the District’s operations and maintenance expenses payable from ad valorem taxes.

Extreme Weather Events

Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500- year flood” events) since 2015. Hurricane Harvey made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. According to the District’s engineer, there was no interruption of water and sewer service during or after the storm, and the system did not sustain any material damage from Hurricane Harvey.

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed

values within the District would be adversely affected.

Specific Flood Type 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.

Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, foreclosure levels, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and homebuilders are able to obtain financing for development and construction costs. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies.

The Houston area is particularly dependent upon the energy industry, and continued lower oil and gas prices could adversely affect the demand for and values of single-family housing in the Houston area.

Competition: The demand for single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in neighborhoods closer to downtown Houston that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

The competitive position of a developer in the sale of developed lots and of homebuilders in the construction of single-family residential houses within the District 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 a developer will be implemented or, if implemented, will be successful.

Maximum Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2020 Assessed Valuation of the District is \$364,570,225 and the Estimated Valuation as of March 1, 2021 is \$386,948,140 (see "TAX DATA"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$2,711,675 (2028), and the Average Annual Debt Service Requirement, on a calendar year basis, will be \$1,802,005 (2021 through 2040, inclusive). Assuming no increase or decrease from the 2020 Assessed Valuation and no use of funds on hand, a debt service tax rate of \$0.79 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and a debt service tax rate of \$0.53 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement. Assuming no increase or decrease from the Estimated Valuation as of March 1, 2021 and

no use of funds on hand, a debt service tax rate of \$0.74 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and a debt service tax rate of \$0.50 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement. See “DEBT SERVICE REQUIREMENTS” and “TAX DATA- Tax Adequacy for Debt Service.” Property within the District also is subject to taxes levied by other political subdivisions. See “TAX DATA - Estimated Overlapping Debt Statement.”

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The District has \$9,150,000 principal amount of unlimited tax bonds authorized but unissued for water, sewer and drainage facilities. The District will have \$30,999,233.10 in unlimited tax refunding bonds authorized but unissued after the issuance of the Bonds. The issuance of additional obligations may increase the District’s tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, sewer and drainage purposes, if authorized by the District’s voters, is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations or flood plain mapping could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS - Issuance of Additional Debt.”

Tax Collections

The District’s ability to make debt service payments on the Bonds may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on 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 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 procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer’s right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six months of foreclosure for commercial and other 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. Because ownership of the land within the District will become highly fragmented among a large number of taxpayers, attorney’s fees and other costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners’ Remedies

Pursuant to Texas law, the Bond Resolution provides that if the District defaults in the payment of the principal of or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in the Bond Resolution, then the Registered Owners shall be entitled to seek a writ of mandamus from a court of proper jurisdiction to compel the District to perform its obligations or levy adequate taxes to make principal or interest payments on the Bonds. Such remedy would have to be exercised upon each separate default and may prove costly, time-consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, to protect the interests of the bondholders, and all legal actions to enforce such remedies would have to be taken at the initiative of, and be financed by, the Registered Owners. The Bond Resolution does not provide for acceleration of maturity of the Bonds upon any default; consequently, the remedy of mandamus may have to be relied upon from year to year. Texas courts have held that districts such as the District are immune from suits for money damages under the doctrine of sovereign immunity. Further, if a judgment in such a suit could be obtained, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditor’s rights generally. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

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.

Marketability

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

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including

assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

(5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Unknown future costs associated with these compliance activities may be significant in the future.

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific

categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR is effective June 22, 2020, and is currently the subject of ongoing litigation.

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

Changes in Tax Legislation

Certain tax legislation, 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.

Texas Legislative Session

The Texas Legislature convenes in regular session every two years. The 87th Texas Legislature convened in regular session on January 12, 2021, which will end May 31, 2021. Thereafter, the Governor may call one or more additional special sessions each of which may last no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature may consider bills that could adversely affect the District and its operation or the administrative agencies that oversee the District.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission, now the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”), dated June 18, 2001, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervisory jurisdiction of the Commission.

Authority

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is authorized by statute to develop parks and recreational facilities, including issuing bonds payable from taxes for such purpose. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, including issuing bonds payable from taxes for such purpose. See “STRATEGIC PARTNERSHIP AGREEMENT AND FIRE SERVICES.”

The District is required to observe certain requirements of the City of Pearland which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage, park and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Pearland of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Pearland and filed in the real property records of Brazoria County. Construction and operation of the District’s drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE SYSTEM.”

Description

The District is located approximately 20 miles south of the central business district of Houston, Texas, and approximately 0.25 mile east of the county line between Brazoria County and Fort Bend County. The District is located entirely within the extra-territorial jurisdiction of the City of Pearland, except for small tracts that are within the full purpose jurisdiction of the Cities of Pearland and Alvin, Texas. The District consists of approximately 625 acres.

Community Facilities

Community facilities available in the general geographic area of the District are set forth below:

Churches: No churches are currently located in the District; however, churches of all major denominations are located in the cities of Pearland and Houston.

Employment Centers: Major employment centers include downtown Houston, the Texas Medical Center, the Clear Lake/NASA area, Hobby Airport and the Port of Houston.

Fire Protection: Fire protection to residents of the District is provided by Brazoria County Emergency Services District No. 3. See “STRATEGIC PARTNERSHIP AGREEMENT AND FIRE SERVICES.”

Medical Facilities: Major medical facilities are located in the Texas Medical Center approximately 18 miles north of the District. Additionally, numerous doctors offices, clinics and regional medical facilities are located in the Pearland area.

Other Utilities: Electric service for District facilities is provided by Hudson Energy and natural gas is provided by CenterPoint Energy. Local telephone service is provided by Frontier Communications and AT&T as part of its Houston metropolitan system.

Recreational Facilities: Recreational facilities in the District include a clubhouse and swimming pool complex, a central park facility equipped with children’s play equipment, pocket parks, a half-court basketball court and walking/jogging trails throughout the development.

Schools: Land in the District is located within the Alvin Independent School District, which provides bus service to all students within its boundaries residing more than two miles from the school. Students residing in the District would attend the following schools:

<u>School</u>	<u>Approximate Distance from District</u>
Savannah Lakes Elementary	0.1 miles
Don Jeter Elementary School	2.0 miles
Manvel Junior High School	5.0 miles
Manvel High School	5.0 miles

Shopping and Banking Facilities: Neighborhood shopping facilities are located in the City of Pearland. Major shopping malls located within a 20 minute drive from the District include First Colony Mall, Pearland Town Center and Baybrook Mall.

THE DEVELOPER

Role of the 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 subdivisions, designing the utilities and streets to be constructed in the subdivisions, 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 Commission, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer to perform such activities in development of property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a municipal utility district. A developer is generally under no obligation to a district to develop the property which it owns. 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 usually the major taxpayer within a municipal utility district during the initial development phase of the property.

The Developer has made no commitments for payment of debt service on the Bonds. The Developer and other owners of property located in the District are legally responsible only for payment of ad valorem taxes levied by the District and other taxing authorities on the property they own. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

The Developer

The primary developer of land within the District is Savannah Development Ltd., a Texas limited partnership (the “Developer”). The sole general partner of the Developer is Lennar Texas Holding Company, a Texas corporation. Lennar Texas Holding Company is wholly-owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Its activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States.

Lennar Homes of Texas Land and Construction, a Texas limited partnership, d/b/a Friendswood Development Company (“FDC”) is managing the development in the District. FDC’s sole general partner also is Lennar Texas Holding Company.

The Developer is also the majority landowner of the land within Brazoria County Municipal Utility District No. 22, which is adjacent to the District on its northern boundary and is a part of the Lakes of Savannah master-planned community.

In addition to Savannah, FDC is the developer in the master-planned communities of Kingwood, West Ranch, Lakemont, Graystone Hills, Wildwood at Northpointe and Fairfield, as well as numerous smaller communities, including Bay Colony West, Clearview Village, Hidden Creek, Falls at Green Meadows and other communities.

DEVELOPMENT WITHIN THE DISTRICT

Status of Development

The District is one of two municipal utility districts that make up the approximately 1,250 acre master-planned community known as Lakes of Savannah. The original acreage of the District was 590.17 acres and has grown to almost 625 acres through three annexations; 43.95 of those acres are undevelopable and include thoroughfares, drainage easements, parks and recreational facilities, and water and wastewater facilities. All acres available for residential development have been built out and there remains only 13.18 acres of commercial acreage left to be developed.

As of February 13, 2021, there were a total of 1638 connections: 1603 occupied single-family connections, 5 vacant residential connections, and 1 vacant lot. The remaining 29 connections are made up of District meters, HOA facilities, an elementary school, a fire line, and miscellaneous commercial connections.

Future Development

Approximately 13.18 acres of developable land remains in the District, intended for commercial use, which have been developed with water, sanitary sewer and drainage facilities. The District can make no representation that any future development will occur within the District. In the event that future development does occur within the District, it is anticipated that the development costs will be financed through the sale of future bond issues.

THE SYSTEM

Regulation

According to the District’s Engineer, the District’s water distribution, wastewater collection and drainage facilities (the “System”) have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. Construction of the System is subject to the regulatory authority of Brazoria County and the Brazoria County Drainage District No. 4, the Federal Emergency Management Agency and, in some instances, the Commission, the U.S. Army Corps of Engineers and the City of Pearland, Texas. According to the District’s Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the Commission, where required.

Operation of the District’s System as it now exists or as it may be expanded from time to time is subject to regulation by, among others, the United States Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions, which could in turn require additional expenditures by the District in order to achieve compliance with the regulatory requirements.

Water, Sanitary Sewer and Drainage System

Source of Water Supply: The District currently owns a water plant that includes a 1,300 gallon per minute main well, a 1,500 gallon per minute backup well, hydropneumatic tanks with 55,000 gallons of capacity, two 250,000 gallon and one 500,000 ground storage tanks, and booster pumps with a 5,700 gallon per minute capacity. The current total capacity of the water plant is sufficient to serve approximately 2,850 connections, a portion of which are contracted to Brazoria County Municipal Utility District No. 22 (“BC MUD 22”). The District will require additional improvements to the water plant in order to complete the balance of the development, which includes BC MUD 22.

The District previously owned and operated a 300 gallon per minute backup well. Due to production limitations, the well was plugged and abandoned. The District does not currently have any emergency interconnect agreements with neighboring entities. However, the District’s construction of Remote Water Well No. 1 provides a second source of water to maintain the TCEQ minimum water supply to the District in the event of an emergency.

Source of Wastewater Treatment: The District owns a 750,000 gallon per day (“gpd”) packaged wastewater treatment plant. The TCEQ has previously approved a reduced wastewater flow rating of 224 GPD per ESFC; therefore, the existing plant will provide capacity to serve 3,348, ESFCs. The District will require additional expansions to the treatment plant in order to complete the balance of development (including BC MUD 22). The District makes no representation when, or if, such expansions shall occur or what the terms of such expansions, if any, will ultimately be.

The District has contracted to participate with the City of Pearland in regional water and wastewater facilities at a future date. When the packaged wastewater treatment plant’s capacity reaches 90% of 750,000 gpd, serving both the District and BC MUD 22, the capacity served by the packaged wastewater treatment plant is required to be replaced with permanent capacity and the City may participate in upsizing the permanent plant to serve areas outside the two districts. In addition, the District will be required to participate in the costs of City water trunkline construction when the City chooses to construct such trunklines to serve the District; provided that the District’s cost share will be limited to capacity actually required to serve the District, taking existing capacity into account. See “STRATEGIC PARTNERSHIP AGREEMENT AND FIRE SERVICES.”

Certificate of Convenience and Necessity: The District is located in the ETJ of the City of Pearland, an area for which the City of Pearland currently maintains a Certificate of Convenience and Necessity (“CCN”) for retail water and wastewater services. In cooperation with the City of Pearland, the District acquired a CCN for water and wastewater services within the District, concurrent with the City of Pearland and is authorized thereby to provide such services in the District.

100 Year Flood Plain

No portion of the District lies within the 100-year floodplain as delineated by the current Flood Insurance Rate Map (FIRM), Map Panels 48039C0110H, 48039C0020H, 48039C0105H, and 48039C0015H (revised June 5, 1989), Brazoria County, Texas and Incorporated Areas.

STRATEGIC PARTNERSHIP AGREEMENT AND FIRE SERVICES

In 2001, the District and the City of Pearland entered into a Strategic Partnership Agreement, amended in 2014 (the “SPA”), pursuant to Section 43.0751 of the Texas Local Government Code. The District has agreed to cooperate with the City of Pearland for permanent regional wastewater facilities, to commence once the temporary wastewater capacity leased or utilized by the District and Brazoria County Municipal Utility District No. 22 (“BC MUD 22”) combined exceeds 750,000 gallons per day of treatment capacity. When the two districts’ average daily flow reaches 75 percent of such capacity, design will begin of permanent facilities, and will commence construction when flows reach 90 percent. In any event, the districts are obligated to commence construction of the permanent facilities prior to lowering their tax rates below \$1.00 per \$100 valuation. The City is authorized to construct or enlarge phases of the wastewater facilities to serve areas outside the districts.

The District’s ultimate water capacity will be provided by the City of Pearland through City 12-inch and 16-inch trunk lines, the costs of which will be borne by the District in proportion to the ultimate needs of the District, taking into account existing water supplies at the time of construction. Although the SPA required the District to size its water plant site to accommodate a 500,000 gallon elevated storage tank, the District is not required to fund or construct the tank.

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

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

Fire/EMS services. According to a Fire/Emergency Medical Services (“EMS”) Agreement (the “City Agreement”) between the District, the City and BC MUD 22, effective September 19, 2002, the District and the City will cooperate to provide fire and EMS services to the District, and the residents of the District will pay a monthly fee to the City for such services. The City Agreement provides for fire and EMS services to be provided by the Pearland Volunteer Fire Department and the City. The District received approval of a fire plan by the TCEQ, and in accordance with the Texas Water Code, the District held an election on September 13, 2003, in which the fire plan, including the issuance of unlimited tax bonds in the maximum amount of \$1,000,000, was approved by the voters of the District. The District has constructed, in conjunction with the neighboring BC MUD 22, a fire/EMS facility (the “Station”) located within BC MUD 22 to serve the District and surrounding areas. The Station is owned by the District on behalf of itself and BC MUD 22.

On December 23, 2019, the District entered into an Interlocal Agreement for Emergency Services (the “Interlocal Agreement”) with Brazoria County Emergency Services District No. 3 (“ESD 3”) and BC MUD 22. Under the Interlocal Agreement, beginning on January 1, 2020 (the “Effective Date”), EDS 3 will provide fire and EMS services to the District, including through the staffing of the Station, and the District will pay an annual fee, payable in quarterly installments, to ESD 3 for such services. The initial term of the Interlocal Agreement is 24 months from the Effective Date, and it will be automatically renewed every two years unless terminated by any party. The District, BC MUD 22, and the City terminated the City Agreement by mutual agreement, effective December 31, 2019.

Sales Tax. The City is authorized to impose sales and use taxes on commercial areas within the boundaries of the District.

ASSET AND LIABILITY ALLOCATION AGREEMENT BETWEEN PEARLAND AND ALVIN

A portion of the District comprising approximately two (2) acres lies in the full-purpose jurisdiction of the City of Alvin, Texas and the City of Pearland, Texas. Pursuant to Sec. 43.076(c), Texas Local Government Code, when a municipal utility district lies within the boundaries of two (2) municipalities, the municipalities and the district will agree to an allocation of the assets and liabilities of the district upon its annexation and dissolution. By agreement between the City of Pearland, the City of Alvin, and the District, the Pearland portion of the District represents the entirety of developable land within the District, and therefore, any taxable value, and the assets and liabilities of the District attributable to the Alvin portion of the District, are found by the parties to be and shall continue to be negligible. As a result, upon the dissolution of the District, Alvin will be allocated no assets or liabilities of the District, and Alvin shall have no responsibility for the payment of principal and interest with respect to the Bonds.

DISTRICT BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
August 11, 2001	Water, Sanitary Sewer & Drainage	\$50,000,000.00	\$40,850,000.00	\$ 9,150,000.00
August 11, 2001	Refunding	\$32,500,000.00	\$ 1,500,766.90 (a)	\$30,999,233.10
September 13, 2003	Fire Improvements	\$ 1,000,000.00	-	\$ 1,000,000.00
February 5, 2005	Parks and Recreational Facilities	\$ 4,500,000.00	-	\$ 4,500,000.00

(a) Includes the Bonds.

TAX DATA

2020 Assessed Valuation (100% of taxable value as of January 1, 2020).....	\$364,570,225 (a)
Estimated Valuation as of March 1, 2021.....	\$386,948,140 (b)
Direct Debt (including the Bonds, excluding the Refunded Bonds).....	\$27,970,000
Ratio of Direct Debt to 2020 Assessed Valuation	7.67%
Ratio of Direct Debt to Estimated Valuation as of March 1, 2021	7.23%

Area of District: 625 acres

Estimated Population: 5,611 (c)

(a) As certified by the Brazoria Central Appraisal District ("BCAD"). See "TAXING PROCEDURES."

(b) Provided by BCAD for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of March 1, 2020, and includes an estimate of value resulting from the construction of taxable improvements from January 1, 2020 through February 28, 2021. No taxes will be levied against this amount.

(c) Based upon 3.5 residents per occupied single-family residential connection.

Total Outstanding Bonds

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Currently Outstanding</u>	<u>Refunded Bonds</u>	<u>Remaining Outstanding Bonds</u>
2010	\$2,410,000	\$1,835,000	\$1,835,000	-
2013	3,000,000	2,410,000	2,310,000	\$100,000
2013 (a)	8,015,000	5,105,000	-	5,105,000
2014	8,290,000	7,040,000	-	7,040,000
2015 (a)	4,710,000	3,300,000	-	3,300,000
2016 (a)	5,715,000	4,685,000	-	4,685,000
2016A	3,955,000	3,560,000	-	3,560,000
2021 (a) (b)	4,180,000	-	-	4,180,000
Total	<u>\$40,275,000</u>	<u>\$27,935,000</u>	<u>\$4,145,000</u>	<u>\$27,970,000</u>

(a) Refunding Bonds.

(b) The Bonds.

Cash and Investment Balances (Unaudited at April 19, 2021)

General Fund	Cash and Temporary Investments	\$ 6,113,345
Debt Service Fund (a)	Cash and Temporary Investments	\$ 4,774,195

(a) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service fund.

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, unless otherwise indicated, from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds 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 for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Body (a)	Gross Outstanding Debt	As of	% of Overlapping	Overlapping Gross Debt
			Gross Debt	
Alvin CCD	\$26,515,000	03/31/2021	2.78%	\$737,117
Alvin ISD	882,360,000	03/31/2021	3.17%	27,970,812
Brazoria Co.	135,313,313	03/31/2021	0.67%	906,599
TOTAL ESTIMATED OVERLAPPING DEBT				\$29,614,528
Brazoria Co. Municipal Utility District No. 21 (b)				\$27,970,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$57,584,528
Ratio of Direct and Estimated Overlapping Debt to 2020 Certified Taxable Assessed Value				15.80%
Ratio of Direct and Estimated Overlapping Debt to March 1, 2021 Estimated Value				14.88%
Ratio of Estimated Direct and Overlapping Debt per Capita (c)				\$10,264

- (a) Taxing jurisdictions with outstanding general obligation debt.
(b) Includes the Bonds.
(c) Based upon 3.5 residents per occupied single-family residential connections.

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 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 of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or other general revenue purposes.

Set forth below is an estimation of the taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2020 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Overlapping Entity</u>	<u>2020 Tax Rate per \$100 Assessed Valuation</u>
Brazoria County	\$0.342017
Brazoria County Drainage District No. 4	0.146000
Alvin Community College District	0.183443
Alvin Independent School District	1.397700
Road & Bridge Fund	0.050000
The District	<u>1.077340</u>
Total	\$3.196500

Classification of Assessed Valuation

The following represents the type of property comprising the 2016-2020 tax rolls:

	2020(a)	2019(a)	2018(a)	2017(a)	2016(a)
Land	\$49,472,044	\$48,693,734	\$48,679,174	\$48,624,885	\$48,622,314
Improvements	346,472,444	320,339,319	318,553,585	317,462,021	313,947,155
Personal Property	10,100,800	7,402,250	7,041,840	6,836,380	5,354,670
Exemptions	(41,475,063)	(35,551,220)	(33,109,246)	(17,764,007)	(26,953,071)
Total	\$364,570,225	\$340,884,083	\$341,165,353	\$355,159,279	\$340,971,068

(a) As certified by the Brazoria Central Appraisal District ("BCAD"). See "TAXING PROCEDURES."

Tax Collections

Tax Year	Assessed Valuation (a)	Tax Rate	Total Levy (a)	Collections as of Tax Year End (a)		Total Collections Through March 31, 2021 (a)	
				Amount	%	Amount	%
2016	340,971,068	1.20000	4,091,658	4,077,065	99.64%	4,087,271	99.89%
2017	355,159,279	1.14000	4,049,354	4,023,603	99.36%	4,044,094	99.87%
2018	341,165,353	1.12000	3,821,052	3,802,648	99.52%	3,811,109	99.74%
2019	340,884,083	1.12000	3,817,902	3,800,459	99.54%	3,810,653	99.81%
2020	364,570,225	1.07734	3,927,123	3,839,631	97.77%	3,839,641	97.77%

(a) Unaudited.

District Tax Rate

	2020	2019	2018	2017	2016
Debt Service:	\$0.75000	\$0.76000	\$0.72000	\$0.74000	\$0.85000
Maintenance and Operations:	0.32734	0.36000	0.40000	0.40000	0.35000
	\$1.07734	\$1.12000	\$1.12000	\$1.14000	\$1.20000

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2019 and 2020 tax years. Principal taxpayer data for the March 1, 2021 estimate of value is not available.

Taxpayer	Type	2019	2020	% of 2020
		Certified AV	Certified AV (a)	Certified AV
Rosharon ZCF Pharmacy Dst	Commercial	\$2,023,935	\$2,287,910	0.63%
Centerpoint Energy Entex	Utilities	-	2,069,690	0.57%
Savannah United Investment	Lots/Homes	1,364,100	1,845,200	0.51%
Centerpoint Energy Inc	Commercial	1,951,460	1,324,190	0.36%
CVS Pharmacy Inc	Commercial	919,760	981,800	0.27%
Savannah Development Ltd	Lots/Homes	560,620	700,780	0.19%
Comcast of Houston LLC	Commercial	443,230	656,660	0.18%
Homeowner	Commercial	514,415	576,900	0.16%
Homeowner	Business Personal Prop	-	572,815	0.16%
Homeowner	Residential	-	485,734	0.13%
Homeowner	Residential	579,623	-	-
Homeowner	Residential	413,730	-	-
Total		\$8,770,873	\$11,501,679	3.16%

(a) For certified values only based on information provided by BCAD. Excludes uncertified value.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: \$1.50 per \$100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes the District is authorized to levy for paying principal of and interest on the Bonds, the District's Outstanding Bonds, and any tax bonds that may be issued in the future. An election was held within the District on August 11, 2001, which authorized the levy of a maintenance tax not to exceed \$1.50 per \$100 assessed valuation. The District levied a maintenance tax of \$0.32734 per \$100 of assessed valuation for tax year 2020. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2020 Assessed Valuation or the Estimated Valuation as of March 1, 2021 and utilize tax rates adequate to service the District's total debt service requirements on the Bonds and Remaining Outstanding Bonds. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Maximum Impact on District Tax Rates."

Average Annual Debt Service Requirements	\$1,802,005
\$0.53 Tax Rate on 2020 Certified Taxable Assessed Valuation of \$364,570,225 @ 95% collections produces	\$1,835,611
\$0.50 Tax Rate on Estimated Taxable Assessed Valuation at March 1, 2021 \$386,948,140 @ 95% collections produces	\$1,838,004
Maximum Annual Debt Service Requirements (2028)	\$2,711,675
\$0.79 Tax Rate on 2020 Certified Taxable Assessed Valuation of \$364,570,225 @ 95% collections produces	\$2,736,100
\$0.74 Tax Rate on Estimated Taxable Assessed Valuation at March 1, 2021 \$386,948,140 @ 95% collections produces	\$2,720,245

OPERATING STATEMENT

The following statement sets forth in condensed form the historical results of operation of the District's System. System revenues are not pledged to the Bonds, and the system operating statement is provided for information purposes only. Such summary has been prepared by the Financial Advisor and bookkeeper for inclusion herein, based upon information obtained from the District's Bookkeeper's reports and audited financial statements.

	Fiscal Year Ended August 31				
	2020(a)	2019(a)	2018(a)	2017(a)	2016(a)
REVENUES:					
Property Taxes	\$ 1,222,627	\$ 1,368,047	\$ 1,416,061	\$ 1,188,505	\$ 1,288,103
Water service	525,665	493,277	520,994	536,052	541,013
Sewer service	678,406	661,067	679,284	673,144	675,385
Fire protection	350,600	333,451	323,673	291,370	288,020
Penalty and interest	29,022	36,667	30,735	38,178	42,518
Tap connection and inspection fees	2,100	1,145	19,125	-	64,415
Investment Income	63,425	116,243	62,010	8,994	6,328
Other Income	<u>28,124</u>	<u>326,281</u>	<u>311,740</u>	<u>32,332</u>	<u>52,079</u>
TOTAL REVENUES	<u>\$ 2,899,969</u>	<u>\$ 3,336,178</u>	<u>\$ 3,363,622</u>	<u>\$ 2,768,575</u>	<u>\$ 2,957,861</u>
EXPENDITURES:					
Service Operations					
Purchased services	\$ 759,654	\$ 622,449	\$ 419,844	\$ 372,750	\$ 336,745
Groundwater conservation district fee	-	7,150	3,975	5,581	4,637
Professional fees	196,871	169,112	188,948	190,179	187,918
Contracted services	920,748	771,294	834,138	789,454	774,806
Utilities	76,617	86,500	94,835	82,598	69,895
Repairs and maintenance	590,659	567,192	429,886	569,983	426,630
Other expenditures	79,861	128,723	129,518	111,006	162,993
Capital Outlay	<u>849,862</u>	<u>1,457,649</u>	<u>90,838</u>	<u>426,560</u>	<u>280,726</u>
TOTAL EXPENDITURES	<u>\$ 3,474,272</u>	<u>\$ 3,810,069</u>	<u>\$ 2,191,982</u>	<u>\$ 2,548,111</u>	<u>\$ 2,244,350</u>
OTHER FINANCING SOURCES (USES)					
Interfund Transfers In (Out)	\$ 846,949	\$ 3,059	\$ (15,225)	\$ 215,359	\$ -
Insurance proceeds	91,255	-	-	-	-
Recovery from government agency	<u>6,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 944,906</u>	<u>\$ 3,059</u>	<u>\$ (15,225)</u>	<u>\$ 215,359</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 370,603</u>	<u>\$ (470,832)</u>	<u>\$ 1,156,415</u>	<u>\$ 435,823</u>	<u>\$ 713,511</u>
BEGINNING FUND BALANCE	<u>\$ 5,375,741</u>	<u>\$ 5,846,573</u>	<u>\$ 4,690,158</u>	<u>\$ 4,254,335</u>	<u>\$ 3,540,824</u>
ENDING FUND BALANCE	<u>\$ 5,746,344</u>	<u>\$ 5,375,741</u>	<u>\$ 5,846,573</u>	<u>\$ 4,690,158</u>	<u>\$ 4,254,335</u>

(a) Audited.

MANAGEMENT

The District is governed by the Board of Directors (the “Board”), consisting of five directors, which has control over and management supervision of all affairs of the District. All Directors reside or own taxable property in the District. Directors have four-year terms staggered every two years. Elections are held only in even numbered years in May. The current members and officers of the Board, are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Fatiyauh Jones	President	05/2024
Renae Medlock	Vice President	05/2024
John Cacolice	Assistant Vice President	05/2022
Kiesha Curtis-Baker	Secretary	05/2022
Noel D’Souza	Assistant Secretary	05/2024

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, financial advisory and legal services as follows:

Tax Assessor/Collector

The tax assessor/collector for the District is Assessments of the Southwest, Inc. (the “Tax Assessor/Collector”).

Auditor

The financial statements of the District as of August 31, 2020, and for the year then ended, included in this Official Statement, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Bookkeeper

Myrtle Cruz, Inc. acts as bookkeeper for the District.

Utility System Operator

The District’s water and sewer system is operated by Environmental Development Partners LLC (“EDP”).

Engineer

The consulting engineer for the District is LJA Engineering, Inc. (“LJA”).

Financial Advisor

The District has employed the firm of RBC Capital Markets, LLC as financial advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale 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 that has been supplied or provided by third-parties.

Attorney

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the principal and interest requirements on the Bonds.

Year	Outstanding Debt Service	Less: Refunded Debt Service	The Bonds				New Debt Service
			Principal Due 9/1	Interest		Total Principal and Interest	
				Due 3/1	Due 9/1		
2021	\$2,648,656.25	\$163,443.76	\$130,000.00		\$23,320.69	\$153,320.69	\$2,638,533.18
2022	2,664,431.25	353,387.52	210,000.00	\$48,625.00	48,625.00	307,250.00	2,618,293.73
2023	2,678,537.50	356,518.76	220,000.00	45,475.00	45,475.00	310,950.00	2,632,968.74
2024	2,691,637.50	359,056.26	230,000.00	42,175.00	42,175.00	314,350.00	2,646,931.24
2025	2,704,568.75	356,212.52	235,000.00	38,725.00	38,725.00	312,450.00	2,660,806.23
2026	2,721,818.75	358,137.52	240,000.00	35,200.00	35,200.00	310,400.00	2,674,081.23
2027	2,740,625.00	359,681.26	250,000.00	30,400.00	30,400.00	310,800.00	2,691,743.74
2028	2,758,806.25	370,431.26	270,000.00	26,650.00	26,650.00	323,300.00	2,711,674.99
2029	2,406,368.75	370,043.76	275,000.00	23,950.00	23,950.00	322,900.00	2,359,224.99
2030	2,040,743.75	374,243.76	285,000.00	21,200.00	21,200.00	327,400.00	1,993,899.99
2031	1,652,825.00	372,600.00	290,000.00	18,350.00	18,350.00	326,700.00	1,606,925.00
2032	1,373,306.25	375,537.50	300,000.00	15,450.00	15,450.00	330,900.00	1,328,668.75
2033	1,382,725.00	382,425.00	310,000.00	12,450.00	12,450.00	334,900.00	1,335,200.00
2034	1,178,500.00	378,450.00	315,000.00	9,350.00	9,350.00	333,700.00	1,133,750.00
2035	1,190,743.75	384,043.76	325,000.00	6,200.00	6,200.00	337,400.00	1,144,099.99
2036	1,011,025.00	198,775.00	145,000.00	2,950.00	2,950.00	150,900.00	963,150.00
2037	1,018,768.75	202,068.76	150,000.00	1,500.00	1,500.00	153,000.00	969,699.99
2038	820,050.00	-	-	-	-	-	820,050.00
2039	832,300.00	-	-	-	-	-	832,300.00
2040	278,100.00	-	-	-	-	-	278,100.00
	\$36,794,537.50	\$5,715,056.40	\$4,180,000.00	\$378,650.00	\$401,970.69	\$4,960,620.69	\$36,040,101.79

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal 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 Resolution 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 may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations. See “TAX DATA - Maintenance Tax.”

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Brazoria County Appraisal District (the “Appraisal District” or “BCAD”) has the responsibility for appraising property for all taxing units within Brazoria 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 Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by the federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty (20) percent of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. For the 2021 tax year, the District has granted an exemption of \$25,000 of assessed valuation for persons 65 years of age and older and to disabled persons. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of the full amount of the veteran’s residential homestead. See “TAX DATA - Classification of Assessed Valuation.”

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads 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 adoption of a homestead exemption may be considered each year, but must be adopted before July 1. For the 2021 tax year, the District has granted a residential homestead exemption of five percent (5%).

Freeport Goods 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 is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Brazoria County may designate all or part of the area within the District as a reinvestment zone. The City of Pearland also may designate property within its boundaries or its extraterritorial jurisdiction (“ETJ”) as a reinvestment zone. Thereafter, Brazoria County, or the City of Pearland at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. The terms of all tax abatement agreements need not be the same. To date, none of the area within the District has been designated as a reinvestment zone.

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. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) 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 a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

Reappraisal of Property after Disaster

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

Tax Payment Installments after Disaster

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

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 Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each

additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

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

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.

District Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on parity with tax liens of such other taxing units (see "TAX MATTERS - Overlapping Taxes for 2020"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. 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 (a taxpayer may redeem property within two years for residential and agricultural use property and within six months for commercial and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. In addition, a person 65 or older may defer or abate a suit to collect delinquent taxes on the person's residence homestead. See "INVESTMENT CONSIDERATIONS - General - Tax Collections."

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified 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 the State of Texas payable from the proceeds of an annual ad valorem tax levied, without 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, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS (except for information under the subheading "Book-Entry-Only System")," "THE DISTRICT - Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION (except for information under the subheading "Compliance with Prior Undertakings")," solely to determine whether such information fairly summarizes 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 or conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bonds 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 the information contained herein.

Allen Boone Humphries Robinson LLP also serves as counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with 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.

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

No Material Adverse Change

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

TAX MATTERS

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

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and will 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.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

MUNICIPAL BOND RATINGS

The District has applied to Moody's Investors Service ("Moody's") for an underlying rating and Moody's has assigned an underlying rating of "A3" on the Bonds. Additionally, S&P Global Ratings Services, a business unit of Standard & Poor's Financial Services LLC ("S&P"), and Moody's have assigned their municipal bond ratings of "AA" and "A2," respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. (AGM). The ratings reflect the view of S&P and Moody's and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P and/or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. The purchase of such insurance and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, will be at the expense of the District.

MUNICIPAL 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 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 UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), 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 AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Merger of MAC into AGM

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

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 “MUNICIPAL 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 “MUNICIPAL BOND INSURANCE.”

MUNICIPAL 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 applicable 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, 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 District which is recovered by the District 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 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.

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 claims 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 description of “MUNICIPAL BOND RATINGS” and “MUNICIPAL BOND INSURANCE” herein.

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 nor the Underwriter has 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.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC, a firm of independent consultants, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, the accuracy of mathematical computations with respect to the adequacy of the funds available to provide for the payment of the Refunded Bonds. These computations will be based upon information and assumptions supplied by the Financial Advisor on behalf of the District. Public Finance Partners LLC has restricted its procedures to recalculating the computations provided by the Financial Advisor and has not evaluated or the assumptions or information used in the computations.

OFFICIAL STATEMENT

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor. Each consultant has agreed to the use of the information provided by such firms.

The Engineer. The information contained in this Official Statement relating to engineering and to the description of the System has been provided by LJA Engineering, Inc. and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District & Tax Assessor/Collector. The information contained in this Official Statement relating to the assessed valuation of property, classification of assessed valuation, tax collection rates, principal taxpayers, and in particular, such information contained in the section captioned “TAX DATA” has been provided by the Brazoria County Appraisal District and Tax Assessor/Collector in reliance upon their authority as experts in the field of tax assessing and tax collecting, respectively.

Auditor. The financial statements of the District as of August 31, 2020 and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity, and 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, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of 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 Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; 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 Underwriter, unless the Underwriter notifies the District in writing on or before such date that fewer 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 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement included under the headings “TAX DATA (except for information under the subheading “Estimated Overlapping Taxes” and “Estimated Overlapping Debt Statement”), “DEBT SERVICE REQUIREMENTS,” and “APPENDIX A” (the Independent Auditor’s Report and Financial Statements). 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. The District will provide the updated information to EMMA.

The District’s current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of February each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (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 Resolution makes any provision for liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from EMMA

The District has agreed to provide the foregoing updated information only to the information vendors described above. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 or 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 from time to time to adapt to changed circumstances that

arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an Underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment 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 holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. 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 past five years, the District has complied with all of its continuing disclosure agreements in accordance with SEC Rule 15c2-12.

Official Statement "Deemed Final"

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "Final Official Statement" of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.

MISCELLANEOUS

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

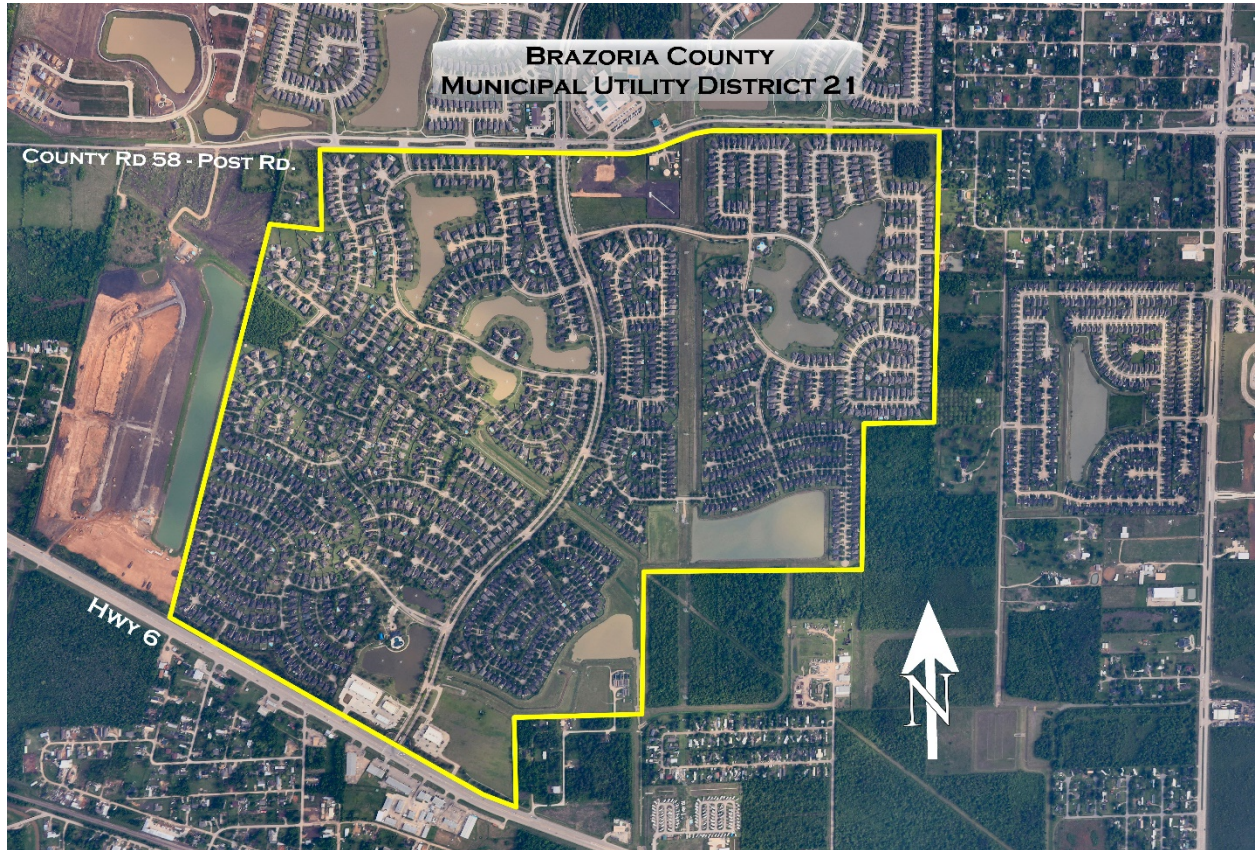
This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 21, as of the date shown on the first page hereof.

/s/ _____
Fatiyauh Jones
President, Board of Directors
Brazoria County Municipal Utility District No. 21

ATTEST:

/s/ _____
Kiesha Curtis-Baker
Secretary, Board of Directors
Brazoria County Municipal Utility District No. 21

AERIAL PHOTOGRAPH OF THE DISTRICT
(April 2021)



APPENDIX A
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Brazoria County Municipal Utility District No. 21

Brazoria County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2020



Brazoria County Municipal Utility District No. 21

August 31, 2020

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Independent Auditor's Report

Board of Directors
Brazoria County Municipal Utility District No. 21
Brazoria County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 21 (the District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of August 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
January 12, 2021

Brazoria County Municipal Utility District No. 21

Management's Discussion and Analysis

August 31, 2020

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Brazoria County Municipal Utility District No. 21

Management's Discussion and Analysis (Continued)

August 31, 2020

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Brazoria County Municipal Utility District No. 21
Management's Discussion and Analysis (Continued)
August 31, 2020

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 13,344,839	\$ 13,709,242
Capital assets	<u>27,195,096</u>	<u>27,533,026</u>
Total assets	<u>40,539,935</u>	<u>41,242,268</u>
Deferred outflows of resources	<u>733,700</u>	<u>788,911</u>
Total assets and deferred outflows of resources	<u>\$ 41,273,635</u>	<u>\$ 42,031,179</u>
Long-term liabilities	\$ 29,097,017	\$ 30,699,285
Other liabilities	<u>543,429</u>	<u>852,910</u>
Total liabilities	<u>29,640,446</u>	<u>31,552,195</u>
Net position:		
Net investment in capital assets	2,964,508	(1,658,928)
Restricted	2,903,826	2,981,149
Unrestricted	<u>5,764,855</u>	<u>9,156,763</u>
Total net position	<u>\$ 11,633,189</u>	<u>\$ 10,478,984</u>

The total net position of the District increased by \$1,154,205, or about 11 percent. The majority of the increase in net position is related to property taxes and service revenues exceeding services and debt service expenses. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Brazoria County Municipal Utility District No. 21
Management's Discussion and Analysis (Continued)
August 31, 2020

Summary of Changes in Net Position

	2020	2019
Revenues:		
Property taxes	\$ 3,812,965	\$ 3,824,689
Charges for services	2,018,002	1,813,688
Other revenues	<u>281,006</u>	<u>595,187</u>
Total revenues	<u>6,111,973</u>	<u>6,233,564</u>
Expenses:		
Services	3,171,255	2,785,862
Depreciation	706,182	664,098
Debt service	<u>1,080,331</u>	<u>1,130,539</u>
Total expenses	<u>4,957,768</u>	<u>4,580,499</u>
Change in net position	1,154,205	1,653,065
Net position, beginning of year	<u>10,478,984</u>	<u>8,825,919</u>
Net position, end of year	<u><u>\$ 11,633,189</u></u>	<u><u>\$ 10,478,984</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2020, were \$8,588,514, a decrease of \$599,145 from the prior year.

The general fund's fund balance increased by \$370,603 due to property taxes, service revenues, insurance proceeds and a transfer from the capital projects fund exceeding service operations and capital outlay expenditures.

The joint water plant fund's fund balance increased by \$5,627 due to an increase in the District's share of operating reserves.

The joint wastewater treatment plant fund's fund balance decreased by \$6,470 due to a decrease in the District's share of operating reserves.

The debt service fund's fund balance decreased by \$57,904 due to bond principal and interest requirements exceeding property tax revenues generated.

Brazoria County Municipal Utility District No. 21

Management's Discussion and Analysis (Continued)

August 31, 2020

The capital projects fund's fund balance decreased by \$911,001, primarily due to a transfer of surplus construction funds to the general fund for reimbursement of capital assets previously paid for and expensed by the general fund.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes revenue and contracted services expenditures being greater than expected and purchased services, repairs and maintenance and capital outlay expenditures being less than expected. In addition, interfund transfers in and insurance proceeds were not budgeted. The fund balance as of August 31, 2020, was expected to be \$1,177,417 and the actual end-of-year fund balance was \$5,746,344.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2020	2019
Land and improvements	\$ 5,511,636	\$ 5,511,636
Construction in progress	521,359	1,272,713
Water facilities	6,324,633	6,397,809
Wastewater facilities	6,048,578	5,345,335
Drainage facilities	8,788,890	9,005,533
Total capital assets	<u>\$ 27,195,096</u>	<u>\$ 27,533,026</u>

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

Construction in progress related to the reverse osmosis treatment unit, implementation proposals 1 and 2, wastewater treatment plant expansion, Phase 5, emergency generator for reverse osmosis treatment unit and fine screen for the wastewater treatment plant	\$ 845,214
Rehabilitation of the ground storage tank, hydropneumatic tank and yard piping	28,576
Reverse osmosis treatment unit, Phase 1	4,221
Drainage improvements at the water plant site	12,012
Wastewater treatment plant, Phase 4	8,315
Total additions to capital assets	<u>\$ 898,338</u>

Brazoria County Municipal Utility District No. 21

Management's Discussion and Analysis (Continued)

August 31, 2020

The developer of the District has constructed recreational facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission and authorization by the City of Pearland (the City). At August 31, 2020, a liability for developer-constructed capital assets of \$851,267 is recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2020, are summarized as follows:

Long-term debt payable, beginning of year	\$ 30,699,285
Decreases in long-term debt	<u>(1,602,268)</u>
Long-term debt payable, end of year	<u>\$ 29,097,017</u>

At August 31, 2020, the District had \$9,150,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems; \$4,500,000 for the development and maintenance of recreational facilities; and \$1,000,000 for fire protection within the District.

The District's bonds carry an underlying rating of "A3" from Moody's Investors Service and "BBB" from Standard & Poor's. The Series 2013, refunding 2013, refunding 2015 and refunding 2016 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Other Relevant Factors

Relationship to the City of Pearland

The District entered into a Strategic Partnership Agreement (SPA) with the City effective July 1, 2002. Pursuant to the SPA, the District will continue to provide water, sewer and drainage services to all properties within its boundaries until annexation subject to certain regionalization requirements. The District has also entered into a Fire Protection Agreement with the City effective September 19, 2002, for fire and emergency medical services in the District. The District terminated the Fire Protection Agreement with the City by mutual agreement, effective December 31, 2019.

Emergency Services Agreement

On December 23, 2019, the District entered into an Interlocal Agreement for Emergency Services (the Agreement) with Brazoria County Emergency Services District No. 3 (ESD No. 3) and Brazoria County Municipal Utility District No. 22 (District No. 22), effective January 1, 2020 (the Commencement Date). ESD

Brazoria County Municipal Utility District No. 21
Management's Discussion and Analysis (Continued)
August 31, 2020

No. 3 agrees to provide emergency medical, emergency ambulance, fire protection and suppression, and rescue services within the boundaries of the District. The initial term of the Agreement is 24 months and will be automatically renewed on every second subsequent anniversary of the Commencement Date for an additional two years. Any party to the Agreement may terminate this agreement upon 270 days' written notice to the other parties. An initial payment of \$78,125 was due upon execution of the Agreement or no later than December 31, 2019, and seven quarterly installment payments of \$78,125 are due to ESD No. 3. After the initial term, the rate of compensation will be adjusted once a year based on the Consumer Price Index.

Brazoria County Municipal Utility District No. 21
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2020

	General Fund	Joint Water Plant	Joint Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets								
Cash	\$ 275,358	\$ 77,187	\$ 64,842	\$ 66,751	\$ 5,574	\$ 489,712	\$ -	\$ 489,712
Certificates of deposit	-	-	-	150,328	-	150,328	-	150,328
Short-term investments	5,793,661	-	-	2,526,549	-	8,320,210	-	8,320,210
Receivables:								
Property taxes	18,511	-	-	37,083	-	55,594	-	55,594
Service accounts	112,209	-	-	-	-	112,209	-	112,209
Due from participants	-	19,605	31,411	-	-	51,016	-	51,016
Due from others	-	-	-	-	-	-	4,132,729	4,132,729
Accrued penalty and interest	-	-	-	-	-	-	24,573	24,573
Accrued interest	-	-	-	601	-	601	-	601
Interfund receivable	5,696	30,934	43,335	4,024	-	83,989	(83,989)	-
Prepaid expenditures	7,867	-	-	-	-	7,867	-	7,867
Capital assets (net of accumulated depreciation):								
Land and improvements	-	-	-	-	-	-	5,511,636	5,511,636
Construction in progress	-	-	-	-	-	-	521,359	521,359
Infrastructure	-	-	-	-	-	-	21,162,101	21,162,101
Total assets	6,213,302	127,726	139,588	2,785,336	5,574	9,271,526	31,268,409	40,539,935
Deferred Outflows of Resources								
Deferred amount on debt refundings	0	0	0	0	0	0	733,700	733,700
Total assets and deferred outflows of resources	\$ 6,213,302	\$ 127,726	\$ 139,588	\$ 2,785,336	\$ 5,574	\$ 9,271,526	\$ 32,002,109	\$ 41,273,635

Brazoria County Municipal Utility District No. 21
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2020

	General Fund	Joint Water Plant	Joint Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities								
Accounts payable	\$ 161,235	\$ 32,292	\$ 74,496	\$ 5,270	\$ 3,477	\$ 276,770	\$ -	\$ 276,770
Customer deposits	174,639	-	-	-	-	174,639	-	174,639
Unearned tap connection fees	19,200	-	-	-	-	19,200	-	19,200
Operating deposits	-	33,414	24,326	-	-	57,740	-	57,740
Interfund payable	78,293	-	-	5,696	-	83,989	(83,989)	-
Due to others	15,080	-	-	-	-	15,080	-	15,080
Long-term liabilities:								
Due within one year	-	-	-	-	-	-	1,645,000	1,645,000
Due after one year	-	-	-	-	-	-	27,452,017	27,452,017
Total liabilities	448,447	65,706	98,822	10,966	3,477	627,418	29,013,028	29,640,446
Deferred Inflows of Resources								
Deferred property tax revenues	18,511	0	0	37,083	0	55,594	(55,594)	0

Brazoria County Municipal Utility District No. 21
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2020

	General Fund	Joint Water Plant	Joint Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Fund Balances/Net Position								
Fund balances:								
Nonspendable, prepaid expenditures	\$ 7,867	\$ -	\$ -	\$ -	\$ -	\$ 7,867	\$ (7,867)	\$ -
Restricted:								
Unlimited tax bonds	-	-	-	2,737,287	-	2,737,287	(2,737,287)	-
Water, sewer and drainage	-	-	-	-	2,097	2,097	(2,097)	-
Committed:								
Water production and distribution facilities	-	62,020	-	-	-	62,020	(62,020)	-
Wastewater collection and treatment facilities	-	-	40,766	-	-	40,766	(40,766)	-
Assigned, special projects	2,872,500	-	-	-	-	2,872,500	(2,872,500)	-
Unassigned	2,865,977	-	-	-	-	2,865,977	(2,865,977)	-
Total fund balances	5,746,344	62,020	40,766	2,737,287	2,097	8,588,514	(8,588,514)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 6,213,302	\$ 127,726	\$ 139,588	\$ 2,785,336	\$ 5,574	\$ 9,271,526		
Net position:								
Net investment in capital assets							2,964,508	2,964,508
Restricted for plant operations							102,786	102,786
Restricted for debt service							2,798,943	2,798,943
Restricted for capital projects							2,097	2,097
Unrestricted							5,764,855	5,764,855
Total net position							\$ 11,633,189	\$ 11,633,189

Brazoria County Municipal Utility District No. 21
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2020

	General Fund	Joint Water Plant	Joint Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues								
Property taxes	\$ 1,222,627	\$ -	\$ -	\$ 2,580,522	\$ -	\$ 3,803,149	\$ 9,816	\$ 3,812,965
Water service	525,665	-	-	-	-	525,665	-	525,665
Sewer service	678,406	-	-	-	-	678,406	-	678,406
Fire protection	350,600	-	-	-	-	350,600	-	350,600
Service to other districts	-	800,459	422,526	-	-	1,222,985	(759,654)	463,331
Penalty and interest	29,022	-	-	20,664	-	49,686	4,321	54,007
Tap connection and inspection fees	2,100	-	-	-	-	2,100	-	2,100
Investment income	63,425	120	98	33,034	2,012	98,689	-	98,689
Other income	28,124	-	-	129	-	28,253	97,957	126,210
Total revenues	2,899,969	800,579	422,624	2,634,349	2,012	6,759,533	(647,560)	6,111,973
Expenditures/Expenses								
Service operations:								
Purchased services	759,654	-	-	-	-	759,654	(759,654)	-
Groundwater conservation district fee	-	10,500	-	-	-	10,500	-	10,500
Professional fees	196,871	75,628	2,197	6,362	-	281,058	18,289	299,347
Contracted services	920,748	50,100	38,155	46,122	-	1,055,125	-	1,055,125
Utilities	76,617	98,810	80,739	-	-	256,166	-	256,166
Repairs and maintenance	590,659	186,342	265,851	-	-	1,042,852	357,839	1,400,691
Other expenditures	79,861	21,359	35,682	12,381	143	149,426	-	149,426
Capital outlay	849,862	357,840	-	-	66,764	1,274,466	(1,274,466)	-
Depreciation	-	-	-	-	-	-	706,182	706,182
Debt service:								
Principal retirement	-	-	-	1,575,000	-	1,575,000	(1,575,000)	-
Interest and fees	-	-	-	1,052,388	-	1,052,388	27,943	1,080,331
Total expenditures/expenses	3,474,272	800,579	422,624	2,692,253	66,907	7,456,635	(2,498,867)	4,957,768
Deficiency of Revenues Over Expenditures	(574,303)	0	0	(57,904)	(64,895)	(697,102)	1,851,307	

Brazoria County Municipal Utility District No. 21
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended August 31, 2020

	General Fund	Joint Water Plant	Joint Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)								
Interfund transfers in (out)	\$ 846,949	\$ 5,627	\$ (6,470)	\$ -	\$ (846,106)	\$ -	\$ -	
Insurance proceeds	91,255	-	-	-	-	91,255	(91,255)	
Recovery from government agency	6,702	-	-	-	-	6,702	(6,702)	
Total other financing sources (uses)	944,906	5,627	(6,470)	0	(846,106)	97,957	(97,957)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	370,603	5,627	(6,470)	(57,904)	(911,001)	(599,145)	599,145	
Change in Net Position							1,154,205	\$ 1,154,205
Fund Balances/Net Position								
Beginning of year	5,375,741	56,393	47,236	2,795,191	913,098	9,187,659	-	10,478,984
End of year	\$ 5,746,344	\$ 62,020	\$ 40,766	\$ 2,737,287	\$ 2,097	\$ 8,588,514	\$ 0	\$ 11,633,189

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

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

Brazoria County Municipal Utility District No. 21 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective June 18, 2001, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

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

The District presents the following major governmental funds:

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

The District has two special revenue funds as follows:

Joint Water Plant – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees for water service.

Joint Wastewater Treatment Plant – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees for wastewater service.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

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

Fund Balances – Governmental Funds

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

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

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

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

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2020, the 2019 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

Deferred Amount on Debt Refundings

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

Debt Issuance Costs

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

Long-term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 27,195,096
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	55,594
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	24,573
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	733,700
Amounts due from others that is not receivable in the current period and is not reported in the funds.	4,132,729
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(29,097,017)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ 3,044,675</u>

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

Change in fund balances.	\$ (599,145)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized costs in the current period.	192,156
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	1,575,000
Revenues that do not provide current financial resources are not reported as revenues in the funds, but are reported as revenues in the statement of activities.	14,137
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(27,943)</u>
Change in net position of governmental activities.	<u>\$ 1,154,205</u>

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

Note 2: Deposits, Investments and Investment Income

Deposits

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

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At August 31, 2020, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

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

The District invests in TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments may be redeemed at any time.

At August 31, 2020, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexSTAR	\$ 8,320,210	\$ 8,320,210	\$ 0	\$ 0	\$ 0

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2020, the District's investments in TexSTAR was rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at August 31, 2020, as follows:

Carrying value:	
Deposits	\$ 640,040
Investments	8,320,210
Total	<u>\$ 8,960,250</u>

Included in the following statement of net position captions:

Cash	\$ 489,712
Certificates of deposit	150,328
Short-term investments	8,320,210
Total	<u>\$ 8,960,250</u>

Investment Income

Investment income of \$98,689 for the year ended August 31, 2020, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2020, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Retirements/ Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 5,511,636	\$ -	\$ -	\$ 5,511,636
Construction in progress	1,272,713	845,214	(1,596,568)	521,359
Total capital assets, non-depreciable	<u>6,784,349</u>	<u>845,214</u>	<u>(1,596,568)</u>	<u>6,032,995</u>

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Retirements/ Reclassi- fications	Balances, End of Year
Capital assets, depreciable:				
Water production and distribution facilities	\$ 9,112,757	\$ 32,797	\$ 141,845	\$ 9,287,399
Wastewater collection and treatment facilities	8,024,185	8,315	882,506	8,915,006
Drainage facilities	12,686,479	12,012	42,131	12,740,622
Total capital assets, depreciable	29,823,421	53,124	1,066,482	30,943,027
Less accumulated depreciation:				
Water production and distribution facilities	(2,714,948)	(247,818)	-	(2,962,766)
Wastewater collection and treatment facilities	(2,678,850)	(187,578)	-	(2,866,428)
Drainage facilities	(3,680,946)	(270,786)	-	(3,951,732)
Total accumulated depreciation	(9,074,744)	(706,182)	0	(9,780,926)
Total governmental activities, net	<u>\$ 27,533,026</u>	<u>\$ 192,156</u>	<u>\$ (530,086)</u>	<u>\$ 27,195,096</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2020, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 29,510,000	\$ 1,575,000	\$ 27,935,000	\$ 1,645,000
Less discounts on bonds	162,271	6,430	155,841	-
Add premiums on bonds	500,289	33,698	466,591	-
	29,848,018	1,602,268	28,245,750	1,645,000
Due to developer	851,267	-	851,267	-
Total governmental activities long-term liabilities	<u>\$ 30,699,285</u>	<u>\$ 1,602,268</u>	<u>\$ 29,097,017</u>	<u>\$ 1,645,000</u>

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

General Obligation Bonds

	Series 2010	Series 2013
Amounts outstanding, August 31, 2020	\$1,835,000	\$2,410,000
Interest rates	3.250% to 5.125%	3.00% to 4.25%
Maturity dates, serially beginning/ending	September 1, 2021/2035	September 1, 2021/2037
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2020	September 1, 2021
	Refunding Series 2013	Series 2014
Amounts outstanding, August 31, 2020	\$5,105,000	\$7,040,000
Interest rates	3.00% to 4.25%	3.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2021/2029	September 1, 2021/2039
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2022	September 1, 2022
	Refunding Series 2015	Refunding Series 2016
Amounts outstanding, August 31, 2020	\$3,300,000	\$4,685,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2021/2030	September 1, 2021/2033
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2024	September 1, 2023

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

	Series 2016A
Amount outstanding, August 31, 2020	\$3,560,000
Interest rates	1.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2021/2040
Interest payment dates	March 1/ September 1
Callable date*	September 1, 2024

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2020:

Year	Principal	Interest	Total
2021	\$ 1,645,000	\$ 1,003,655	\$ 2,648,655
2022	1,710,000	954,431	2,664,431
2023	1,775,000	903,536	2,678,536
2024	1,845,000	846,636	2,691,636
2025	1,925,000	779,567	2,704,567
2026-2030	9,905,000	2,763,362	12,668,362
2031-2035	5,510,000	1,268,102	6,778,102
2036-2040	<u>3,620,000</u>	<u>340,244</u>	<u>3,960,244</u>
Total	<u>\$ 27,935,000</u>	<u>\$ 8,859,533</u>	<u>\$ 36,794,533</u>

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

Tax bonds voted	\$ 50,000,000
Tax bonds sold	40,850,000
Refunding bonds voted	32,500,000
Refunding bonds authorization used	1,013,951
Recreational facilities bonds voted	4,500,000
Fire facilities bonds voted	1,000,000

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

Due to Developer

A developer of the District has constructed recreational facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission and authorized by the City of Pearland (the City) from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$851,267. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Resolution and Commission Requirements

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2020, the District levied an ad valorem debt service tax at the rate of \$0.7600 per \$100 of assessed valuation, which resulted in a tax levy of \$2,591,583 on the taxable valuation of \$340,997,811 for the 2019 tax year. The interest and principal requirements paid from the tax revenues were \$2,624,189.
- B. During the current year, the District transferred \$846,106 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6: Maintenance Taxes

At an election held August 11, 2001, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended August 31, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.3600 per \$100 of assessed valuation, which resulted in a tax levy of \$1,227,592 on the taxable valuation of \$340,997,811 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Joint Facilities/Cost Sharing Agreement

The District and Brazoria County Municipal Utility District No. 22 (District No. 22) (collectively, "the districts") entered into a Joint Facilities/Cost Sharing Agreement (Joint Agreement) on March 15, 2010, for the financing and operation of joint water supply, sewage treatment plant and drainage facilities and a fire station to serve the areas within both districts. Operation and maintenance costs will be allocated to each district based on the total number of active connections within each district's boundaries over the total number of active connections within both districts.

The districts acknowledge and agree that the District owns legal title to the joint water supply, sewage treatment plant and drainage facilities (the Facilities) for the benefit of both districts. Each district owns capacity and has an equitable interest in the Facilities according to their pro rata shares.

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

In prior years, the District funded the construction of the Facilities and District No. 22 began reimbursing for its pro rata shares of the Facilities. As of August 31, 2020, District No. 22 has reimbursed the District \$2,708,095 and has a remaining balance owed of \$4,132,729.

The agreement was first amended on August 18, 2015, whereas the District was allocated an additional 471 ESFCs in the water supply facilities and 481 ESFCs in the wastewater treatment facilities. The second amendment to the Joint Agreement, dated July 15, 2019, allocated to District No. 22 an additional 142 ESFCs in the water supply facilities and 142 ESFCs in the wastewater treatment facilities. The following table shows each district's current share in the wastewater treatment plant, water plant and remote water well No. 1.

	ESFCs	Percentage
The District	1,846	50.35%
District No. 22	1,820	49.65%
	<u>3,666</u>	<u>100.00%</u>

The transactions for the joint water plant during the current year are as follows:

	The District	District No. 22	Totals
Due from participants, beginning of year	\$ 41,980	\$ 46,705	\$ 88,685
Current year billings	497,759	302,700	800,459
Current year collections	<u>(508,805)</u>	<u>(329,800)</u>	<u>(838,605)</u>
Due from participants, end of year	<u>30,934</u>	<u>\$ 19,605</u>	<u>\$ 50,539</u>

The transactions for the joint wastewater treatment plant during the current year are as follows:

	The District	District No. 22	Totals
Due from participants, beginning of year	\$ 30,895	\$ 39,899	\$ 70,794
Current year billings	261,895	160,631	422,526
Current year collections	<u>(249,455)</u>	<u>(169,119)</u>	<u>(418,574)</u>
Due from participants, end of year	<u>\$ 43,335</u>	<u>\$ 31,411</u>	<u>\$ 74,746</u>

The District and District No. 22 have deposited \$62,020 and \$33,414 in the joint water plant fund and \$40,766 and \$24,326 in the joint wastewater treatment plant fund as an operating reserve, respectively.

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

Note 8: Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement (SPA) with the City effective July 1, 2002, and as amended July 1, 2014. The SPA provides for the District to separately contract with the City for fire and emergency medical services in the District. The District will continue to provide water, sewer and drainage services to all properties within its boundaries until annexation subject to certain regionalization requirements. The City is authorized to annex any land developed for commercial purposes within the District for the limited purpose of levying and collecting its sales and use taxes within the area of limited purpose annexation in accordance with applicable law.

Note 9: Fire Protection/Emergency Medical Services Agreements

The districts entered into a Fire Protection/Emergency Medical Services Agreement (Fire Agreement) with the City and Pearland Volunteer Fire Department (PVFD) effective September 19, 2002, for an initial term of 30 years, to provide fire protection services to the districts in return for payment of monthly fire protection fees. The districts agreed to finance and construct a fire station and related fixed appurtenances within one of the districts, which was constructed in a prior year. The districts are responsible for the maintenance and operational costs of the station, including utilities, building maintenance and insurance costs.

During a prior year, the District funded the construction of the fire station. In accordance with the Joint Agreement, District No. 22 will reimburse the District \$500,000 (adjusted for inflation) with proceeds from the sale of bonds. During prior years, District No. 22 made an initial payment of \$250,000 and the final payment of \$294,704 to the District per the Joint Agreement. The District terminated the Fire Protection Agreement with the City by mutual agreement, effective December 31, 2019.

On December 23, 2019, the District entered into an Interlocal Agreement for Emergency Services (the Agreement) with Brazoria County Emergency Services District No. 3 (ESD No. 3) and District No. 22, effective January 1, 2020 (the Commencement Date). ESD No. 3 agrees to provide emergency medical, emergency ambulance, fire protection and suppression, and rescue services within the boundaries of the District. The initial term of the Agreement is 24 months and will be automatically renewed on every second subsequent anniversary of the Commencement Date for an additional two years. Any party to the Agreement may terminate this agreement upon 270 days' written notice to the other parties. An initial payment of \$78,125 was due upon execution of the Agreement or no later than December 31, 2019, and seven quarterly installment payments of \$78,125 are due to ESD No. 3. After the initial term, the rate of compensation will be adjusted once a year based on the Consumer Price Index. During the current year, the District made payments totaling \$434,162 in accordance with the agreements.

Brazoria County Municipal Utility District No. 21

Notes to Financial Statements

August 31, 2020

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

Note 11: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Brazoria County Municipal Utility District No. 21
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2020

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,177,300	\$ 1,177,300	\$ 1,222,627	\$ 45,327
Water service	505,000	505,000	525,665	20,665
Sewer service	662,000	662,000	678,406	16,406
Fire protection	333,000	333,000	350,600	17,600
Penalty and interest	30,000	30,000	29,022	(978)
Tap connection and inspection fees	750	750	2,100	1,350
Investment income	100,000	100,000	63,425	(36,575)
Other income	4,500	4,500	28,124	23,624
Total revenues	2,812,550	2,812,550	2,899,969	87,419
Expenditures				
Service operations:				
Purchased services	624,518	876,724	759,654	117,070
Regional water fee	9,000	9,000	-	9,000
Professional fees	214,000	214,000	196,871	17,129
Contracted services	808,000	840,000	920,748	(80,748)
Utilities	115,000	115,000	76,617	38,383
Repairs and maintenance	550,000	674,500	590,659	83,841
Other expenditures	160,150	78,150	79,861	(1,711)
Capital outlay	4,203,500	4,203,500	849,862	3,353,638
Total expenditures	6,684,168	7,010,874	3,474,272	3,536,602
Deficiency of Revenues Over Expenditures	(3,871,618)	(4,198,324)	(574,303)	3,624,021
Other Financing Sources				
Interfund transfers in	-	-	846,949	846,949
Insurance proceeds	-	-	91,255	91,255
Recovery from government agency	-	-	6,702	6,702
Total other financing sources	0	0	944,906	944,906
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(3,871,618)	(4,198,324)	370,603	4,568,927
Fund Balance, Beginning of Year	5,375,741	5,375,741	5,375,741	-
Fund Balance, End of Year	\$ 1,504,123	\$ 1,177,417	\$ 5,746,344	\$ 4,568,927

Brazoria County Municipal Utility District No. 21
Budgetary Comparison Schedule – Joint Water Plant
Year Ended August 31, 2020

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Service to other districts	\$ 520,650	\$ 915,675	\$ 800,459	\$ (115,216)
Investment income	-	-	120	120
Total revenues	<u>520,650</u>	<u>915,675</u>	<u>800,579</u>	<u>(115,096)</u>
Expenditures				
Service operations:				
Groundwater conservation district fee	11,000	11,000	10,500	500
Professional fees	28,100	28,100	75,628	(47,528)
Contracted services	50,100	50,100	50,100	-
Utilities	83,500	83,500	98,810	(15,310)
Repairs and maintenance	325,000	400,000	186,342	213,658
Other expenditures	22,950	27,050	21,359	5,691
Capital outlay	-	315,925	357,840	(41,915)
Total expenditures	<u>520,650</u>	<u>915,675</u>	<u>800,579</u>	<u>115,096</u>
Excess of Revenues Over Expenditures	-	-	-	-
Other Financing Sources				
Interfund transfers in	-	-	5,627	5,627
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	-	-	5,627	5,627
Fund Balance, Beginning of Year	<u>56,393</u>	<u>56,393</u>	<u>56,393</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 56,393</u>	<u>\$ 56,393</u>	<u>\$ 62,020</u>	<u>\$ 5,627</u>

Brazoria County Municipal Utility District No. 21
Budgetary Comparison Schedule – Joint Wastewater Treatment Plant
Year Ended August 31, 2020

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Service to other districts	\$ 435,950	\$ 475,950	\$ 422,526	\$ (53,424)
Investment income	-	-	98	98
Total revenues	<u>435,950</u>	<u>475,950</u>	<u>422,624</u>	<u>(53,326)</u>
Expenditures				
Service operations:				
Professional fees	26,100	26,100	2,197	23,903
Contracted services	38,100	38,100	38,155	(55)
Utilities	70,000	80,000	80,739	(739)
Repairs and maintenance	255,000	285,000	265,851	19,149
Other expenditures	46,750	46,750	35,682	11,068
Total expenditures	<u>435,950</u>	<u>475,950</u>	<u>422,624</u>	<u>53,326</u>
Excess of Revenues Over Expenditures	-	-	-	-
Other Financing Uses				
Interfund transfers out	-	-	(6,470)	(6,470)
Deficiency of Revenues and Transfers In Over Expenditures and Transfers Out	-	-	(6,470)	(6,470)
Fund Balance, Beginning of Year	<u>47,236</u>	<u>47,236</u>	<u>47,236</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 47,236</u>	<u>\$ 47,236</u>	<u>\$ 40,766</u>	<u>\$ (6,470)</u>

Brazoria County Municipal Utility District No. 21

Notes to Required Supplementary Information

August 31, 2020

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general fund, joint water plant and joint wastewater treatment plant by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund, the joint water plant and joint wastewater treatment plant were amended during fiscal 2020.

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

Other Information

Brazoria County Municipal Utility District No. 21
Other Schedules Included Within This Report
August 31, 2020

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 15-30
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Brazoria County Municipal Utility District No. 21

Schedule of Services and Rates

Year Ended August 31, 2020

1. Services provided by the District:

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

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 17.25	5,000	N	\$ 2.70	5,001 to 10,000
				\$ 3.00	10,001 to 20,000
				\$ 3.15	20,001 to 50,000
				\$ 3.30	50,001 to 75,000
				\$ 3.60	75,001 to No Limit
Wastewater:	\$ 31.60	5,000	N	\$ 2.25	5,001 to No Limit
Groundwater conservation district fee	\$ 0.03	1	N	\$ 0.03	1 to No Limit
Fire service:	\$ 16.04	0	Y		

Does the District employ winter averaging for wastewater usage? Yes ☒ No ☐

Total charges per 10,000 gallons usage (including fees): Water \$ 31.05 Wastewater \$ 42.85

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	1,473	1,466	x1.0	1,466
1"	143	143	x2.5	358
1 1/2"	3	3	x5.0	15
2"	14	14	x8.0	112
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	2	2	x50.0	100
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	1,636	1,629		2,131
Total wastewater	1,613	1,606	x1.0	1,606

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

Gallons pumped into the system:	336,207
Gallons billed to customers:	299,632
Water accountability ratio (gallons billed/gallons pumped):	89.12%

*"ESFC" means equivalent single-family connections

Brazoria County Municipal Utility District No. 21
Schedule of General Fund Expenditures
Year Ended August 31, 2020

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	19,800	
Legal		145,492	
Engineering		31,579	
Financial advisor		-	196,871
Purchased Services for Resale			
Bulk water and wastewater service purchases			759,654
Groundwater Conservation District Fee			-
Contracted Services			
Bookkeeping		22,425	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		95,528	117,953
Utilities			76,617
Repairs and Maintenance			590,659
Administrative Expenditures			
Directors' fees		19,350	
Office supplies		24,459	
Insurance		9,627	
Other administrative expenditures		26,425	79,861
Capital Outlay			
Capitalized assets		847,262	
Expenditures not capitalized		2,600	849,862
Tap Connection Expenditures			-
Solid Waste Disposal			368,633
Fire Protection			434,162
Parks and Recreation			-
Other Expenditures			-
Total expenditures		\$	<u>3,474,272</u>

Brazoria County Municipal Utility District No. 21

Schedule of Temporary Investments

August 31, 2020

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexSTAR	0.14%	Demand	<u>\$ 5,793,661</u>	<u>\$ 0</u>
Debt Service Fund				
Certificate of Deposit				
No. 1002076924	1.00%	04/07/21	150,328	601
TexSTAR	0.14%	Demand	<u>2,526,549</u>	<u>-</u>
			<u>2,676,877</u>	<u>601</u>
Totals			<u><u>\$ 8,470,538</u></u>	<u><u>\$ 601</u></u>

Brazoria County Municipal Utility District No. 21

Analysis of Taxes Levied and Receivable

Year Ended August 31, 2020

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 15,762	\$ 30,016
Additions and corrections to prior years' taxes	<u>(2,216)</u>	<u>(3,994)</u>
Adjusted receivable, beginning of year	<u>13,546</u>	<u>26,022</u>
 2019 Original Tax Levy	 1,225,713	 2,587,616
Additions and corrections	<u>1,879</u>	<u>3,967</u>
Adjusted tax levy	<u>1,227,592</u>	<u>2,591,583</u>
Total to be accounted for	1,241,138	2,617,605
Tax collections: Current year	(1,220,033)	(2,575,625)
Prior years	<u>(2,594)</u>	<u>(4,897)</u>
Receivable, end of year	<u><u>\$ 18,511</u></u>	<u><u>\$ 37,083</u></u>
 Receivable, by Years		
2019	\$ 7,559	\$ 15,958
2018	5,750	10,350
2017	2,534	4,689
2016	1,295	3,145
2015	1,363	2,920
2014	<u>10</u>	<u>21</u>
Receivable, end of year	<u><u>\$ 18,511</u></u>	<u><u>\$ 37,083</u></u>

Brazoria County Municipal Utility District No. 21
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2020

	2019	2018	2017	2016
Property Valuations				
Land	\$ 48,693,734	\$ 48,679,174	\$ 48,624,885	\$ 48,622,314
Improvements	320,339,319	318,553,585	317,462,021	313,949,825
Personal property	7,402,250	7,041,840	6,836,380	5,332,610
Exemptions	<u>(35,437,492)</u>	<u>(32,692,774)</u>	<u>(17,620,078)</u>	<u>(26,625,824)</u>
Total property valuations	<u>\$ 340,997,811</u>	<u>\$ 341,581,825</u>	<u>\$ 355,303,208</u>	<u>\$ 341,278,925</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.7600	\$ 0.7200	\$ 0.7400	\$ 0.8500
Maintenance tax rates*	<u>0.3600</u>	<u>0.4000</u>	<u>0.4000</u>	<u>0.3500</u>
Total tax rates per \$100 valuation	<u>\$ 1.1200</u>	<u>\$ 1.1200</u>	<u>\$ 1.1400</u>	<u>\$ 1.2000</u>
Tax Levy	<u>\$ 3,819,175</u>	<u>\$ 3,825,716</u>	<u>\$ 4,050,457</u>	<u>\$ 4,095,347</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.50 on August 11, 2001

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

Brazoria County Municipal Utility District No. 21
Schedule of Long-term Debt Service Requirements by Years
August 31, 2020

Due During Fiscal Years Ending August 31	Series 2010		Total
	Principal Due September 1	Interest Due March 1, September 1	
2021	\$ 80,000	\$ 90,068	\$ 170,068
2022	85,000	86,568	171,568
2023	90,000	82,849	172,849
2024	95,000	78,687	173,687
2025	100,000	74,293	174,293
2026	105,000	69,668	174,668
2027	110,000	64,813	174,813
2028	120,000	59,313	179,313
2029	125,000	53,313	178,313
2030	135,000	47,063	182,063
2031	140,000	40,313	180,313
2032	150,000	33,313	183,313
2033	160,000	25,625	185,625
2034	165,000	17,425	182,425
2035	175,000	8,969	183,969
Totals	<u>\$ 1,835,000</u>	<u>\$ 832,280</u>	<u>\$ 2,667,280</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Brazoria County Municipal Utility District No. 21
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Series 2013		Total
	Principal Due September 1	Interest Due March 1, September 1	
2021	\$ 100,000	\$ 80,318	\$ 180,318
2022	105,000	76,818	181,818
2023	110,000	73,668	183,668
2024	115,000	70,368	185,368
2025	115,000	66,919	181,919
2026	120,000	63,469	183,469
2027	125,000	59,869	184,869
2028	135,000	56,119	191,119
2029	140,000	51,731	191,731
2030	145,000	47,181	192,181
2031	150,000	42,288	192,288
2032	155,000	37,225	192,225
2033	165,000	31,800	196,800
2034	170,000	26,025	196,025
2035	180,000	20,075	200,075
2036	185,000	13,775	198,775
2037	195,000	7,069	202,069
Totals	<u>\$ 2,410,000</u>	<u>\$ 824,717</u>	<u>\$ 3,234,717</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Brazoria County Municipal Utility District No. 21
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Refunding Series 2013		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 500,000	\$ 206,838	\$ 706,838
2022	525,000	186,838	711,838
2023	550,000	165,838	715,838
2024	575,000	143,837	718,837
2025	600,000	120,837	720,837
2026	635,000	96,837	731,837
2027	665,000	71,437	736,437
2028	695,000	44,837	739,837
2029	360,000	15,300	375,300
Totals	<u>\$ 5,105,000</u>	<u>\$ 1,052,599</u>	<u>\$ 6,157,599</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Brazoria County Municipal Utility District No. 21
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Series 2014		Total
	Principal Due September 1	Interest Due March 1, September 1	
2021	\$ 240,000	\$ 259,625	\$ 499,625
2022	255,000	252,425	507,425
2023	265,000	244,775	509,775
2024	275,000	236,825	511,825
2025	290,000	228,575	518,575
2026	300,000	218,425	518,425
2027	315,000	207,925	522,925
2028	330,000	196,900	526,900
2029	345,000	185,350	530,350
2030	360,000	173,275	533,275
2031	375,000	160,675	535,675
2032	395,000	146,613	541,613
2033	410,000	131,800	541,800
2034	430,000	115,400	545,400
2035	450,000	98,200	548,200
2036	470,000	80,200	550,200
2037	490,000	61,400	551,400
2038	510,000	41,800	551,800
2039	535,000	21,400	556,400
Totals	<u>\$ 7,040,000</u>	<u>\$ 3,061,588</u>	<u>\$ 10,101,588</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Brazoria County Municipal Utility District No. 21
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Refunding Series 2015		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 285,000	\$ 102,137	\$ 387,137
2022	285,000	96,438	381,438
2023	295,000	90,737	385,737
2024	310,000	81,150	391,150
2025	320,000	70,300	390,300
2026	335,000	57,500	392,500
2027	350,000	44,100	394,100
2028	360,000	33,600	393,600
2029	375,000	22,800	397,800
2030	385,000	11,550	396,550
Totals	<u>\$ 3,300,000</u>	<u>\$ 610,312</u>	<u>\$ 3,910,312</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Brazoria County Municipal Utility District No. 21
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Refunding Series 2016		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 335,000	\$ 167,000	\$ 502,000
2022	340,000	160,300	500,300
2023	345,000	153,500	498,500
2024	350,000	146,600	496,600
2025	370,000	132,600	502,600
2026	385,000	117,800	502,800
2027	400,000	102,400	502,400
2028	415,000	86,400	501,400
2029	430,000	69,800	499,800
2030	450,000	52,600	502,600
2031	470,000	34,600	504,600
2032	195,000	15,800	210,800
2033	200,000	8,000	208,000
Totals	<u>\$ 4,685,000</u>	<u>\$ 1,247,400</u>	<u>\$ 5,932,400</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Brazoria County Municipal Utility District No. 21
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Series 2016A		Total
	Principal Due September 1	Interest Due March 1, September 1	
2021	\$ 105,000	\$ 97,669	\$ 202,669
2022	115,000	95,044	210,044
2023	120,000	92,169	212,169
2024	125,000	89,169	214,169
2025	130,000	86,043	216,043
2026	135,000	83,119	218,119
2027	145,000	80,081	225,081
2028	150,000	76,637	226,637
2029	160,000	73,075	233,075
2030	165,000	69,075	234,075
2031	175,000	64,950	239,950
2032	185,000	60,356	245,356
2033	195,000	55,500	250,500
2034	205,000	49,650	254,650
2035	215,000	43,500	258,500
2036	225,000	37,050	262,050
2037	235,000	30,300	265,300
2038	245,000	23,250	268,250
2039	260,000	15,900	275,900
2040	270,000	8,100	278,100
Totals	<u>\$ 3,560,000</u>	<u>\$ 1,230,637</u>	<u>\$ 4,790,637</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Brazoria County Municipal Utility District No. 21
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,645,000	\$ 1,003,655	\$ 2,648,655
2022	1,710,000	954,431	2,664,431
2023	1,775,000	903,536	2,678,536
2024	1,845,000	846,636	2,691,636
2025	1,925,000	779,567	2,704,567
2026	2,015,000	706,818	2,721,818
2027	2,110,000	630,625	2,740,625
2028	2,205,000	553,806	2,758,806
2029	1,935,000	471,369	2,406,369
2030	1,640,000	400,744	2,040,744
2031	1,310,000	342,826	1,652,826
2032	1,080,000	293,307	1,373,307
2033	1,130,000	252,725	1,382,725
2034	970,000	208,500	1,178,500
2035	1,020,000	170,744	1,190,744
2036	880,000	131,025	1,011,025
2037	920,000	98,769	1,018,769
2038	755,000	65,050	820,050
2039	795,000	37,300	832,300
2040	270,000	8,100	278,100
Totals	<u>\$ 27,935,000</u>	<u>\$ 8,859,533</u>	<u>\$ 36,794,533</u>

Brazoria County Municipal Utility District No. 21

Changes in Long-term Bonded Debt

Year Ended August 31, 2020

	Bond			
	Series 2010	Series 2013	Refunding Series 2013	Series 2014
Interest rates	3.250% to 5.125%	3.00% to 4.25%	3.00% to 4.25%	3.00% to 4.00%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2021/2035	September 1, 2021/2037	September 1, 2021/2029	September 1, 2021/2039
Bonds outstanding, beginning of current year	\$ 1,910,000	\$ 2,505,000	\$ 5,580,000	\$ 7,270,000
Retirements, principal	<u>75,000</u>	<u>95,000</u>	<u>475,000</u>	<u>230,000</u>
Bonds outstanding, end of current year	<u>\$ 1,835,000</u>	<u>\$ 2,410,000</u>	<u>\$ 5,105,000</u>	<u>\$ 7,040,000</u>
Interest paid during current year	<u>\$ 93,350</u>	<u>\$ 83,169</u>	<u>\$ 225,838</u>	<u>\$ 266,525</u>

Paying agent's name and address:

Series 2010 - Wells Fargo Bank Texas, N.A., Houston, Texas

Series 2013 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2013R - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2014 - Amegy Bank, N.A., Houston, Texas

Series 2015R - Amegy Bank, N.A., Houston, Texas

Series 2016R - Amegy Bank, N.A., Houston, Texas

Series 2016A - Amegy Bank, N.A., Houston, Texas

Bond authority:

	Tax Bonds	Park Bonds	Fire Facilities Bonds	Refunding Bonds
Amount authorized by voters	\$ 50,000,000	\$ 4,500,000	\$ 1,000,000	\$ 32,500,000
Amount issued	\$ 40,850,000	\$ -	\$ -	\$ 1,013,951
Remaining to be issued	<u>\$ 9,150,000</u>	<u>\$ 4,500,000</u>	<u>\$ 1,000,000</u>	<u>\$ 31,486,049</u>
Debt service fund cash and temporary investment balances as of August 31, 2020:				<u>\$ 2,743,628</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:				<u>\$ 1,839,727</u>

Issues

Refunding Series 2015	Refunding Series 2016	Series 2016A	Totals
2.00% to 4.00%	2.00% to 4.00%	1.00% to 3.00%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	
September 1, 2021/2030	September 1, 2021/2033	September 1, 2021/2040	
\$ 3,575,000	\$ 5,010,000	\$ 3,660,000	\$ 29,510,000
275,000	325,000	100,000	1,575,000
<u>\$ 3,300,000</u>	<u>\$ 4,685,000</u>	<u>\$ 3,560,000</u>	<u>\$ 27,935,000</u>
<u>\$ 107,638</u>	<u>\$ 173,500</u>	<u>\$ 99,169</u>	<u>\$ 1,049,189</u>

Brazoria County Municipal Utility District No. 21
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

	Amounts				
	2020	2019	2018	2017	2016
General Fund					
Revenues					
Property taxes	\$ 1,222,627	\$ 1,368,047	\$ 1,416,061	\$ 1,188,505	\$ 1,288,103
Water service	525,665	493,277	520,994	536,052	541,013
Sewer service	678,406	661,067	679,284	673,144	675,385
Fire protection	350,600	333,451	323,673	291,370	288,020
Penalty and interest	29,022	36,667	30,735	38,178	42,518
Tap connection and inspection fees	2,100	1,145	19,125	-	64,415
Investment income	63,425	116,243	62,010	8,994	6,328
Other income	28,124	326,281	311,740	32,332	52,079
Total revenues	2,899,969	3,336,178	3,363,622	2,768,575	2,957,861
Expenditures					
Service operations:					
Purchased services	759,654	622,449	419,844	372,750	336,745
Groundwater conservation district fee	-	7,150	3,975	5,581	4,637
Professional fees	196,871	169,112	188,948	190,179	187,918
Contracted services	920,748	771,294	834,138	789,454	774,806
Utilities	76,617	86,500	94,835	82,598	69,895
Repairs and maintenance	590,659	567,192	429,886	569,983	426,630
Other expenditures	79,861	128,723	121,318	109,806	102,293
Tap connections	-	-	8,200	1,200	60,700
Capital outlay	849,862	1,457,649	90,838	426,560	280,726
Total expenditures	3,474,272	3,810,069	2,191,982	2,548,111	2,244,350
Excess (Deficiency) of Revenues Over Expenditures	(574,303)	(473,891)	1,171,640	220,464	713,511
Other Financing Sources (Uses)					
Interfund transfers in (out)	846,949	3,059	(15,225)	215,359	-
Insurance proceeds	91,255	-	-	-	-
Recovery from government agency	6,702	-	-	-	-
Total other financing sources (uses)	944,906	3,059	(15,225)	215,359	0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	370,603	(470,832)	1,156,415	435,823	713,511
Fund Balance, Beginning of Year	5,375,741	5,846,573	4,690,158	4,254,335	3,540,824
Fund Balance, End of Year	\$ 5,746,344	\$ 5,375,741	\$ 5,846,573	\$ 4,690,158	\$ 4,254,335
Total Active Retail Water Connections	1,629	1,628	1,632	1,607	1,621
Total Active Retail Wastewater Connections	1,606	1,605	1,604	1,603	1,615

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
42.2 %	41.0 %	42.1 %	42.9 %	43.6 %
18.1	14.8	15.5	19.4	18.3
23.4	19.8	20.2	24.3	22.8
12.1	10.0	9.6	10.5	9.7
1.0	1.1	0.9	1.4	1.4
0.1	0.0	0.6	-	2.2
2.2	3.5	1.8	0.3	0.2
0.9	9.8	9.3	1.2	1.8
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
26.2	18.6	12.5	13.4	11.4
-	0.2	0.1	0.2	0.1
6.8	5.1	5.6	6.9	6.4
31.7	23.1	24.8	28.5	26.2
2.6	2.6	2.8	3.0	2.4
20.4	17.0	12.8	20.6	14.4
2.8	3.9	3.6	4.0	3.5
-	-	0.2	0.0	2.0
29.3	43.7	2.7	15.4	9.5
<u>119.8</u>	<u>114.2</u>	<u>65.1</u>	<u>92.0</u>	<u>75.9</u>
<u>(19.8) %</u>	<u>(14.2) %</u>	<u>34.9 %</u>	<u>8.0 %</u>	<u>24.1 %</u>

Brazoria County Municipal Utility District No. 21
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended August 31,

	Amounts				
	2020	2019	2018	2017	2016
Debt Service Fund					
Revenues					
Property taxes	\$ 2,580,522	\$ 2,464,750	\$ 2,622,772	\$ 2,884,515	\$ 2,760,662
Penalty and interest	20,664	27,581	19,417	14,323	27,175
Investment income	33,034	82,541	41,424	13,520	9,072
Other income	129	-	-	20	-
Total revenues	<u>2,634,349</u>	<u>2,574,872</u>	<u>2,683,613</u>	<u>2,912,378</u>	<u>2,796,909</u>
Expenditures					
Current:					
Professional fees	6,362	6,641	5,695	12,931	3,951
Contracted services	46,122	44,475	47,505	49,593	49,958
Other expenditures	12,381	15,375	4,726	2,855	15,407
Debt service:					
Principal retirement	1,575,000	1,515,000	1,465,000	1,395,000	1,340,000
Interest and fees	1,052,388	1,100,275	1,145,681	1,185,456	1,080,862
Debt issuance costs	-	-	-	-	230,168
Total expenditures	<u>2,692,253</u>	<u>2,681,766</u>	<u>2,668,607</u>	<u>2,645,835</u>	<u>2,720,346</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(57,904)</u>	<u>(106,894)</u>	<u>15,006</u>	<u>266,543</u>	<u>76,563</u>
Other Financing Sources (Uses)					
General obligation bonds issued	-	-	-	-	5,715,000
Deposit with escrow agent	-	-	-	-	(5,827,292)
Premium on debt issued	-	-	-	-	340,626
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>228,334</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(57,904)</u>	<u>(106,894)</u>	<u>15,006</u>	<u>266,543</u>	<u>304,897</u>
Fund Balance, Beginning of Year	<u>2,795,191</u>	<u>2,902,085</u>	<u>2,887,079</u>	<u>2,620,536</u>	<u>2,315,639</u>
Fund Balance, End of Year	<u>\$ 2,737,287</u>	<u>\$ 2,795,191</u>	<u>\$ 2,902,085</u>	<u>\$ 2,887,079</u>	<u>\$ 2,620,536</u>

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
98.0 %	95.7 %	97.7 %	99.0 %	98.7 %
0.8	1.1	0.7	0.5	1.0
1.2	3.2	1.6	0.5	0.3
0.0	-	-	0.0	-
100.0	100.0	100.0	100.0	100.0
0.2	0.3	0.2	0.4	0.2
1.8	1.7	1.7	1.7	1.8
0.5	0.6	0.2	0.1	0.6
59.8	58.8	54.6	47.9	47.9
39.9	42.7	42.7	40.7	38.6
-	-	-	-	8.2
102.2	104.1	99.4	90.8	97.3
(2.2) %	(4.1) %	0.6 %	9.2 %	2.7 %

Brazoria County Municipal Utility District No. 21
Board Members, Key Personnel and Consultants
Year Ended August 31, 2020

Complete District mailing address:	Brazoria County Municipal Utility District No. 21 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	August 17, 2020
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Fatiyauh Jones	Elected 05/20- 05/24	\$ 4,950	\$ 1,201	President
Renae Medlock	Elected 05/20- 05/24	3,300	322	Vice President
Kiesha Curtis-Baker	Elected 05/18- 05/22	3,450	947	Secretary
John Cacolice	Elected 05/18- 05/22	4,050	1,237	Assistant Vice President
Noel DSouza	Elected 05/20- 05/24	3,600	1,168	Assistant Secretary

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

Brazoria County Municipal Utility District No. 21
Board Members, Key Personnel and Consultants (Continued)
Year Ended August 31, 2020

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	07/28/03	\$ 172,455	General Counsel
Assessments of the Southwest, Inc.	07/19/01	23,449	Tax Assessor/ Collector
BKD, LLP	08/06/02	22,000	Auditor
Brazoria County Appraisal District	Legislative Action	24,537	Appraiser
Environmental Development Partners, L.L.C.	06/01/12	895,642	Operator
LJA Engineering, Inc.	07/19/10	132,414	Engineer
Myrtle Cruz, Inc.	07/19/01	42,262	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/18/02	6,362	Delinquent Tax Attorney
RBC Capital Markets, LLC	07/21/03	500	Financial Advisor
Investment Officer			
Mary Jarmon	11/15/01	N/A	Bookkeeper

APPENDIX B
SCHEDULE OF REFUNDED BONDS

Series 2010 Unlimited Tax Bonds

Maturity Date (Sept. 1)	Principal Amount	Coupon	Call Date/Price
2021 (a)	80,000	4.375%	9/01/2020 @ 100
2022 (a)	85,000	4.375%	9/01/2020 @ 100
2023 (b)	90,000	4.625%	9/01/2020 @ 100
2024 (b)	95,000	4.625%	9/01/2020 @ 100
2025 (b)	100,000	4.625%	9/01/2020 @ 100
2026 (b)	105,000	4.625%	9/01/2020 @ 100
2027 (c)	110,000	5.000%	9/01/2020 @ 100
2028 (c)	120,000	5.000%	9/01/2020 @ 100
2029 (c)	125,000	5.000%	9/01/2020 @ 100
2030 (d)	135,000	5.000%	9/01/2020 @ 100
2031 (d)	140,000	5.000%	9/01/2020 @ 100
2032 (e)	150,000	5.125%	9/01/2020 @ 100
2033 (e)	160,000	5.125%	9/01/2020 @ 100
2034 (f)	165,000	5.125%	9/01/2020 @ 100
<u>2035 (f)</u>	<u>175,000</u>	<u>5.125%</u>	<u>9/01/2020 @ 100</u>
	\$1,835,000		

- (a) Representing one term bond in the total principal amount of \$165,000, maturing on September 1, 2022, with mandatory redemption amounts shown above.
- (b) Representing one term bond in the total principal amount of \$390,000, maturing on September 1, 2026, with mandatory redemption amounts shown above.
- (c) Representing one term bond in the total principal amount of \$355,000, maturing on September 1, 2029, with mandatory redemption amounts shown above.
- (d) Representing one term bond in the total principal amount of \$275,000, maturing on September 1, 2031, with mandatory redemption amounts shown above.
- (e) Representing one term bond in the total principal amount of \$310,000, maturing on September 1, 2033, with mandatory redemption amounts shown above.
- (f) Representing one term bond in the total principal amount of \$340,000, maturing on September 1, 2035, with mandatory redemption amounts shown above.

APPENDIX B
SCHEDULE OF REFUNDED BONDS

Series 2013 Unlimited Tax Bonds

Maturity Date (Sept. 1)	Principal Amount	Coupon	Call Date/Price
2022 (a)	105,000	3.000%	9/01/2021 @ 100
2023 (a)	110,000	3.000%	9/01/2021 @ 100
2024 (b)	115,000	3.000%	9/01/2021 @ 100
2025 (b)	115,000	3.000%	9/01/2021 @ 100
2026 (b)	120,000	3.000%	9/01/2021 @ 100
2027 (b)	125,000	3.000%	9/01/2021 @ 100
2028 (c)	135,000	3.250%	9/01/2021 @ 100
2029 (c)	140,000	3.250%	9/01/2021 @ 100
2030 (d)	145,000	3.375%	9/01/2021 @ 100
2031 (d)	150,000	3.375%	9/01/2021 @ 100
2032 (e)	155,000	3.500%	9/01/2021 @ 100
2033 (e)	165,000	3.500%	9/01/2021 @ 100
2034 (e)	170,000	3.500%	9/01/2021 @ 100
2035 (e)	180,000	3.500%	9/01/2021 @ 100
2036 (f)	185,000	3.625%	9/01/2021 @ 100
<u>2037 (f)</u>	<u>195,000</u>	<u>3.625%</u>	<u>9/01/2021 @ 100</u>
	\$2,310,000		

- (a) Representing one term bond in the total principal amount of \$215,000, maturing on September 1, 2023, with mandatory redemption amounts shown above.
- (b) Representing one term bond in the total principal amount of \$475,000, maturing on September 1, 2027, with mandatory redemption amounts shown above.
- (c) Representing one term bond in the total principal amount of \$275,000, maturing on September 1, 2029, with mandatory redemption amounts shown above.
- (d) Representing one term bond in the total principal amount of \$295,000, maturing on September 1, 2031, with mandatory redemption amounts shown above.
- (e) Representing one term bond in the total principal amount of \$670,000, maturing on September 1, 2035, with mandatory redemption amounts shown above.
- (f) Representing one term bond in the total principal amount of \$380,000, maturing on September 1, 2037, with mandatory redemption amounts shown above.

APPENDIX C
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



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